

Kao

Sustainability Report 2026

Sustainability as the only path

For the year ended December 31, 2025



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"Our Foundations" is published on the Sustainability section of the Kao website.

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

Environment

- Biodiversity

Social

- Communication with Consumers
- Process Safety and Disaster Prevention
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Governance

- Corporate Governance
- Risk and Crisis Management
- Responsible Care Activities
- Product Quality Management
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- Tax Strategies

Editorial Policy

GRI 306-1

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 2026 is designed to complement the Kao Integrated Report 2026, 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/

Period

FY2025 (January 1, 2025–December 31, 2025)
Some qualitative information includes initiatives from FY2026.

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 30, 2026
Next report scheduled for	June 2027 (Previous report issued June 13, 2025)

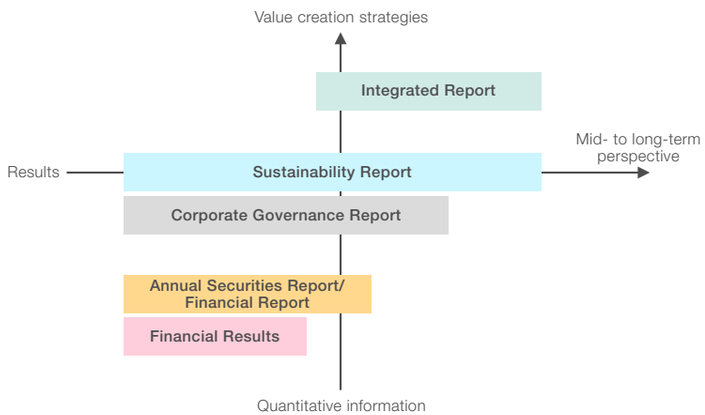
Guidelines referenced

- 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



Disclaimer on forward-looking statements

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

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CEO Message

GRI2-22



Yoshihiro Hasebe
Representative Director
President and Chief Executive Officer

From Conviction to Strength —Toward the Next Growth Frontier

Become Essential in a Sustainable World

Achieving a sustainable society is not optional. It is our responsibility. Within limited resources, we must enhance the quality of life while continuing to advance society sustainably. To do so, companies must continually question their purpose and continue to evolve.

Kao has rebuilt its management foundation with structural reform at the core: sharpening its business portfolio through selection and concentration, strengthening capital efficiency, and advancing organizational reform from a global perspective. These actions are delivering results, and our performance is firmly on a recovery trajectory.

We now have a clear sense of progress toward K27. However, this is not the destination. K27 is a milestone. Beyond it lies the sustainable growth we must achieve.

Leveraging K27 to Unlock the Next Stage of Growth

K27 has been about quality of growth, not quantity. We prioritized building a profitable and competitive foundation over short-term expansion.

By restructuring our business portfolio and sharpening resource allocation, we have strengthened decision-making speed for global competition, enhanced frontline autonomy, and advanced management visibility through digital tools.

These are not outcomes, they are capabilities that position us for the next stage of growth, one we are actively pursuing on a much stronger foundation. At the core is the *Global Sharp Top* strategy: delivering world-leading contributions through sharp, differentiated solutions that leverage Kao's exclusive uniqueness to address needs of high Societal Significance.

By treating the world as our market, choosing where we can contribute most, and creating unique value through *Yoki-Monozukuri*, we aim to become indispensable to a sustainable society. With confidence in achieving K27, we are already looking beyond it.

> "Equipped with the Speed, Autonomy, and Digital Visibility to Compete Globally"

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Our Scientific Advantage —Precision Interface Control Technology

At the core of our growth strategy is Precision Interface Control Technology, refined over decades to design and control interfaces at the atomic and molecular level. Not easily replicated, we position it not as a component technology but as our innovation engine for value creation.

This technology drives consumer loyalty through superior sensory quality and solutions optimized for individual needs.

It is equally vital in growth areas to simultaneously achieve both lower environmental impact and high functionality while advancing the production of next-generation materials. With both consumer and industrial businesses, Kao addresses these challenges from technology and business perspectives.

Our Precision Cleansing technology targets only impurities, from laundry and personal care to semiconductor.

This accumulated expertise, and the ability to apply it across industries, is our exclusive uniqueness.

Building Economic and Social Value Together

For Kao, enhancing societal and environmental value, with economic discipline at its core, directly strengthens our corporate value.

Attack ZERO, featuring our proprietary surfactant Bio IOS® , has achieved a 38% reduction in energy consumption and a 47% reduction in water quality impact compared to conventional products.

At Kao, science drives this virtuous cycle between environmental performance and business growth.

Powering Growth with Scientific Marketing and AI

We have continued to advance our strength in scientific marketing.* By deepening consumer understanding through evidence-based insights and designing value accordingly, we have strengthened brand equity and customer loyalty.

We have also adopted a lean, data-driven business model. We test in focused areas and expand based on highly accurate insights.

Within this model, AI plays a central role. It enhances decision-making quality and speed across R&D, marketing, and supply chains, enabling the creation of new value.

As we increase our investment in these areas, integrating technology, data, and AI, we continue to strengthen Kao's competitive advantage.

* Scientific marketing: Kao's approach to understanding consumers and designing product value through diverse evidence-based insights—encompassing consumer science, behavioral data, and cross-domain expertise.

Strengthening Our Portfolio through Disciplined Investment

Growth depends on disciplined investment. We manage each business according to its competitive position, growth potential, and capital efficiency.

We continuously evolve our portfolio based on competitiveness, growth potential, and capital efficiency. Under K27's financial discipline, we invest actively in growth areas while accelerating structural transformation elsewhere.

This dynamic and disciplined resource allocation drives sustainable growth beyond K27.

“Integrating Technology, Data, and AI to Strengthen Competitive Advantage”



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No Growth without Investing in People

People create value. This applies to both technology and business.

To achieve the next stage of growth, we are committed to further strengthening investment in our people.

As part of that commitment, in November 2025, we established *Yukei* at the Sumida Office as a co-creation hub. It enables people to experience the philosophy of *Yoki-Monozukuri* through all five senses. It also serves as a platform to co-create value with diverse stakeholders.

Beyond internal development, we actively recruit experienced professionals. Mid-career hires now match new-graduate scale, bringing diverse expertise to the organization.

We value those who deepen their expertise, cross boundaries, and offer fresh perspectives. Together, we are building an environment where everyone performs at their best, developing globally competitive talent and organizations.

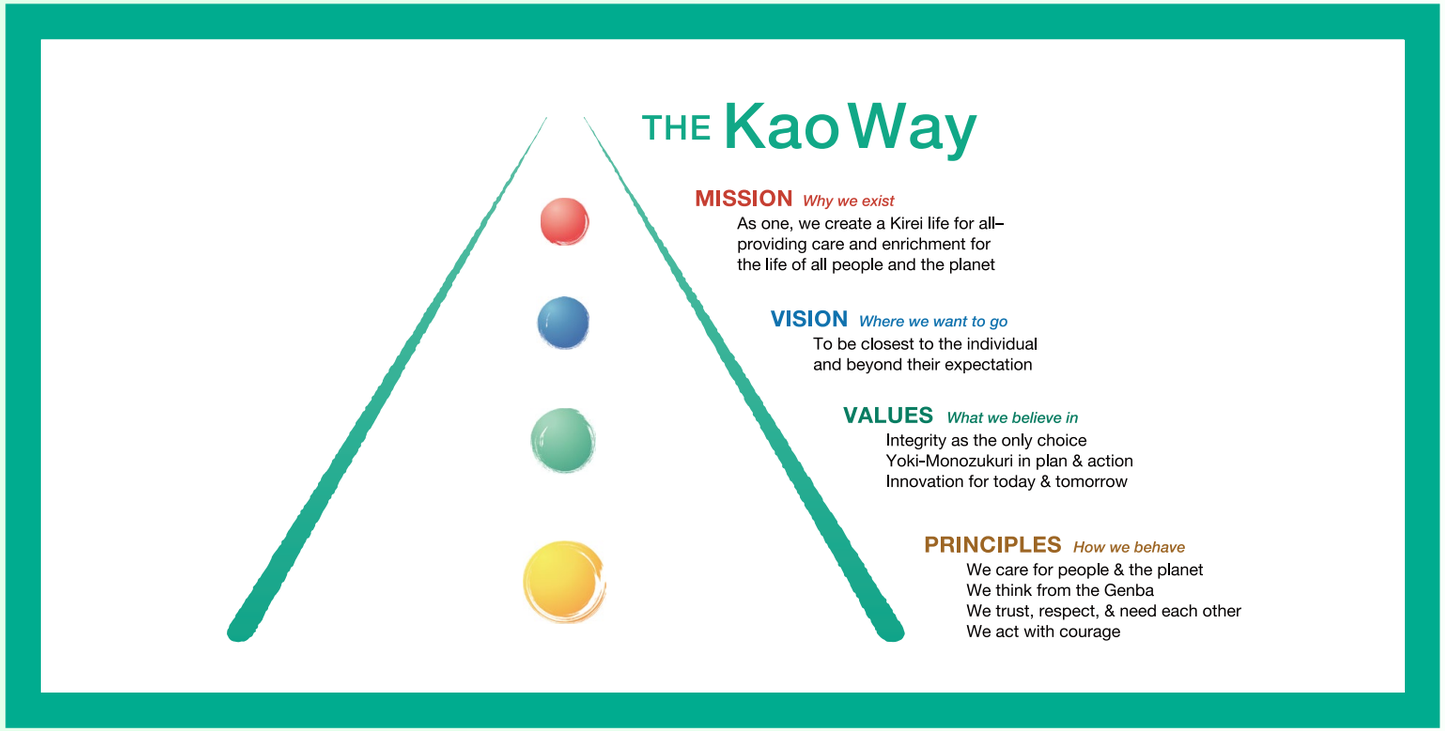
Moving Forward: *The Kao Way*

At the foundation of everything we do lies *The Kao Way*. Since our founding 139 years ago, our purpose has remained unchanged: As one, we create a *Kirei* life for all, providing care and enrichment for the life of all people and the planet. From that same spirit, we make people and society clean, enriching lives and creating more smiles.

Dedication and altruism define Kao at its core. We engage sincerely with society and create value through *Yoki-Monozukuri*. This philosophy does not change, even as the world evolves.

What lies beyond K27 is not simply a growth strategy. It is a statement of what kind of company we aim to become.

With technology at the core, and by fully leveraging scientific marketing and AI, we are harnessing our scientific advantage, from Precision Interface Control to insight-driven marketing, to achieve the next stage of growth as a company essential to a sustainable society.



> “Enabling Peak Performance, Developing Globally Competitive Talent and Organizations”

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Trade-off to Trade-on: ESG as Competitive Strength

Our corporate philosophy, *The Kao Way*, calls on us to create a *Kirei* life for all — providing care and enrichment for the lives of all people and the planet. We pursue this through *Yoki-Monozukuri*, embedding ESG into how we innovate, operate, develop products, and create lasting value.

Yoki-Monozukuri is built on the principle of "Maximum with Minimum": maximizing the value delivered by our products while designing out unnecessary resource use and environmental burden, creating stronger business performance, positive societal outcomes, and sustainable long-term returns.

Too often, sustainability is framed as a choice between performance and responsibility. Our experience has been the opposite. Through science and innovation, better outcomes for consumers, society, and the environment reinforce one another. This is what we call a trade-on: lower-burden, higher-performance products strengthen pricing power and customer loyalty. For us, ESG is not only a core pathway to realizing our corporate mission; it's how we strengthen competitiveness and corporate value.

ESG: Accelerating *Global Sharp Top*

As we advance our mid-term plan K27 and build the foundations for future growth, ESG does not simply complement our strategy, it is positioned to accelerate it. Our *Global Sharp Top* strategy focuses on the solutions where society's needs meet our distinctive strengths, and that is where we find opportunities to create innovations that are socially meaningful and competitively differentiated.

Take *CuCute*, our foam dishwashing detergent: a simple spray delivers powerful cleaning while using less water, helping people live more sustainably without changing their daily habits. For industry, our *STAY BRIGHT* metal-cleaning technology prevents rust without heat, so our B2B customers can cut operating costs and environmental impact at the same time. These are not compromises between performance and sustainability; they are proof that we can deliver both: Meeting our customers' changing needs while sharpening our competitive edge with sustainable innovation delivers growth and contributes meaningfully to ROIC and EVA across the portfolio.

Our ability to create these "Trade-ons" is rooted in the design of our business model. We operate both consumer products and chemical businesses, with a vertically integrated supply chain that runs from key materials such as surfactants through to final product development and manufacturing. This lets us design for function and environmental performance together, from the raw-materials stage.

Palm and palm kernel oil show what this makes possible. As a key raw material behind the surfactants and cleaning bases at the heart of our products, they let us build in responsibility at the source: we continue to advance traceability to oil palm plantations — 91% in 2025, on the way to 100% by 2030. We also develop cleaning bases such as BIO IOS®, which turns previously underused parts of the fresh fruit bunch into a high-performance surfactant. This is how we turn sustainability into competitive edge, and exactly what our ESG strategy, the Kirei Lifestyle Plan, is designed to do: improve everyday life, reduce environmental burden, and strengthen corporate value.

Our work is far from complete and the opportunity ahead is significant. Our Scope 1+2 emissions are down 47% against our 55% target for 2030 — a target the SBTi has validated as consistent with 1.5°C — supported by renewable electricity, which now accounts for 78% of our consumption. The greater challenge is Scope 3: where most of our footprint resides, concentrated in raw materials and product use. Our strengths in innovation and chemical-to-consumer integration position us to drive change, but progress depends on collaboration across the entire value chain. We will continue working closely with suppliers and other stakeholders.

I believe Kao has the science, the integration, and the innovation capability to keep turning trade-offs into trade-ons and, by creating value for people, society, and the planet, to strengthen the cycle of trust, innovation, and growth that underpin our Corporate Purpose: *to realize a Kirei world, where all life lives in harmony.*



Junko Ohtani
Executive Officer
Senior Vice President, ESG

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ESG Highlights

Under the ESG Strategy, the Kirei Lifestyle Plan, Kao pursues the creation of economic value alongside environmental and social value through its business. This section presents the outcomes of those efforts.



Profitable growth and reduced environmental impact, engineered together

+180%
EVA growth
vs. 2022
(ROIC introduction year)

-29%
% reduction in absolute scope 1 + 2 CO_2 emissions
(vs. 2022)

Streamlined inventory management achieved through supply chain reform in the Cosmetics business

-18%
Reduction in product inventory
(YoY)

-22%
Reduction in inventory waste
(YoY, excluding raw materials)

Our advanced surfactant technology enables metal cleaning and rust prevention in a streamlined low-energy process

+15%
YoY sales growth in the Metals segment
(Includes metal cleaners)

-73%
CO_2 reduction
(per cleaning machine)

Kao's advanced cooling solutions help address rising heat stress in everyday life and industrial workplace settings

15 million
Cumulative cooling-towel shipments
(January 2020–December 2025)

-6°C
Reduction in skin temperature when used with an air-conditioned work jacket
(sustained for approximately 30 minutes.)*1

Our science-backed innovation continues to advance comfortable daily UV protection with lower environmental impact

Over **100 million units***2
Cumulative shipments

-63%
CO_2 emissions reduction
(Per unit weight in the Fresh Pouch refill, vs. 70g laminated tube)

Proprietary surfactant *Bio IOS*® enables high performance with reduced carbon emissions

2.6x
Unit price per volume (*Attack ZERO* with *Bio IOS*® vs. baseline)

-37%
CO_2 emissions reduction
Before vs. after *Bio IOS*® incorporation

*1 Research by Kao; results when used outdoors at 30°C (including breaks in sun and shade).
*2 Kao research. Sum of tube-type products (incl. limited edition fragrances, cool type, large-capacity). Includes products exported and locally produced outside Japan (January 2011– October 2023).

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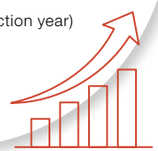
Sustainable Innovation is our Growth Engine

Profitable growth and reduced environmental impact, engineered together.

+180%

EVA growth

vs. 2022 (ROIC introduction year)



-29%

% reduction in absolute scope 1 + 2 CO_2 emissions

(vs. 2022)



-12%

% reduction in absolute lifecycle CO_2 emissions

(vs. 2022)



-13%

Quantity of fossil-based plastic used in packaging

(vs. 2022)



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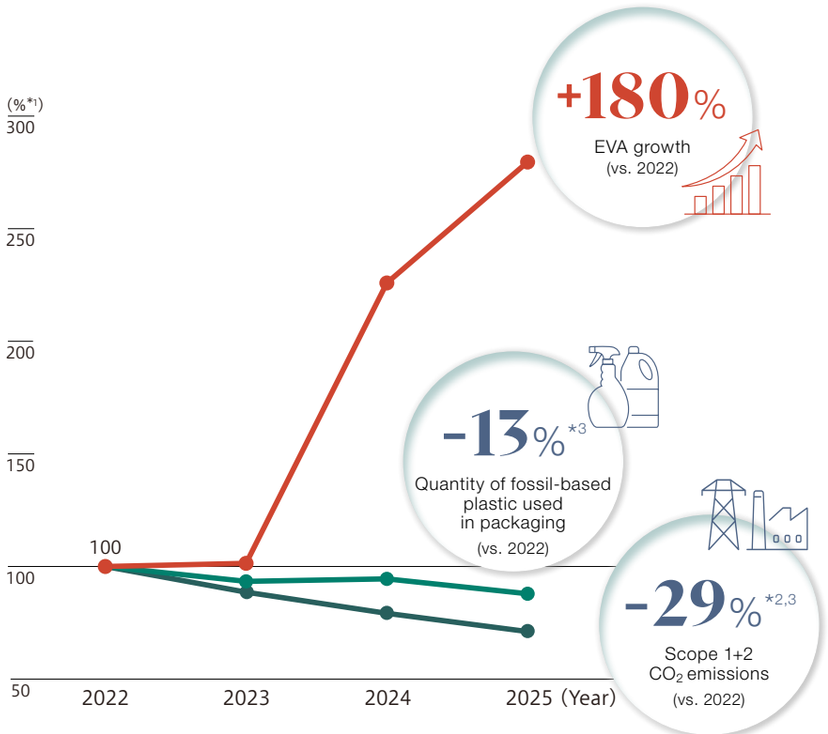
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Sustainable Innovation is our Growth Engine

Profitable growth and reduced environmental impact, engineered together.

At Kao, addressing climate change and the plastics issue is positioned as a core management priority for sustainable growth. Under our ESG strategy, we advance profitability and reduction of environmental impact through *Yoki-Monozukuri*, underpinned by our proprietary technologies. In 2025, EVA (Economic Value Added) grew by approximately 180% versus 2022, while CO_2 emissions and fossil-based plastic use declined.



*1 Indexed to 100 in 2022 (the year ROIC was introduced)
*2 Scope of aggregation: all sites of the Kao Group and company vehicles in Japan. Gases covered: the seven gases specified under the Kyoto Protocol (sites outside Japan: CO_2 only).
*3 Greenhouse gas emissions from worksites and fossil-based plastic used in packaging are shown as indices with FY2022 set to 100.
*4 Products that meet Kao's criteria for superior environmental performance

Economic Value

In 2025, EVA increased by approximately **180%** versus 2022 (the year ROIC was introduced), expanding value creation more than the cost of capital.

Net sales of products delivering environmental benefits*4 (such as reduction in water usage) increased approximately **16%** year-on-year.

Environmental and Social Value

Scope 1 + 2 CO_2 emissions fell by approximately **29%** (vs. 2022) through measures such as increased use of renewable electricity.

CO_2 emissions across the full product lifecycle were reduced by approximately **12%** (vs. 2022) by reducing CO_2 emissions from raw material procurement and product use.

Fossil-based plastic used in packaging declined by approximately **13%** (vs. 2022) through designs that reduce plastic usage such as the *CuCute eco-peco* bottle, and increased use of recycled plastic.

For detailed data, please also refer to P143 "Decarbonization" and P161 "Zero Waste." P315 KPI definitions

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Less Inventory. Less Waste. Better Growth.

Streamlined inventory management achieved through supply chain reform in the Cosmetics business.

-18%

Reduction in product inventory

(YoY)

Streamlined inventory

Reduced logistics costs

-22%

Reduction in inventory waste

(YoY, excluding raw materials)

Reducing inventory disposal

Preventing stockouts

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Less Inventory. Less Waste. Better Growth.

Streamlined inventory management achieved through supply chain reform in the Cosmetics business.

In the Cosmetics business, diversifying consumer preferences have driven a growing number of stock keeping units (SKUs) and greater demand volatility, leading to excess inventory, inventory disposal, and lower capital efficiency. At Kao, we are creating systems to prevent overproduction. For example, we opened a materials stock center in Japan that shifts part of the inventory from finished goods to materials, and established an integrated inventory operations structure in China. In 2025, we strengthened our ability to respond to demand fluctuations, reducing finished product inventory and inventory disposal, as well as optimizing overall inventory levels.

Stock center and integrated operations structure achieved:

- Reduction of product inventory
- Reduction of logistics costs
- Reduction in inventory disposal
- Prevention of stockouts

Economic Value

-18% Reduction in product inventory (YoY)



- Improved capital efficiency by reducing inventory assets. EVA improvement in the Cosmetics business contributed to Kao Group's EVA growth.
- Strengthening ability to respond to demand fluctuations addressed challenges on a structural level, such as inventory disposal caused by expiration, and stockouts in market. Achieved improvement in quality of earnings and sales growth by lowering inventory while minimizing missed sales opportunities.

Environmental and Social Value

-22% Reduction in inventory waste (YoY excluding raw materials)



- Reduced waste in raw materials, packaging, and manufacturing energy by lowering disposal of expired inventory caused by overproduction.
- Optimized use of resources by establishing systems to manufacture only what is needed when it is needed, reducing overproduction reducing overproduction by shifting stock to materials.
- Reduced CO_2 emissions across the supply chain. In eastern Japan, integrated and centrally managed logistics between material suppliers and production sites lowered transportation frequency. Existing logistics optimization efforts was also a key factor.

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High-Performance Cleaning Without Heat

Our advanced surfactant technology enables metal cleaning and rust prevention in a streamlined low-energy process.

+15%

YoY sales growth in the Metals segment

(Includes metal cleaners)



-73%

CO_2 reduction

(per cleaning machine)



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High-Performance Cleaning Without Heat

Our advanced surfactant technology enables metal cleaning and rust prevention in a streamlined low-energy process.

Historically, the process to clean metal parts required heat and could lead to oxidation due to the water used. Every step consumed energy; cleaning solutions were heated to unlock their cleaning power, energy was used to increase drying speed, and hot air was used to dry. In addition, rust-preventive oils and protective packaging were required, contributing to waste. Leveraging Kao's expertise in surfactant technology, we developed *STAY BRIGHT*, a single agent that completes everything from cleaning to rust prevention all without heat. In 2025, we expanded deployment at customer manufacturing sites, contributing to reducing both manufacturing costs and environmental impact.

Economic Value

- Sales in the Metals segment, including metal component cleaners, grew **15%** year-on-year.
- Expanded adoption of *STAY BRIGHT* in the high-value-added market. Positioned as a high-performance, integrated solution that delivers heatless cleaning and rust prevention, leading to process simplification and reduction in energy as well as packaging materials.
- Deployed at customer manufacturing sites at a scale of approximately 150 cleaning machines. Starting with automotive parts, application is expanding to aircraft, ships, and manufacturing equipment.

Environmental and Social Value

- Heatless cleaning reduces CO_2 emissions in the cleaning process by over **90%**.
- CO_2 emissions reduced by approximately **73%** per cleaning machine annually by eliminating the need for heating, drying, and rust-preventive treatment.
- The service life of the cleaning solution solution is extended as evaporation is reduced in the absence of heat. Replacement is required less frequently and water replenishment needs are minimized, reducing water usage to less than one-third, also reducing wastewater treatment needs.
- Eliminating the need for rust-preventive oil, packaging materials, and desiccants contributes to waste reduction and conservation of natural resources.



Eliminate individual packaging



Individual packaging for rust prevention



Packaging after cleaning with *STAY BRIGHT*

For more details, please refer to *STAY BRIGHT*
https://chemical.kao.com/global/metals/staybright/

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Personal Cooling Solutions for a Warming Climate

Kao's advanced cooling solutions help address rising heat stress in everyday life and industrial workplace settings.

15million

Cumulative cooling-towel shipments

(January 2020–December 2025)



Record high

1.7billion yen*1

2025 net sales

−6°C*2

Reduction in skin temperature when used with an air-conditioned work jacket (sustained for approximately. 30 minutes.)*

*1 INTAGE SRI+ "Antiperspirant/Deodorant + Cooling Goods" market, cumulative sales value, January 2025–December 2025
*2 Research by Kao; results when used outdoors at 30°C (including breaks in sun and shade).

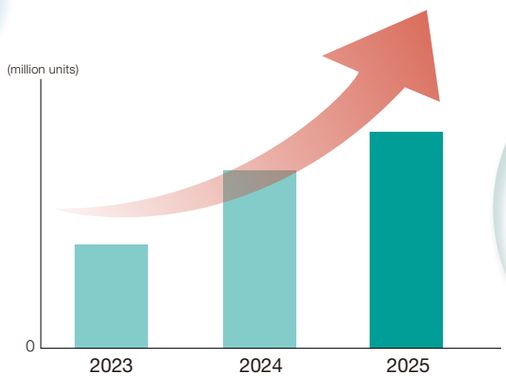
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Personal Cooling Solutions for a Warming Climate

Kao's advanced cooling solutions help address rising heat stress in everyday life and industrial workplace settings.

As climate change brings extremely hot and humid conditions as well as prolonged heatwaves, heat-related risks are rising in consumers' daily lives and at outdoor worksites. Kao offers cooling products that harness the heat of vaporization. Offered in both consumer and business markets, these solutions to extreme heat are linked with growth of the *Bioré* brand. In 2025, we saw increases in cumulative shipments of cooling towels, B2B deployments, and net sales, advancing both social value creation and business growth.

Economic Value



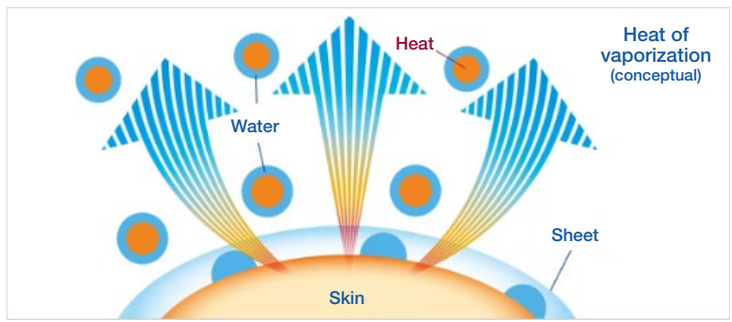
15 million

Cumulative cooling-towel shipments

(January 2020–December 2025)

- *Bioré Cool Support* entered the B2B heat-stress care market in Japan. As of March 2026, the product is adopted by **200 companies**, opening a new B2B market against the backdrop of newly mandated heat-stress countermeasures.
- The cooling towel, our flagship product, has surpassed **15 million** cumulative units shipped since its 2020 launch.
- Achieved a record-high **1.7 billion yen***1 in net sales in 2025. Increased sales opportunities driven by prolonged heatwaves lifted annual revenue.

Environmental and Social Value



- As we see prolonged heatwaves driven by climate change, cooling products that lower skin temperature through the heat of vaporization contribute to protection from extreme heat and improving comfort in daily life.
- Rolled out B2B heat-stress care products that protect the health and lives of outdoor workers, following the mandated strengthening of countermeasures for heat in workplaces in 2025.
- **6°C** reduction from pre-application skin temperatures was confirmed to be sustained for approximately 30 minutes, when used with an air-conditioned work jacket (standard equipment in heat-stress environments).*2

*1 INTAGE SRI+ "Antiperspirant/Deodorant + Cooling Goods" market, cumulative sales value, January 2025–December 2025

*2 Research by Kao; results when used outdoors at 30°C (including breaks in sun and shade)

Bioré Cool Support (Japanese-language website)
https://www.kao.co.jp/bioresheets/hiyashi/support/

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Sustainable Innovation in Everyday UV Protection

Our science-backed innovation continues to advance comfortable daily UV protection with lower environmental impact.

Over
100 million units*1

Cumulative shipments



-63%*2

CO_2 emissions reduction



*1: Kao research. Sum of tube-type products (incl. limited edition fragrances, cool type, large-capacity). Includes products exported and locally produced outside Japan (January 2011–October 2023).
*2: Per unit weight in the Fresh Pouch refill, vs. 70g laminated tube

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Sustainable Innovation in Everyday UV Protection

Our science-backed innovation continues to advance comfortable daily UV protection with lower environmental impact.

As demands in UV care increase, consumers are seeking products that are easy to use every day while reducing environmental impact. Kao meets these needs through *Bioré UV Aqua Rich Watery Essence*, combining a comfortable user experience with packaging that has a lower footprint.
Cumulative shipments since launch have surpassed 100 million units, improving quality of life (QOL) for consumers, reducing environmental impact, and driving business growth.

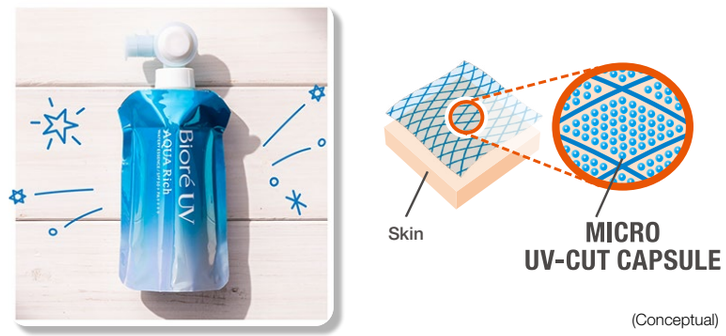
Economic Value



- Product offered globally with Kao's proprietary formulation technology that delivers both high UV protection and comfortable wear.
- Increased usage and continued consumer support drove over **100 million**[*1] cumulative units shipped and expansion of Japanese market share to **6.7%**[*3].

*1: Kao research. Sum of tube-type products (incl. limited edition fragrances, cool type, large-capacity). Includes products exported and locally produced outside Japan (January 2011–October 2023).
*2: Ascorbyl glucoside
*3: INTAGE SRI+ UV care products market, cumulative sales value share, January 2025–December 2025

Environmental and Social Value



(Conceptual)

- The Fresh Pouch refill package design makes dispensing easy, and allows people to use up the product to the last drop hygienically. It also reduces CO_2 emissions per unit weight by approximately. **63%**[*4], achieving both reduced environmental impact and increased accessibility.
- Formulation that prevents unevenness in application at the micro level delivers strong UV protection and comfort, making everyday UV protection more accessible and improving daily QOL.

*4: Per unit weight in the Fresh Pouch refill, vs. 70g laminated tube

Bioré UV Aqua Rich Watery Essence (Japanese-language website)
https://www.kao.co.jp/bioreuv/microuv/

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Small Footprint. Big Impact.

Proprietary surfactant *Bio IOS*® enables high performance with reduced carbon emissions.

2.6x

Unit price per volume*1



-37%

CO_2 emissions reduction*2

BIO iOS

*1: *Attack ZERO* with *Bio IOS*® vs. baseline (as of 2025)
*2: Before vs. after *Bio IOS*® incorporation

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Small Footprint. Big Impact.

Proprietary surfactant *Bio IOS*® enables high performance with reduced carbon emissions.

As global demand for detergents is expected to grow, expanding the range of raw material options while reducing environmental impact is an increasingly important challenge. Using fats and oils that were historically difficult to leverage, Kao developed *Bio IOS*®, a proprietary surfactant with a unique structure that combines high detergency with high water solubility. Application of this technology is now expanding across brands, from laundry detergents to body cleansers and hair care, advancing environmental compatibility and economic value in parallel.

Economic Value

- *Attack Zero* with *Bio IOS*® secures **2.6x** unit price per volume; the newly launched 2025 product *Bioré The Body Totonoi Hada* delivers **2.2x**.
- *Attack Zero* achieved a **25%** contribution to net sales; *Bioré The Body Totonoi Hada* achieved **4%** (launched in 2025).

Environmental and Social Value

- *Attack Zero* achieved a **37%** reduction in CO_2 emissions; *Bioré The Body Totonoi Hada* achieved **29%**.
- Leverages fats and oils that previously had limited application as high-performance surfactant feedstock.

Attack Zero (Laundry detergent)	*Bioré The Body Totonoi Hada* (Body cleanser)
	
New high-value-added positioning	
High-speed cleaning power	Site-selective cleansing
CO_2 emissions reduction*1	
-37%	-29%
Unit price per volume*2	
2.6x	2.2x
Contribution to net sales*3	
25%	4%

*1 Comparison of product formulations before and after *Bio IOS*® incorporation.
*2 Compared to baseline products in each category (as of 2025).
*3 Share of net sales in the same category within the brand in 2025 (for *Bioré The Body Totonoi Hada*, the nine months following its April 2025 launch).

- Kao Integrated Report 2026 P32
  https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/kao-reports-fy2026-en.pdf
- Sustainable Surfactant Bio IOS and Precise Oil Conversion Technology
  https://www.kao.com/global/en/innovation/research-development/fundamental/material-science/bio-ios/

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Case study: Scaling Value Creation Through *Bio IOS*® and Its Applications



Making my everyday more beautiful

IMPROVED QUALITY OF LIFE

HABITS FOR CLEANLINESS, BEAUTY & HEALTH

01 Most powerful deodorizing power in *Attack ZERO* liquid detergent history

02 Eliminates clothing and washing machine drum odor

03 Eliminates need for maintenance of washing machine drum*1

UNIVERSAL PRODUCT DESIGN



More accessible dispenser enables measurement with one hand

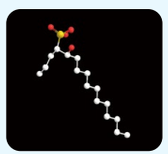
Making thoughtful choices for society

PURPOSE DRIVEN BRANDS

Attack アタック

High “reliable” and “empathy” scores for the brand*2

TRANSFORMATIVE INNOVATION



World’s first high-performance surfactant*3

RESPONSIBLY SOURCED RAW MATERIALS



Sustainable use of palm oil-based raw materials

Making the world healthier & cleaner

DECARBON -IZATION

Compactification reduces energy used in transport

WATER CONSERVATION



Single rinse cycle reduces water usage

ZERO WASTE



100% recycled plastic used (for bottle)*4

See here for progress on initiatives aligned with each target of the ESG Strategy, the Kirei Lifestyle Plan:
P52 Our ESG Vision and Strategy > Metrics and Targets

*1 Refers to effects on eliminating bacteria and preventing mold. Not effective for all bacteria/mold.
*2 Kao survey, N=800, 2025 survey (within Japan, laundry detergent category); scores exceed the category average by 10 points or more
*3 The first use of a surfactant with proprietary molecular structure in a consumer product.
*4 Adoption of 100% recycled plastic (PET) for product bottles

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Value creation unified by our ESG strategy

◎ Central to value creation ○ Clear relation △ Supports indirectly

ESG Strategy Kao Actions→ / ESG Highlights case studies ↓	Making my everyday more beautiful				Making thoughtful choices for society				Making the world healthier & cleaner				Key value created
	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	
Cosmetics supply chain reform P13 Read more							◎		○	◎			• Waste reduction • Improved capital efficiency • Sales growth
Rust preventive metal cleaning agent (*STAY BRIGHT*) P15 Read more							◎		◎	◎	◎	○	• CO_2 reduction • Reduced water usage • Waste reduction • Sales growth
Body sheets (*Bioré cooling towel*) P17 Read more	◎	△		○	○	○	○		◎				• Improved quality of life • Occupational safety • Climate change adaptation • Sales growth
Sunscreen (*Bioré UV Aqua Rich*) P19 Read more	◎	△	○	○	○	○	◎		○	○			• Improved quality of life • Waste reduction • Sales growth
Products featuring *Bio IOS®* P21 Read more	◎	○	○			◎	◎	◎	◎	○	◎		• Improved quality of life • CO_2 reduction • Reduced water usage • Sales growth

Initiatives based on the ESG strategy serve as a strategic foundation that links our businesses, technologies, supply chains and brands, supporting the creation of economic value with environmental and social Value.

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Special Feature

Building a Sustainable Palm Oil Supply Chain

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Toward sustainable palm oil procurement

The oil derived from oil palm is an important raw material in many products that are important in our lives such as soap, detergents, and cosmetics. For Kao, palm-derived materials are among those that underpin its ability to offer products to people.
At the same time, there are sustainability risks at the origin such as deforestation, conversion of natural ecosystems including peatlands. This is precisely why Kao is committed to advancing responsible procurement through engagement all the way to the origin.
The term palm oil refers to palm oil itself, pressed from the fruit (Fresh Fruit Bunch), and palm kernel oil, pressed from the seed. Palm kernel oil makes up only about 10% of total production, yet it is the base for the raw materials in many of Kao's products.
Kao's Chemical Business, operated alongside the Consumer Products Business, produces the foundational oleochemicals and surfactants in house and supplies them for industrial use, making its business model a unique one.
This is partially what enables Kao to support palm plantations right down to the origin, strengthening responsible sourcing of raw materials.



Supporting value creation across the Kao Group by broadening functional development across industrial and consumer applications.



Kao's strengths

By integrating its capabilities across the value chain, from oil raw materials to surfactants and consumer and industrial applications,
Kao maximizes its material-creation capability and application-development capability to help enrich people's lives and support industrial development.

* Depending on the application and function, petrochemical-based (petroleum-derived) raw material is also used to manufacture surfactants.

Responsibly sourced raw materials advanced through breadth and depth

Kao's approach to palm oil procurement based on the Kao Human Rights Policy, Policies for Procurement, and Kao's position on NDPE

Breadth

Initiatives across the supply chain

Kao maps its supply chain from direct suppliers through to refineries, mills, and upstream plantations beyond them, and it calls for full compliance with NDPE (No Deforestation, No Peat, No Exploitation). Kao also works to expand the adoption of RSPO certification.

Depth

Initiatives to identify local issues and provide continuous support toward improvement and resolution

For example, in Indonesia, independent oil palm smallholders account for about 40% of supply. Yet, they face unstable incomes and lack the technology or funding needed to obtain certification. To secure a stable, sustainable supply of raw materials over the medium to long term, Kao engages directly with these vulnerable smallholders, supporting them to raise productivity and obtain certification, aiding the sustainable development of smallholders while reducing risks across the supply chain.

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

Kao's position on NDPE (No Deforestation, No Peat, No Exploitation)
"High-Risk" Supply Chain Management and Sourcing
https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/

Breadth



Large-scale plantations

Primary source of procurement from both Malaysia and Indonesia



Scheme smallholders*

Smallholders operating with technical and financial support from large-scale plantation companies

Depth



Independent smallholders

Smallholders operating outside company-supported schemes

Challenges: In a vulnerable position
- Unstable income
- Limited access to skills and funding required for RSPO certification

* Scheme smallholders (plasma smallholders): smallholders in Indonesia that operate with technical and financial support from large-scale plantation companies

Identifying risks early, driving improvement and prevention

The supply chain management cycle

Obtain information
Collect and understand information on emerging issues

→

Investigate & verify
Engagement including fact verification

→

Encourage remediation action
Severity assessment and requests for improvement

→

Monitoring
Confirm improvement status and follow up

Based on the Kao Human Rights Policy, Policies for Procurement, and Kao's position on NDPE, Kao has built a management structure for its palm oil supply chain. Starting from traceability information obtained regularly from suppliers, Kao combines satellite data with the results of NDPE surveys (surveys to assess compliance with No Deforestation, No Peat, No Exploitation) conducted with third-party organizations. The combination of these allows Kao to monitor deforestation, peatland development, and human rights and labor risks on an ongoing basis.

When risks or issues come to light through this ongoing management, Kao reviews them and, taking into account their severity as well as impact on stable supply, encourages improvement through dialogue with the supplier. If no improvement is made, Kao also considers suspending transactions in line with its internal procedures.

Through these efforts, Kao identifies and prevents deforestation risks early and works to prevent and mitigate negative impacts on human rights. Kao will continue to expand its disclosure of these initiatives, which are designed to improve the effectiveness of supply chain management in palm oil procurement, along with related information. For details, see the Palm Oil Dashboard.

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



Dual approach of Supporting and expanding RSPO certification; and ensuring traceability

Supporting and expanding RSPO certification

The four RSPO-certified oil models (IP, SG, MB, B&C)

IP	Sourced from a single certified plantation, traceable to the specific plantation of origin
SG	Supplied exclusively from certified plantations and kept fully segregated from non-certified oil
MB	Certified oil volumes are managed through a mass balance system and mixed with non-certified oil
B&C	Credits purchased from certified plantations/producers; no physical delivery required. Targeted support for designated independent oil palm smallholders via ISH Credits*1

*1 ISH Credits: Independent Smallholder Credits

+

Securing 100% company traceability*2

(2030 target)

Palm plantations
↓
Palm oil extraction
Palm kernel separation
↓
Palm kernel oil extraction
↓
Refinement
↓
Kao

*2 An initiative that also takes into account compliance with international regulations such as the EUDR (European Union Deforestation Regulation) and the EUFLR (EU Forced Labour Regulation)

The four RSPO-certified oil models and how they work

There are four supply chain models for RSPO-certified palm oil, each with differing management in distribution and processing.
IP and SG physically segregate certified oil, while MB mixes certified and non-certified oil and tracks certified-oil volumes in bookkeeping.
Because these models require segregation facilities and volume-management systems, they tend to center on large-scale plantations and their supply chains, which can more readily implement such systems.
B&C, by contrast, involves no physical segregation in distribution. It is a mechanism for trading certification credits.
ISH Credits, in particular, allow credit buyers to designate specific independent oil palm smallholders to support. This provides smallholders with new income opportunities, encouraging them to obtain and maintain RSPO certification.
Palm kernel oil, the key raw material for Kao, accounts for only about 10% of all palm-derived oils. Moreover, among RSPO-certified products, the amount of physically segregated IP and SG grades circulated in the market is limited. This makes it difficult for Kao to stably secure the volume we need through these models alone. Given this market structure, Kao combines B&C and MB, taking into account their respective strengths, to secure certified-oil volumes and improve sustainability. Kao uses B&C to encourage adoption and expand the RSPO-certified oil market, and as part of this, uses ISH Credits to support independent oil palm smallholders. In the Chemical Business, we use MB to meet our customers' needs for certified oil.

IP
Identity Preserved

Key players
Mainly large-scale plantations

Requires strict segregation
Mainly plantations/operators with ability to implement management systems

Traceability: high
Physical management: certified oil only

SG
Segregation

Key players
Mainly large-scale plantations

Requires segregation of certified oil only
Mainly smallholders/operators with ability to implement management systems

Traceability: high
Physical management: certified oil only

MB
Mass Balance

Key players
Mainly large-scale plantations

Requires management of volume and record keeping
Mainly smallholders/operators that have management systems

Physical management: mix of certified and non-certified oil

B&C
Book & Claim

Key players
Certified smallholders /certified producers (esp. independent smallholders)

No physical segregation required
Independent oil palm smallholders can also participate by selling credits

No physical flow: credit management

Progress on traceability back to oil palm plantations

Palm oil reaches Kao via multiple mills and refineries.
With so many intermediaries involved, tracing which plantation it came from is far from straightforward. Kao pursues traceability by obtaining information regularly from suppliers. We work upstream to identify which refineries, mills, and plantations the raw materials passed through.
Kao determines the products subject to traceability and scope, taking into account international regulations such as EUDR (European Union Deforestation Regulation) and EUFLR (European Union Forced Labour Regulation). We aim to achieve 100% traceability by 2030.



Traceability progress (as of end 2025)

Traceability to palm oil mills

99% — 2030 target 100%

Traceability to palm kernel oil mills

82% — 2030 target 100%

Traceability to oil palm plantations

91% — 2030 target 100%

Learn more

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

Engagement with independent smallholders

Independent oil palm smallholders, who account for about 40% of Indonesia's palm oil supply, tend to be vulnerable due to unstable yields and incomes, and insufficient technology and funding. Kao, Apical Group, and Asian Agri are partners in the SMILE (Smallholder Inclusion for better Livelihood and Empowerment) program. Apical Group is a manufacturer and distributor of oils and fats products, and Asian Agri is a plantation company. Together, through the SMILE program, we drive direct engagement with independent oil palm smallholders, supporting them in increasing productivity (yield) and obtaining RSPO certification. This work helps expand production without deforestation, mitigates risks by raising awareness around human rights and the environment, and supports the sustainable development of independent oil palm smallholders. By 2030, Kao aims to expand both the number of supported smallholders and the number of certified smallholders to 7,000 each on a cumulative basis.

SMILE program

- **Aim**
  Production and adoption of sustainable palm oil
- **Actions**
  - Productivity support: increase yields on existing farmland to grow output without deforestation
  - RSPO certification support: education, systems for sustainable farm management
  - Use of ISH Credits: return economic value directly to those plantations supported to achieve certification, via the B&C mechanism
  - Distribution of *Adjuvant* to reduce pesticide use
- **Impact**
  - Higher incomes and more stable business management for independent oil palm smallholders
  - Mitigating human rights and environmental risks by embedding sustainable farm operations
  - Expansion of sustainable palm oil supply chains

4,630
Supported smallholders (cumulative, as of end 2025)

2,834
Number of certified smallholders (cumulative, as of end 2025)

49,459 tons
ISH certification credits purchased from SMILE program-supported smallholders (as of end 2025)

The Company's grievance handling framework has a two-layer structure, consisting of channels such as the "Kao Compliance Hotline," which is accessible to a wide range of stakeholders including business partners in the supply chain, and the "Kao Grievance Mechanism" (KGM), a dedicated support channel for smallholders. KGM is not intended as a substitute for grievance handling across the entire supply chain, but rather as a mechanism unique to Kao, established for vulnerable independent smallholders. KGM's track record is as shown on the right.
In addition, in 2025, the Company individually addressed 28 supply chain-related grievances received from NGOs and customers through other contact points.

Kao Grievance Mechanism (as of end 2025)

As of the end of 2025, the number of smallholders covered by KGM was 323, and the cumulative number of inquiries since its introduction in September 2022 is 291. The breakdown of inquiries is as follows: approximately 50% relate to production and revenue, approximately 30% to forest protection and certification, approximately 5% to human rights and land disputes, approximately 4% to hygiene and livelihoods, and approximately 10% to other matters.

SMILE (Smallholder Inclusion for better Livelihood and Empowerment) program
https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/activities/

• Kao Grievance Mechanism
https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/kao-grievance-mechanism.pdf

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The SMILE program journey

Ongoing work with independent oil palm smallholders in North Sumatra, Riau, and Jambi



Nov 2021: Traceability education (North Sumatra)



Dec 2021: Registration for training (North Sumatra)



Jan 2022: Exchange with local farmers (Jambi)



Sept 2023: Dialogue with local farmers (North Sumatra)



May 2024: Distribution of fertilizer purchased with income from RSPO credits (Jambi)



Nov 2024: RSPO audit (Jambi)



Apr 2025: Meeting hall rebuilt with income from RSPO credits (North Sumatra)



Sept 2025: Herbicide quality check (Riau)

- SMILE (Smallholder Inclusion for better Livelihood and Empowerment) program
  https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/activities/
- Palm Oil Dashboard
  https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/

2025 progress toward our 2030 targets

Kao pursues the responsible sourcing of raw materials through initiatives across the entire supply chain.
Going forward, through continued engagement with the supply chain, Kao will continue to advance the procurement of sustainable palm oil.

Supply chain visibility (traceability)

Mapping to mills + tracing to smallholders

Traceability to palm oil mills
99% (2030 target 100%)

Traceability to palm kernel oil mills
82% (2030 target 100%)

Traceability to oil palm plantations
91% (2030 target 100%)

Support for independent oil palm smallholders (SMILE program)

Mainly independent oil palm smallholders in Indonesia

Supported smallholders (cumulative, as of end 2025)
4,630 (2030 target 7,000)

Number of certified smallholders (cumulative, as of end 2025)
2,834 (2030 target 7,000)

Proactively identifying issues and implementing improvements (Kao Grievance Mechanism)

Direct engagement with independent smallholders and early risk identification

Number of smallholders covered by the Kao Grievance Mechanism (cumulative, as of end 2025)
323 (2030 target 2,000)

Cumulative inquiries
291 (Cumulative, September 2022–December 2025)

Kao Grievance list
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-grievance-list.pdf

Responsibly sourced raw materials: the foundation for Kao’s business

Responsibly sourced raw materials strengthen Kao’s long-term competitiveness.
Ongoing engagement at the origin helps secure a stable supply of materials.
Kao continues to support independent oil palm smallholders in increasing productivity and obtaining RSPO certification. Through these efforts, we advance sustainable farming foundations for smallholders, as well as the foundations for responsible palm oil procurement.
We pursue visibility of the supply chain from plantations through mills to products. We work to detect risks early, identify issues, and engage in dialogue and outreach for improvement.
By turning our attention all the way to the *GENBA** where raw materials are produced, we strengthen sustainability across the entire supply chain.
Through these activities, we aim to strengthen the added value in our products and the trust in our brands, to be chosen by our consumers and customers. This business structure is what makes it possible for us to continue supporting those at the origin.
Responsible procurement and the enhancement of corporate value should go hand in hand, reinforcing each other. Kao will continue to connect the origin with our business, strengthening and solidifying this virtuous cycle.

[Scope of this feature]

- Content: Kao’s initiatives for and progress in responsibly sourced raw materials across its palm oil and palm kernel oil supply chains
- Scope: palm oil, palm kernel oil, and their derivatives procured by the Kao Group
- Reporting period: January–December 2025 (figures as of end 2025; some include cumulative totals from prior years)

* In Japanese, *GENBA* means the actual spot or on-site.



Related policies and disclosures

Policies and approach		Where to find it
Corporate conduct	The Kao Way (corporate philosophy)	Kao website > About Kao > The Kao Way (corporate philosophy)
	Kao Business Conduct Guidelines	Kao website > About Kao > Our Core of Management > Compliance / Integrity > Kao Business Conduct Guidelines
Raw material procurement	Policies for Procurement	Sustainability Report 2026 > Our progress > Responsibly Sourced Raw Materials
	“High-Risk” Supply Chain Management and Sourcing	
	Partnership Requirements for Suppliers	
	ESG promotion activities with suppliers	
	Policies for Sustainable Palm Oil Procurement	Kao website > Sustainability > Responsibly Sourced Raw Materials > Palm Oil Dashboard
Human rights	Kao Human Rights Policy	Sustainability Report 2026 > Our progress > Respecting Human Rights
	Modern Slavery Act Statement	
Environment	Basic Principle and Basic Policies on Environment and Safety	Sustainability Report 2026 > Our progress > Decarbonization
	Kao Environmental Statement	
	Kao Sustainable Product Development Policy	
	Basic Policy on Biodiversity	Kao website > Sustainability > Initiatives for Nature > Initiatives for Biodiversity
	Kao Responsible Care Policy	Kao website > Sustainability > Our Foundations > Responsible Care Activities

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.



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

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Our Value Creation Process

The Kao Group addresses critical social issues and creates value of genuine social significance through Exclusive Uniqueness. This is the *Global Sharp Top* strategy in practice. Through *Yoki-Monozukuri* across our five businesses, we create one-of-a-kind value and aim to become an indispensable company for a sustainable society.

Social Changes Kao Monitors

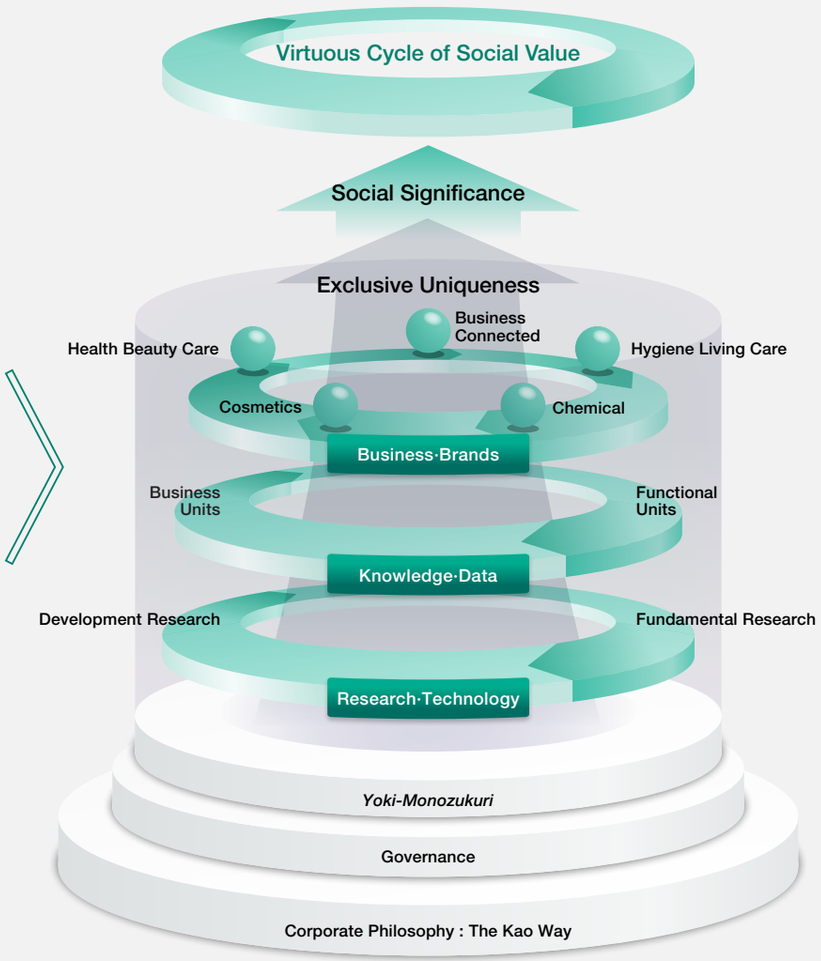
- Aging Population
- Environmental Issues
- Growing Products Diversification
- Pandemics

Input

- **Human Capital** — Taking on the Challenge of Continuous Innovation
- **Intellectual Capital** — Distinctive Technologies and Strong Brands
- **Social and Relationship Capital** — Building Strong Engagement
- **Manufacturing Capital** — Enabling Global Supply of High-Quality Products
- **Financial Capital** — Financial Base through ROIC Management
- **Natural Capital** — Making Environmental Action a Competitive Edge

Business Model

Global Sharp Top Strategy



Outcome

- **People** — Solutions that make life better
- **Performance** — Science-based, Proven performance
- **Planet** — Business that respects planetary boundaries and strives to solve issues that matter
- **Profitability** — Improving Capital Efficiency (ROIC/ROE)

Purpose

To realize a *Kirei* world in which all life lives in harmony

A disciplined virtuous cycle of capital

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The Six Capitals

Kao links the expertise of diverse human capital and distinctive science with strong brands, trust-based relationships with consumers and stakeholders, the manufacturing and supply platform that supports them, a financial base that emphasizes capital efficiency, and initiatives in harmony with the environment. Together, these six capitals support sustainable value creation and growth.

Capitals	Kao's Strengths	Key Indicators
Human Capital Taking on the Challenge of Continuous Innovation	We foster a culture in which our diverse human capital applies its expertise and works together globally to take on challenges. The spirit of innovation, passed down through the organization, continues to guide how we pursue growth and innovation in every aspect of our business.	● Employees engagement (Total score in KES)..... **68** (2027 target:75)*1 ● Challenge-oriented human capital ..... **77** % (2027 target:80%)*2 ● Percentage of female managers relative to that of female employees ..... **79.4** % (2030 target:100%) ● Number of citizen developers ..... more than **4,700**
Intellectual Capital Distinctive Technologies and Strong Brands	We leverage distinctive science and technologies across our Chemical Business and Consumer Products Businesses, creating strong synergies that enable us to continuously deliver differentiated value. This foundation has also enabled us to build a portfolio of highly trusted and loyal brands, deeply rooted in consumer insights and needs.	● Number of patents held ..... **13,419** ● Number of trademarks held ..... **21,635** ● R&D expenses ..... **61.1** billion yen ● Number of overseas R&D bases ..... **17** ● Number of brands **84**
Social and Relationship Capital Building Strong Engagement	Through trust-based dialogue and co-creation with stakeholders, including partners, communities, and investors, we address social issues while growing our business. At the same time, we create opportunities and reduce risk, turning consumer relationships into a competitive advantage that supports the sustainable enhancement of corporate value.	● Number of countries /regions where products are sold..... Approx.**140** ● IR interviews ..... **407** sessions ● SR interviews ..... **49** sessions [Japan Market] ● Household products market share... **25**% (No.1)*3 ● Women's purchase rate ..... **95.6** % ● Annual purchases per purchaser ... **22.6** items*4
Manufacturing Capital Enabling Global Supply of High-Quality Products	By linking raw material procurement to consumers through our global supply chain management, manufacturing sites, and technologies, we ensure a stable supply of high-quality products and respond rapidly to market demand. Enhanced supply chain competitiveness builds brand trust and enables growth investment.	● Production sites ..... **37** (27 Outside Japan) ● Number of consolidated subsidiaries ..... **111** (93 Outside Japan) ● Capital investment ..... **50.8** billion yen ● Rigorous quality standards
Financial Capital Financial Base through ROIC Management	We use Economic Value Added (EVA) as our ultimate indicator of corporate value creation and pursue value creation that consistently exceeds the cost of capital through business-specific ROIC management and disciplined capital allocation. Through a dual-engine management approach that drives earnings growth and capital efficiency, we have built a strong financial base.	● Sales ..... **1,688.6** billion yen (Overseas ratio:42.9%) ● Operating income ..... **164.1** billion yen / Operating margin:9.7% ● ROIC ..... **9.7** % ● EVA ..... **41.1** billion yen ● Consecutive dividend increases ..... **36** periods (the longest in Japan)
Natural Capital Making Environmental Action a Competitive Edge	Across the product lifecycle, from raw material procurement to usage and disposal, we strategically pursue product design that reduces our impact on natural capital such as forests and water while creating social value. By creating high added value, we will continue to fortify both environmental performance and economic returns.	● CO_2 emissions across the entire product lifecycle (Kao Group) ..... **10,192** thousand tons-CO_2e ● Scope 1 + 2 CO_2 emissions ..... **561** thousand tons-CO_2e ● Water consumption across the entire product lifecycle (Kao Group) ... **2,794** million m^3 ● Traceability to oil palm plantations(TTP)*5 ..... **91** %

*1 KES: Kao Engagement Survey (Full score=100)
*2 Employee awareness survey (Only consolidated subsidiaries in Japan)
*3 INTAGE SRI+ (87 household products categories) , January 2025 to December 2025
*4 INTAGE SCI (86 household products categories) , January 2025 to December 2025
*5 Plantation includes oil palm smallholders

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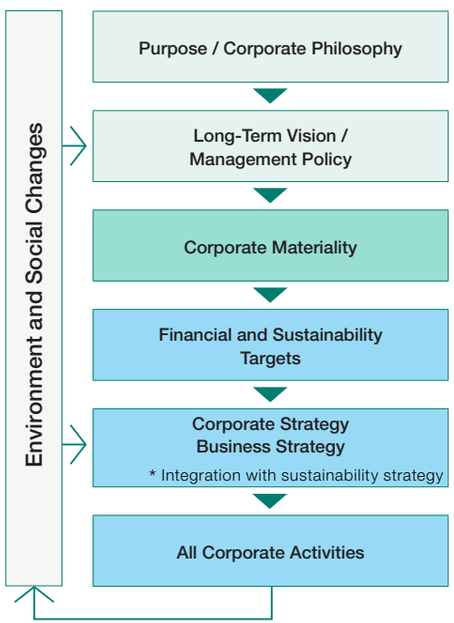
Our Materiality

To continue enhancing corporate value, Kao defines materiality as key matters for achieving its Purpose and Vision.

We position materiality at the core of management that integrates addressing environmental and social issues while creating medium- to long-term financial value.

Considering changes in the environment and society and requests from stakeholders, we reviewed the materiality established in 2018 and conducted a materiality assessment that incorporates concepts from international disclosure standards.

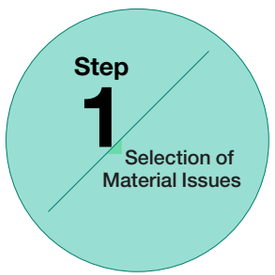
Positioning of Materiality



1. Materiality Identification Process

Based on the concept of double materiality, Kao assessed importance from two perspectives: the impacts of its business activities on the environment and society (Impact Materiality), and financial impact of environmental and social issues, including related risks and opportunities (Financial Materiality).

The identification process consists of the following three steps.



Based on megatrends, sustainability issues in international disclosure standards, including ESRS and SASB Standards, Kao's management issues, and brand purposes, we selected candidate material issues.
For SASB industry-specific disclosure topics, we referred to Kao's applicable industries: Chemicals, Household & Personal Products.



For the material issues, members from business and functional divisions assessed impacts and financial effects across Kao's value chain, including upstream, own operations, and downstream, considering disclosure standard requirements.
They assessed impacts of Kao's business activities on the environment and society, and risks and opportunities posed by environmental and social changes, over the short term through 2027, medium term through 2030, and long term through 2040.
For impact materiality, we assessed severity, including scale, scope, irremediability, and likelihood.
Financial materiality is assessed based on the degree of financial impact, including impacts on sales and costs, and the likelihood of occurrence.



Based on the results of the Step 2 assessment, we conducted interviews with Executive Officers and division heads, discussions with the CEO, and dialogue with external experts to verify the validity of the assessment results.
We organized significance and priorities from the perspective of consistency between financial effects and medium- to long-term value creation.
These were deliberated and approved by the Management Board and the Board of Directors, and the material issues were finalized.

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2. Assessment Results and Main Changes since the Previous Review

In this materiality assessment, we reviewed the previous assessment results considering changes in the environment and society and the evolution of our business structure.

We have prioritized responding to rising social demands as well as ensuring alignment with Kao's growth drivers and the strategic objectives and outcomes of our business activities. Consequently, we identified 26 material issues, such as business model resilience, AI/digital capabilities, biodiversity, and contributions to sustainable industries.

Major changes from the previous assessment include a review of the scope and definitions of each issue considering the increasing severity of environmental and social issues, the expansion of business domains, and progress in globalization.

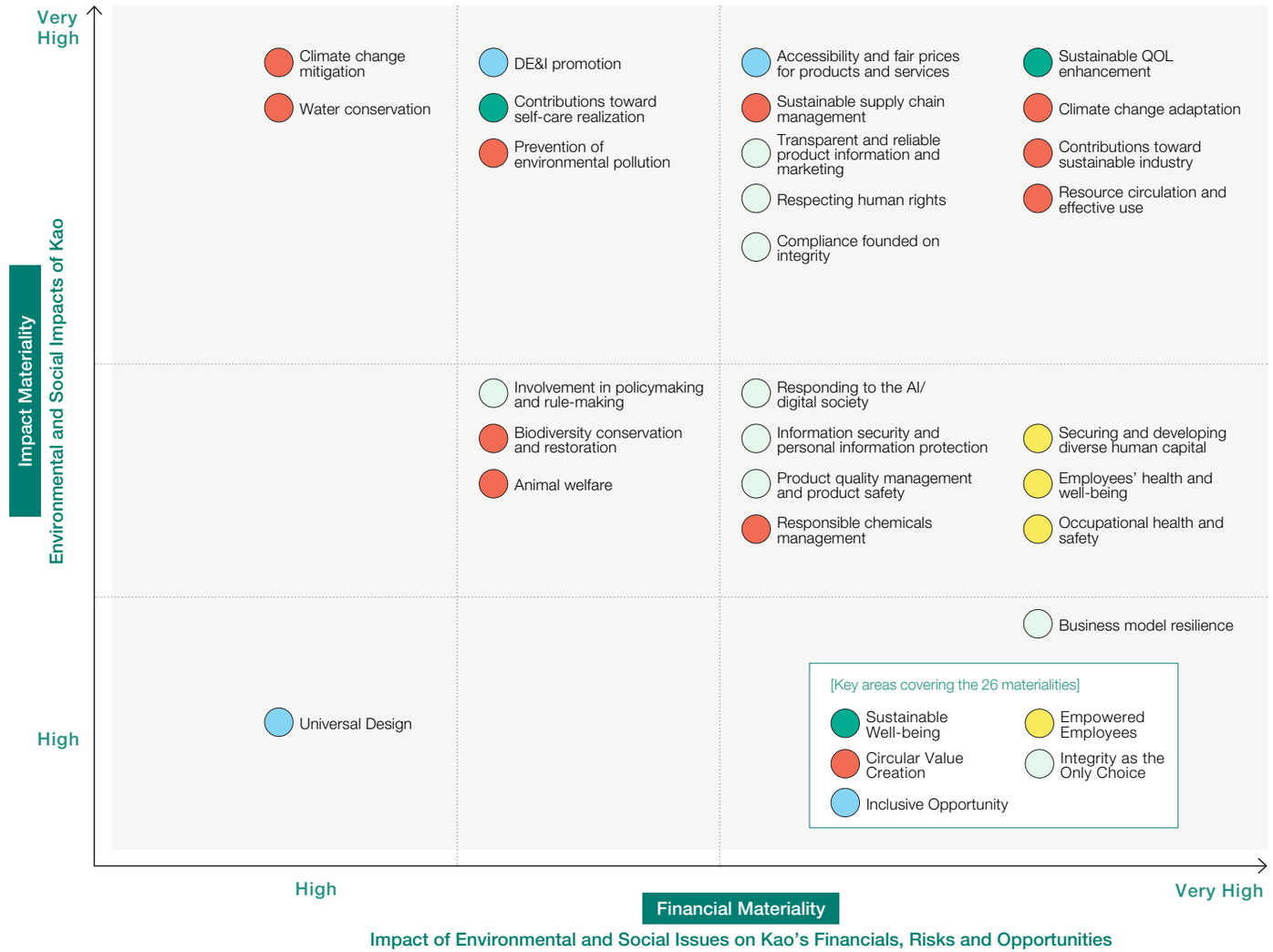
We also reorganized and integrated supply chain, resource circulation, and QOL-related items. As a result, we updated the composition of our materiality framework to better reflect business realities and future potential.

3. Looking Ahead

We are working to integrate the materiality assessment and review process with Enterprise Risk Management (ERM) and align it with the next medium-term management plan, thereby further strengthening its use in management decision-making.

At the same time, we will specify indicators and targets for each materiality item. We will also improve execution and accountability by visualizing the relationship with ROIC and linking it to executive compensation.

Materiality matrix



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Direction of Transformation and Materiality

The 26 identified materiality issues have been reorganized into five priority areas from the perspectives of “Value Creation through Business” and “Management Foundation,” based on their relevance to business realities and medium- to long- term growth, with the structure designed to clarify these relationships.

The five priority areas translate the direction of transformation embodied in “Maximum with Minimum” into clearly defined management priorities and link them directly to execution.

Direction of transformation **Maximum with Minimum***

Value Creation through Business

Sustainable Well-being



We seek to enhance quality of life and the physical and mental health of all people while reducing environmental impact. Through this, we support long-term well-being for current and future generations.

Circular Value Creation



Across the value chain, we advance toward a waste-free, circular, low-carbon economy through responsible business practices. By respecting human rights, managing chemicals, and conserving biodiversity, we reduce environmental and social risks and create sustainable value.

Inclusive Opportunity



We aim to help build a society in which diverse consumers and communities can access our products and services fairly and inclusively.
Through this, we seek to enable everyone to live as themselves.

Management Foundation

Empowered Employees



Building on safety and well-being, we foster autonomy and a willingness to take on challenges. We unlock each employee’s potential through learning and opportunities and build an organization that performs and grows together with our people.

Integrity as the Only Choice



With integrity at the core of our governance, we leverage AI/digital technologies to enhance transparency, strengthen execution capabilities, improve operations, build resilient business models and earn lasting trust.

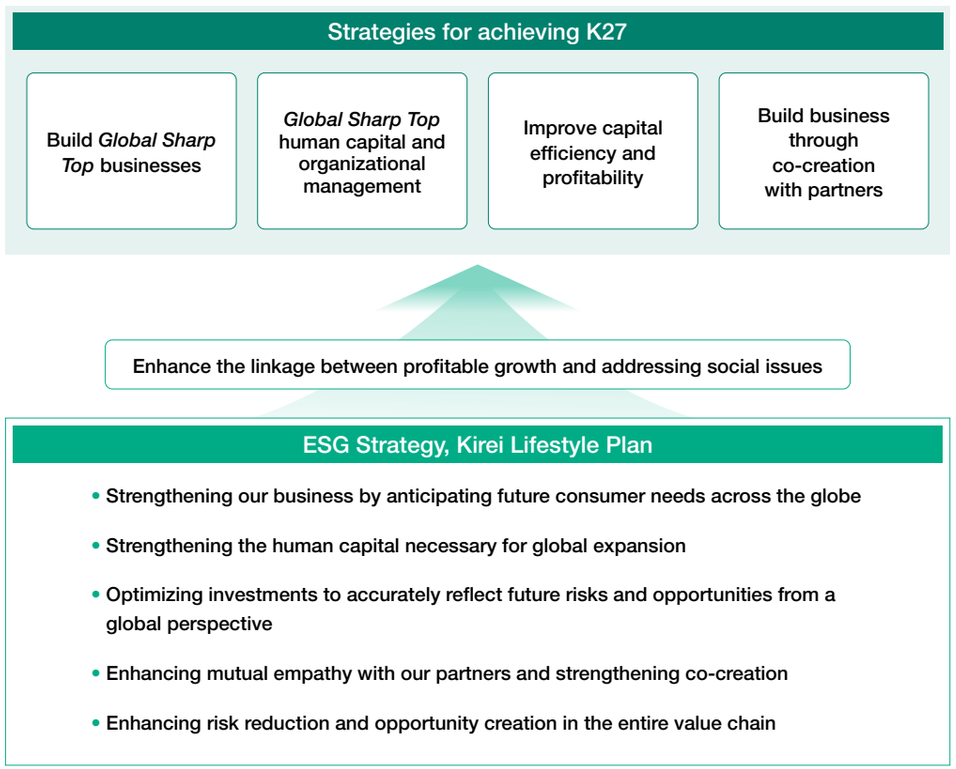
* Rather than optimizing individual elements in isolation, we maximize value for diverse customers, society, and the future while minimizing negative impacts on the environment and society.

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Strategy

Under the Kao Group Mid-term Plan 2027 “K27,” the Kao Group has positioned becoming a company indispensable to a sustainable society as a core element of its basic policy, and aims to achieve profitable global growth and enhance corporate value over the medium to long term. Kao’s approach to sustainability is an initiative to promote the creation of environmental and social value in tandem with business growth and, based on economic rationality, translate these efforts into the establishment of a sustainable competitive advantage and the enhancement of corporate value. The ESG strategy that underpins this approach is the Kirei Lifestyle Plan (KLP). By evolving *Yoki-Monozukuri* from an ESG perspective and through mitigating risks and creating opportunities that may impact the medium- to long-term enhancement of corporate value, we seek to achieve both profitable growth and contributions toward a sustainable society. Additionally, we have established the concept of “Maximum with Minimum” to represent our approach for promoting business growth while simultaneously maximizing value and minimizing negative environmental and social impact. We are pursuing efforts to implement this approach in all business activities.

Five perspectives for the KLP to enhance K27



Reinforcing K27 through the KLP

The KLP reinforces K27’s four strategic frameworks in a multifaceted manner to achieve profitable growth and address social issues based on the following five perspectives.

(1) Strengthening our business by anticipating future consumer needs across the globe

In light of the needs of diverse consumers around the world as well as the growing severity of social issues, we act swiftly to seize market opportunities with high social usefulness and enhance our competitiveness by displaying unique qualities in technologies and products that can be realized by Kao. As a result, we will create new added value and contribute to building *Global Sharp Top* businesses.

(2) Strengthening the human capital necessary for global expansion

We develop people who can create value in response to diverse consumer issues, promote an approach in organizational management that allows us to fully demonstrate our unique technologies and product value globally, and fortify our *Global Sharp Top* human capital strategy.

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

We increase business resilience by reducing ESG-related risks and creating opportunities, and we allocate capital with a focus on fields that have high social usefulness and in which Kao can demonstrate its unique value, thereby promoting capital efficiency and profitability improvement.

(4) Enhancing mutual empathy with our partners and strengthening co-creation

To address social issues that Kao cannot easily tackle on its own, we collaborate with partners in industry, local communities, retail, and other fields, utilizing Kao’s unique technologies and insights to promote business development through co-creation with our partners.

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(5) Enhancing risk reduction and opportunity creation in the entire value chain

We reduce ESG-related risks at each step in the value chain, including procurement, production, distribution, retail, use, and disposal and recycling, while also creating opportunities to boost social usefulness, thereby increasing the sustainability of our business and enhancing stability in supply.

Focus Categories, Risks and Opportunities

Kao's business model and value chain have the following characteristics.

Areas related to the characteristics of Kao's business model and its 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 material shared between the Global Consumer Care Business and Chemical Business
4. A global value chain spanning from 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

When formulating the KLP, taking into account the characteristics of the business model described above as well as social issues, we defined four focus categories—Daily living, Society, Environment, and Business foundation—and identified risks and opportunities accordingly.

Daily living:

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

Society:

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

Environment:

An area of significant impact, as certain materials depend on natural capital, and products are distributed, used, and disposed of by consumers worldwide.

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 categories, we identify risks and opportunities and incorporate them into specific strategies within the KLP. Additionally, by enhancing the resilience of the entire value chain, managing procurement risks, utilizing alternative raw materials, strategically procuring renewable materials, and pursuing other efforts, we aim to reduce environmental impact while also achieving stable supply. We will also enhance value propositions that are predicated on social issues and expand the potential of service and business models that go beyond conventional approaches of simply providing products.

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Sustainability-related risks and opportunities and corresponding strategies

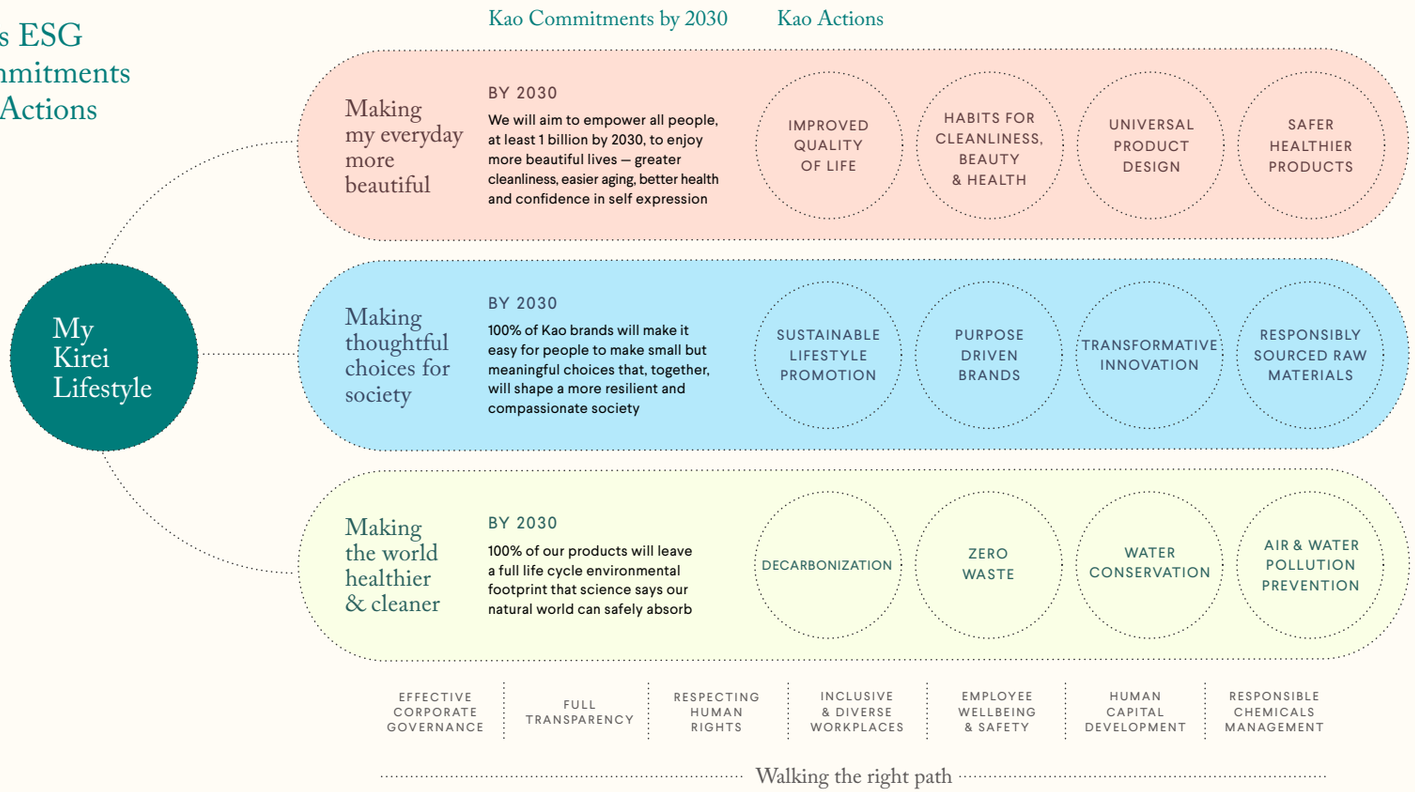
Classification	Risks	Opportunities	Strategy
Daily living	• Decrease in sales and profit due to the rise of daily necessities personal care products that prioritize price over value-added products that contribute to enriching people's lives • Stagnation in business growth due to slowing growth in the 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 people's lives • Strategic deployment of consumer awareness and communication initiatives aligned with business objectives
Society	• Improper management and handling of high-risk procurement, such as palm oil, resulting in procurement difficulties and reputational damage	• Business growth through increased brand loyalty that demonstrates involvement in society as its purpose • Expanded business opportunities through revolutionary products/services enabled by innovation • Stabilization of procurement through precise approaches to social issues in procurement	• Increase loyalty by strengthening the purpose driven brands • 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 • Business continuity disruption due to disruption of supply chains caused by loss of biodiversity and abnormal weather conditions • Product supply disruption due to plant shutdown caused by environmental pollution	• Increased revenues through risk mitigation related to environmental taxes and regulations, as well as efficiency improvements and cost reductions • Business growth driven by increased consumer/customer loyalty through advanced environmental responsiveness	• Reduction of CO_2 emissions over the entire lifecycle • 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	• Improved 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

Embodied the ESG Strategy, the Kirei Lifestyle Plan on the next page

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Incorporating the sustainability-related risks, opportunities and strategies from the previous page.

Kao's ESG Commitments and Actions



Our vision for sustainability

We aim to realize a sustainable society through business activities based on the concept that Kao's 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 these 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."

ESG strategy: the Kirei Lifestyle Plan (KLP)

Based on Our vision for sustainability, the KLP aims to create economic value while solving social and environmental issues through value creation that puts consumers first.

The KLP includes three main pillars, 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 defined the Kao Commitments, which we aim to achieve by 2030, as well as Kao Actions, our priority action themes. By setting medium- to long-term targets and metrics and managing progress against them for each of the 19 actions, we promote effective ESG activities.

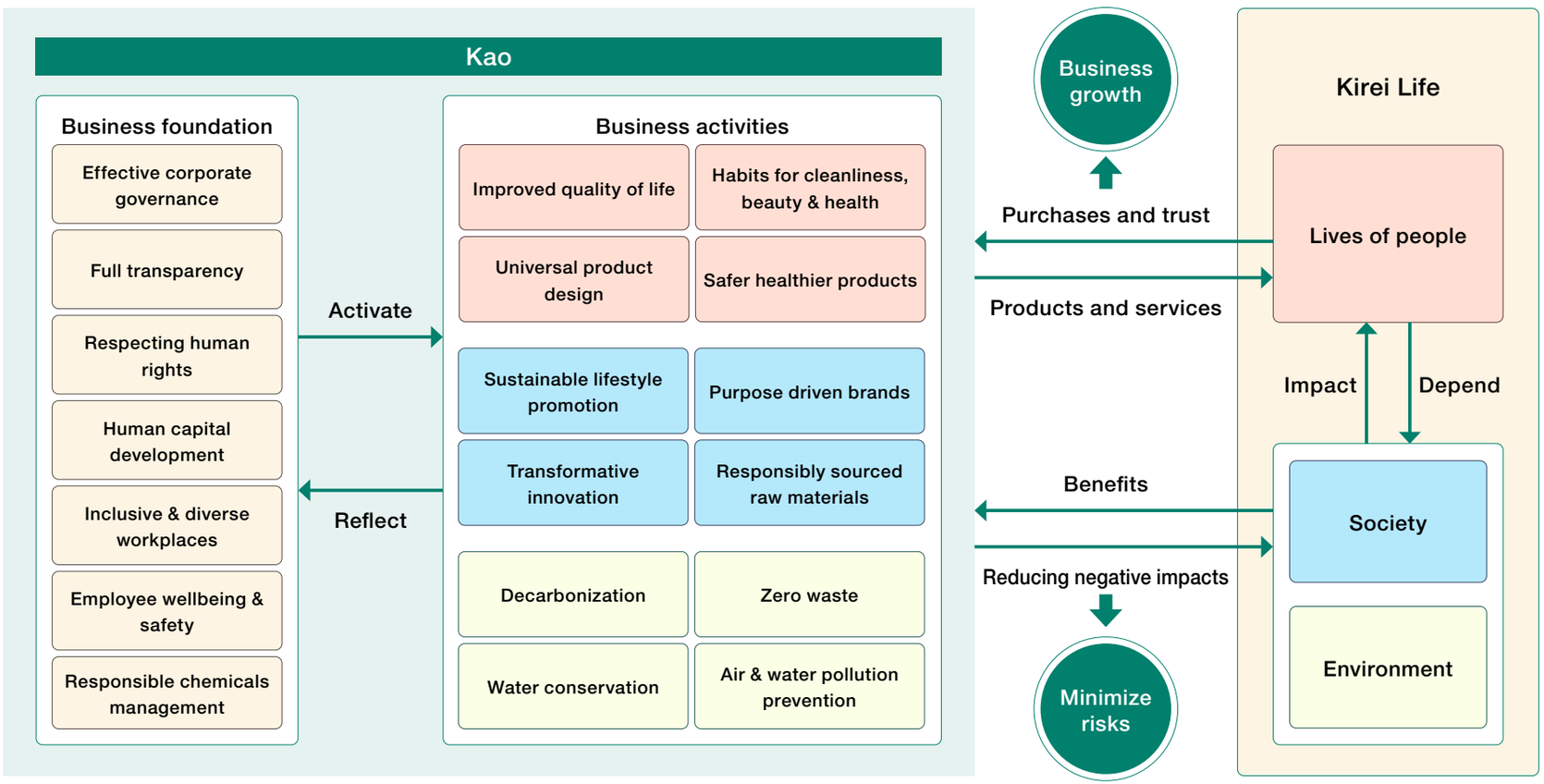
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By implementing the KLP, it is possible to create a financial impact, as well as a positive impact on the environment and society, while also creating a foundation for sustainable growth to support business operations. The diagram below illustrates the structure of the KLP and its financial, environmental and social impacts, while also showing how Kao implements the KLP in its business activities to promote initiatives for business growth and minimize risks.

By providing products and services that contribute to consumer value and reinforcing value propositions that respond to social issues, we earn greater trust and loyalty from consumers. This in turn boosts our competitiveness as a brand that people continually choose and serves as a foundation to support profitable business operations. Meanwhile, our activities to curb environmental impact and reduce negative social impact, respond to regulations, mitigate procurement risk, further enhance stability in the supply chain, boost business resilience and strengthen the robustness of our management foundation.

In this way, the components of the KLP contribute toward both opportunity creation and risk reduction through a multifaceted approach that involves creating consumer value, minimizing negative environmental impact, and responding to social issues. By pursuing these efforts in an integrated manner, we aim to achieve sustainable business growth while also enriching the lives of consumers.

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



Financial impact of the KLP

Promotion of the KLP supports enhanced profitability through the structural reforms described in K27, greater competitiveness in our core brands and the global expansion of high-value-added products from the perspective of (1) Revenue growth and greater opportunities for revenue, (2) Cost reduction and improved resource efficiency, and (3) Risk management and reinforced resilience.

(1) Revenue growth and greater opportunities for revenue

- Development of markets in areas with high social usefulness and promotion of higher added value through products that have reduced environmental impact and solutions to address social issues
- Establishment of brand positioning in which the brand continues to be chosen at an appropriate price, through strengthened consumer trust and enhanced brand value
- Creation of new business opportunities aligned with trends toward the sustainability of the world, including decarbonization and resource circulation
- Establishment of a competitive advantage by accelerating the global rollout of high-value-added-products centered on proprietary technologies, quality and experiential value

(2) Cost reduction and improved resource efficiency

- Reduction of future regulatory compliance costs through proactive responses to environmental regulations and planned capital expenditure
- Strengthening resilience to raw material price volatility and supply constraints through reductions in raw material and energy consumption and improvements in resource efficiency
- Diversification of funding sources and reduction of the cost of capital through improved ESG ratings from external evaluation agencies and the use of sustainability-linked finance

(3) Risk management and reinforced resilience

- Minimization of operational risks and regulatory compliance costs through the identification and management of environmental and social risks across the supply chain
- Stabilization of raw material supply and reduction of price volatility risks by developing and procuring alternative raw materials for palm oils and expanding the procurement of raw materials with lower deforestation risk
- Reduction of reputation risk and contribution to rulemaking through the disclosure of information on chemical safety and participation in international sustainability initiatives

Specific financial benefits (Cases)

Promoting initiatives based on the KLP contributes to enhancing corporate value by expanding business opportunities and reducing risks over the medium- to long-term, in addition to creating environmental and social impacts.

Case	Initiatives	Effects
Adding high value to laundry detergents through sustainable design	Integrated implementation of measures including the adoption of bio-based surfactants; expanded use of recycled plastic containers and refill packs; lightweighting and compacting of packaging; reduction in the number of rinse cycles (conserving resources during use); and the use of renewable energy in the manufacturing process	• Improved profitability by enabling sales at appropriate prices through higher value-added offerings • Higher loyalty supports stable earnings
Strengthening cost competitiveness of dishwashing detergents through lightweighting of containers/ packaging and the use of recycled materials	Lightweighting of refill packs; use of recycled plastic and plant-based plastics; and packaging design that enhances ease of disposal (designed to encourage behavioral change)	• Reinforced cost structure through a reduction in the amount of resources used • Contributions to the expansion of sales opportunities by leveraging environmental value as a differentiating factor
Business growth with climate change adaptation	In response to increasingly extreme heat and hot and humid conditions, development of skin protection businesses—including heat care, UV care products, and sweat care—in both BtoB and BtoC markets	• Creation of sales opportunities • Diversified revenue sources and increased brand value
BtoB implementation model with a focus on solving social issues	Rollout and promotion of a mechanism to encourage workplaces to keep products on hand (a recurring model in which companies purchase and replenish products)	• Establishment of stable sales through the creation of continuous replenishment demand • Strengthening of the customer base and premium opportunities
Sustainable finance	Sustainability-Linked Bond (25 billion yen), Sustainability-Linked Loan (20 billion yen), Positive Impact Finance (25 billion yen) and DBJ Employees' Health Management Rated Loan Program (10 billion yen)	• Reduced funding costs by obtaining financing at low interest rates

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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 environment and 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 can have a significant impact on suppliers, partners, consumers, communities and the environment through the implementation of the KLP. Additionally, we will contribute to the environment and society across 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	●	●	●	●	●	●

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 also focus on environmental conservation, such as water conservation, air and water pollution prevention etc., thereby contributing to local communities.

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 change to Earth systems, and natural resource shortages. Notably, extreme weather events rank high even among short-term risks (spanning two years), demonstrating the urgency required in responding to climate change. In this way, while environmental risks are a challenge for the medium to long term, they have already manifested as a tangible threat. In the social domain, issues such as inequality and societal polarization rank among the most pressing concerns. As a result, social risks also continue to be recognized as significant risks over not only the short term but also the medium to long term.*1

Among these risks, climate change is considered to have a particularly major impact on business. Kao assesses financial impacts under 1.5°C and 4°C scenarios in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*2.

If we do not pass costs onto consumers or take any other action, we estimate that transition risks could increase by 2050. 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 regulations if no action is taken.

The financial impact of physical risks is projected to be up to 4.6 billion yen due to flooding and other factors.

The KLP plays a role in strengthening business resilience by reducing sustainability-related risks and creating opportunities, while reinforcing the four strategies of “K27” from a global perspective that incorporates future risks and opportunities.

For example, the business landscape may become even harsher if environmental and social risks intensify further, leading to rising costs of and restrictions on fossil-based raw materials and palm oil. However, by advancing product design, optimizing raw material selection, and enhancing production processes based on the KLP under the concept of maximizing functional and social value with minimal resource input (“Maximum with Minimum”), we can reduce CO_2 emissions, energy consumption, and raw material use throughout the entire product lifecycle. Accordingly, even in the event that risks such as raw material restrictions and increased costs do materialize, we will be able to better mitigate the impact on our business while continuing to create value.

On the other hand, if the worsening of environmental and social risks is contained and society-wide efforts make progress, our efforts based on the KLP will serve as a source of competitive advantage. In market environments that place high value on products with superior environmental performance and resource efficiency, we will contribute to the maximization of business opportunities through expanded demand and enhanced brand loyalty.

In this way, regardless of whether future risks intensify or are alleviated, we believe that the KLP enables the simultaneous achievement of environmental compatibility and economic value, thereby continuously strengthening business resilience.

*1 Global Risks Report 2026, World Economic Forum
https://reports.weforum.org/docs/WEF_Global_Risks_Report_2026.pdf

*2 P145 Our Progress > Decarbonization > Major business risks and opportunities

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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 steadily managed utilizing the PDCA (Plan, Do, Check, and Act) cycle.

The status of the 2025 initiatives are as follows. Under the KLP promotion framework, we will aim for even higher results for items that have been achieved, while analyze the factors why 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
		2021	2022	2023	2024	2025	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	0.53 billion	0.52 billion	0.52 billion	0.49 billion	1 billion	2030	P315
Improved quality of life	Number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	4.5 billion	4.5 billion	4.1 billion	3.9 billion	3.6 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)	0.045 billion	0.051 billion	0.059 billion	0.063 billion	0.066 billion	0.1 billion	2030	
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines (Japan)	98%	99%	99%	99%	New KPI in development (to be disclosed in 2027 or later)*10	100%	2030	
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	30% (56%)*4	60% (100%)*4	67%	77%	87%	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% (59%)*5	58% (61%)*5	61%	68%*11	100%	2030	P316
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)	0.011 billion	0.043 billion	0.048 billion	0.056 billion	0.063 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% (53%)*5	52% (57%)*5	55%	59%*11	100%	2030	

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*2 Value based on former survey (See 2023 KPI definitions P377) (Japan only)
*3 Target value changed to per-thousand rate
*4 Value based on former definition (See 2024 KPI definitions P74)
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Kao Actions	Metrics	Results					Mid- to long-term targets		References
		2021	2022	2023	2024	2025	Target value	Year	
Transformative innovation	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)	4 cases	5 cases	6 cases	7 cases	8 cases	10 or more	2030	P316
	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)	3 cases	5 cases	6 cases	7 cases	9 cases	10 or more	2030	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	96%	97%	98%	99.6%	99.99%	100%	2025	
	Traceability* to oil palm plantations*1 * Plantation includes oil palm smallholders	Completed up to own plantation managed by oleo chemicals supplier*19	Completed up to own plantation managed by oleo chemicals supplier*19	Completed up to traceability checks to plantations: 87%*19	Completed up to traceability checks to plantations: 88%*19	Completed up to traceability checks to plantations: 91%*19	100%*1	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)	9%	14%	17%	21%	23%	100%	2030	P317
	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 lifecycle CO_2 emissions (Base year: 2017)	4%*8 *9 (4%)*15	6%*8 *9 (6%)*15	12%*8 *9 (12%)*15	16%*8 *9 (15%)*15	17%	22%	2030	
	% reduction in absolute scope 1 + 2 CO_2 emissions (Base year: 2017)	20%*8 (20%)*15	26%*8 (26%)*15	35%*8 (35%)*15	41%*8 (42%)*15	47%	28% 55%	2025 2030	
	% of renewable energy in electricity consumption	39%*17 (40%)*15	48%*17 (49%)*15	57%*17 (57%)*15	69%*17 (69%)*15	78%	100%	2030	
Zero waste	Quantity of fossil-based plastics used in packaging	91 thousand tons	88 thousand tons	79 thousand tons	77 thousand tons*13	76 thousand tons	Will peak and begin to decline	2030	
	Quantity of innovative packaging penetration for Kao and others per annum	0.011 billion items	0.013 billion items	0.046 billion items (0.014 billion items)*6	0.10 billion items	0.11 billion items	0.3 billion items	2030	
	% recycling rate of plastics involving Kao	15%*14 (1%)*15	16%*14 (3%)*15	19%*14 (6%)*15	22%*14 (8%)*15	22%	50%	2030	
	% of recycled plastic used in PET containers (Japan)	19%	69%	81%	90%	91%	100%	2025	P318
	% 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%	2.5%	0 (Less than 1%)	2030	
	% reduction of discarded products and discarded promotional materials (Base year: 2020)	14%	20%	43%	35%	59%	95%	2030	
Water conservation	% reduction in full lifecycle water consumption per unit of sales (Base year: 2017)	-5%*16 (-5%)*15	4%*16 (3%)*15	6%*16 (6%)*15	13%*16 (12%)*15	18%	10%	2030	
	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal)	–	–	–	–	— (KPI established in 2025; progress tracking to begin in 2026)	100%	2030	
Air & water pollution prevention	% of plants which disclose VOC and COD* emissions*1 * Kao plants that discharge wastewater directly into public waterways*1	VOC 65% COD 80%*12 (100%) *18	VOC 68% COD 80%*12 (100%) *18	VOC 84% COD 80%*12 (100%) *18	VOC 94% COD 80%*12 (100%) *18	VOC 94% COD 80%*12	100%	2025	

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		2021	2022	2023	2024	2025	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	P319
	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	12%	18%	22%	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: 60%, contractors: 3%	Internal: 100%, suppliers: 62%, contractors: 15%	Internal: 100%, suppliers: 81%, contractors: 19%	Internal: 100%, suppliers: 90%, contractors: 26%	Internal: 100%, suppliers: 99.9%, contractors: 27%	100%	2030*1	
Inclusive & diverse workplaces	Score for "Inclusive organizational culture" in our employee engagement survey (perfect score: 100)	–	(69%)*2	62	63	65	75	2030	
	% 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	75.8% (30.2%)*7	75.9% (30.5%)*7	76.2% (31.1%)*7	78.1%	79.4%	100%	2030	P320
Employee wellbeing & safety	Lost Time Frequency Rate (per million hours worked)	0.65	0.65	0.71	0.83	0.68	0.15	2030	
	Average number of lost long-term work days (days/people) * Starting from Japan	197	182	195	220	236	105	2030	
	Ratio of employees who have lost long-term work days per 1,000 employees * Starting from Japan	23.2	28.7	25.6	27.2	25.2	12.0*3	2030	
	Score for "Vitality" in our employee engagement survey (perfect score: 100)	–	(77%)*2	59	61	62	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	64	80	2030	
	Score for "Work satisfaction" in our employee engagement survey (perfect score: 100)	–	(74%)*2	60	63	65	75	2030	P321
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%	57%	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%	98%	100%	Yearly	

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FY2025 Results Summary for 19 Kao Actions under the Kirei Lifestyle Plan

Theme	Challenges	Focus Areas	Outcomes	Next Step	Page Reference
Making my everyday more beautiful					
Improved quality of life	• The number of products that contribute to QOL stands at 3.6 billion units, and the gap to the 2030 target of 7 billion units is widening. • On a volume basis, the figure has declined due to the shift to larger product sizes, the response to bulk-buying demand, and business portfolio reorganization including the sale of the Healthya business. On a value basis, however, growth has been maintained on the back of structural reform in China and the revision of pricing strategy. • Because the current volume-based indicator cannot capture qualitative improvements in the value delivered to consumers, a new indicator framework needs to be introduced.	• Expanded Skin Protection globally: "UV care," which protects the skin from ultraviolet rays; "self-tanning," which gives a sun-kissed look without UV exposure; and "Environmental Protection" products such as mosquito-repelling formulations • Rolled out the "Pink Ribbon Campaign," a breast cancer awareness initiative • Examined evaluation methods that can capture qualitative aspects of consumers' lives	• Skin Protection: Began test-marketing *Jergens® Natural Glow* in the U.S. and Europe as a skin-tone proposition designed with health and safety in mind • Pink Ribbon: Ran a campaign linked to Kao's official social media accounts, donating 10 yen for each reaction • Began studying the introduction of an evaluation method that captures qualitative improvements in life—including consumer satisfaction and the degree of contribution to daily living	• Achieve net sales of 100 billion yen in the Skin Protection business by 2030 • Advance the "GUARD OUR FUTURE" project, which addresses mosquito-borne infectious diseases such as dengue fever • Establish a new KPI framework	> Improved Quality of Life (P80)
Habits for cleanliness, beauty & health	• Cumulative reach of awareness-raising activities stands at 66 million people, leaving a wide gap to the 2030 target of 100 million. • While the number of themes has expanded, growth in cumulative reach was limited (a year-on-year increase of 3 million people), indicating an issue with reach efficiency per activity. • Coverage contracted from 9 countries and regions in 2024 to 8 in 2025, making it necessary to accelerate global rollout.	• Deepened rollout by strengthening linkage between brand-led activities and company-wide activities • Optimized the mix of large-scale outreach activities and small-group, personal-format activities • Improved awareness-raising effectiveness through the provision of educational materials and use of sales networks	• Expansion of personal-format awareness-raising activities: Rolled out programs finely tailored to specific needs, including the "Konkatsu Men's Seminars" (seminars for men seeking marriage; in Japan) and "KATE Makeup Seminars" (Hong Kong) ・Cumulative reach: 66 million people ・Total number of themes: 82 (up 31 year-on-year) ・Coverage: 8 countries and regions • Improved awareness-raising effectiveness through educational materials and use of sales networks	• Examine the build-out of a company-wide framework for promoting awareness-raising activities (strengthened coordination across divisions and themes, and standardization of impact measurement)	> Habits for Cleanliness, Beauty & Health (P86)
Universal product design	• The compliance rate with the current UD Guidelines has been maintained at a high 99% in Japan for three consecutive years, but coverage is limited to Japan. • The current Guidelines apply only to products and do not fully reflect aspects of diversity. • They do not fully reflect consumers' actual usage experiences and perceptions.	• Ensured full compliance with the UD Guidelines for new and improved products in Japan (scope: consumer products) • Formulated new UD Guidelines and developed new indicators that respond to an increasingly diverse society and to global rollout	• Maintained the 99% UD Guidelines compliance rate in Japan • Formulation of new UD Guidelines applicable globally (from 2027 onward) • Continued collaborative activities with external organizations bringing a DE&I perspective	• Establish the new UD Guidelines and indicators, and expand the scope of application outside Japan • 2026: formulate the framework for the global UD standard. 2027 onward: begin management based on the new indicators	> Universal Product Design (P92)
Safer healthier products	• There is a growing sense of vague concerns among consumers, customers, and society regarding the safety of ingredients and products. • As society becomes more digitized, the consumers' access to information has enhanced, while misinformation among consumers is spreading. • Excessive chemical regulation based on the precautionary principle is becoming widespread, causing issues in balancing with the benefits of chemical substances.	• Disclosed information transparently • Used safe ingredients and developed safe products • Acted in anticipation of chemical regulations through communication and industry activities	• In 2025, disclosed three ingredients that are not used in Kao's consumer products, achieving the KPI • Developed an effective firefighting foam that does not contain PFAS, which have raised concerns over their environmental persistence and potential health risks • Developed *Bioré GUARD Mos Block Serum*, which is free of chemical repellents • Avoided the risk of excessive regulation by refining the safety classification (GHS classification) for benzalkonium chloride	• Disclose information on ingredients of concern in line with international standards • Promote visualization of ingredients usage through portfolio assessment, substitution of ingredients with sustainable alternatives, and the development of safe products • Strengthen and continue proactive initiatives regarding chemical regulations by further promoting global partnerships such as the one with WBCSD	> Safer Healthier Products (P100)

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Theme	Challenges	Focus Areas	Outcomes	Next Step	Page Reference
Making thoughtful choices for society					
Sustainable lifestyle promotion	• Cumulative reach of environmental awareness-raising activities stands at 63 million people, leaving a wide gap to the 2030 target of 100 million. • In addition to expanding reach in Japan, accelerated overseas rollout is required.	• Expanded communication activities that propose sustainable lifestyles • Introduced products that contribute to decarbonization and water conservation through television commercials and YouTube • Rolled out a dedicated section on the Kao China website • Engaged with local communities	• Rolled out awareness-raising content via media including television commercials and YouTube. • Launched a dedicated section on the Kao China website. • Held an environmental event at the Sumida Tsukimatsuri festival. • Cumulative reach: 63 million people (vs. 56 million in the previous year).	• Advance the overseas rollout of the corporate advertising campaign “Wastefulness—Mottainai, never today, nor tomorrow.” • Expand awareness-raising activities in priority overseas regions (China, Southeast Asia, etc.)	> Sustainable lifestyle promotion (P107)
Purpose driven brands	• A gap had emerged between Kao’s actual business profile and the brands covered by the current KPI calculation. • Frequency and coverage of the “Brand Power Survey,” centered on the Cosmetics Business, were uneven, undermining the effectiveness of the KPI. • As a result, the KPI ratio had become disconnected from the actual state of activities.	• Redefined the brands that embody Kao’s purpose (major brands that underpin Kao’s sales, and six focus brands in the Cosmetics Business). • Advanced purpose-driven activities at the redefined brands. • Expanded the coverage of the “Brand Power Survey” and improved the quality of its operation	• Completed the redefinition of the target brands, reaching 59% on the new definition basis. • Progress in social-value creation at the redefined brands: ・Curél: Set a record-high share of the sensitive-skin market in Japan, and accelerated expansion into the global sensitive-skin market (¥4.5 trillion) across 13 regions. ・Laurier: Earned support from consumers, companies, and educational institutions for its initiatives on menstrual issues through “Laurier at Work” and “Laurier at School.” ・SENSAI: Generated social value through nature conservation in UNESCO Biosphere Reserves, support for cultural heritage preservation, and donations to programs supporting cancer patients.	• Advance implementation of the “Brand Power Survey” at the six focus brands in the Cosmetics Business and expand it to all six brands.	> Purposedriven brands (P113)
Transformative innovation	• We continue to steadily innovate and receive various awards, but the results are limited to a single year, and the multi-year effects are not properly reflected. • Quantitatively assessing the financial impact on several business sectors of these technology innovations requires a complex approach.	• Continued innovating and amplifying the impact through technology integration across business units and regions • Generated positive impact in both financial and environmental/social dimensions	• Proposed new value by leveraging our proprietary naturally derived cleansing ingredient across business segments (Bioré The Body Totonoihada) • Proposed new products by combining Japanese technologies with insights into overseas consumers (Jergens Lotion Bursts) • In the chemical business, addressed environmental challenges facing customers while generating new revenue (room-temperature rust-preventive cleaner)	• Drive continuous innovation and expand to other products and business sectors	> Transformative innovation (P123)
Responsibly sourced raw materials	• Traceability to oil palm plantations is often unclear due to the presence of multiple intermediaries, which may hinder the adequate identification and remediation of human rights and environmental risks. • If social issues in the supply chain are not adequately addressed, there may be a risk that human rights and environmental issues cannot be properly identified or remediated.	• Ensured traceability through collaboration with suppliers • Implemented initiatives to address challenges faced by independent oil palm smallholders ・Supported for independent oil palm smallholders (productivity improvement support and assistance for obtaining RSPO certification) ・Purchased certified credits from independent oil palm smallholders ・Expanded the number of independent oil palm smallholders covered by the Kao grievance mechanism	• Traceability to oil palm plantations(TTP): 91% at the end of 2025 • Support for independent oil palm smallholders: 4,630 smallholders cumulatively (up 1,141 year-on-year) • Credits purchased from independent oil palm smallholders: 42,488 tons (up 18,250 tons year-on-year) • Scope of the Kao Grievance Mechanism: 323 smallholders (up 64 year-on-year)	• Aim to achieve 100% traceability through cooperation with suppliers • Drawing on the results of assessments and the Kao Grievance Mechanism, continue efforts to mitigate risks through dialogue with and support for suppliers • Disclosure on paper and pulp information as dashboard	> Responsibly sourced raw materials (P130)

Theme	Challenges	Focus Areas	Outcomes	Next Step	Page Reference
Making the world healthier & cleaner					
Decarbonization	• Lifecycle CO_2 emissions: 92% of emissions come from raw material procurement, product use, disposal, and recycling, requiring reductions across the entire value chain. • Scope 1 + 2 CO_2 emissions: In addition to fully switching purchased electricity to renewable sources, we need to enhance energy efficiency by reducing direct emissions, among other measures. • Share of renewable electricity used: Scope 2 emissions from plants in Asia are higher than those from plants in Japan.	• Lifecycle CO_2 emissions: Reduced CO_2 emissions across the entire value chain through collaboration with stakeholders • Scope 1 + 2 CO_2 emissions: Invested in renewable energy procurement and low-carbon facilities in Asia, and improved energy efficiency at production sites • Share of renewable electricity used: Procured renewable electricity for plants in Asia	• Lifecycle CO_2 emissions: Achieved a 17% reduction from the base year and a 1% reduction year-on-year (Kao Group) through products such as laundry detergents that require only one rinse cycle, dishwashing detergents and body cleansers that require less water or less hot water • Scope 1 + 2 CO_2 emissions: Achieved a 47% reduction from the base year and a 6% reduction year-on-year by commencing operation of additional solar power generation capacity installed at the automated warehouse of the Toyohashi Plant, the Karawang factory of Kao Indonesia, Kao Corporation Shanghai, and the Sumida office, as well as a newly established biomass thermal plant at our chemical business plant in Spain, among others • Share of renewable electricity used: Achieved 78%, up 9% year-on-year (Kao Group), through renewable electricity procured for Pilipinas Kao, Kao Vietnam, and Kao Indonesia Chemicals	• Lifecycle CO_2 emissions: Continue to advance decarbonization across the value chain by reducing CO_2 emissions during product use, switching to low-carbon raw materials, cooperating with suppliers, and leveraging biomass and carbon recycling technologies • Scope 1 + 2 CO_2 emissions: To promote voluntary energy-saving initiatives at each plant, continue developing tools that automatically aggregate and visualize energy-related data, and share them among plants. In addition, to raise awareness of energy efficiency, conduct online employee training on decarbonization. Continue to explore further shifts to low-carbon facilities and procurement of green energy • Share of renewable electricity used: Work toward 100% renewable energy, including considering purchasing renewable energy at sites where direct procurement is difficult	> Decarbonization (P143) > Product Lifecycle and Environmental Impact (P198)
Zero waste	• Recycling rate of plastics involving Kao needs to be further improved. • Society as a whole must work together to build and improve an infrastructure for resource circulation. • Further reduction of waste from products and promotional materials is required.	• Expanded the use of recycled plastic in consumer products • Developed and rolled out innovative packaging • Expanded the collection scheme for refill packs (launched in Odawara in 2024, and scheduled for Wakayama and Sakata in 2026 • Optimized production plans and inventories, reduced waste from product returns, and strengthened control of promotional materials	• Recycled plastic used in containers and packaging: 6,700 tons (+5% year-on-year) • Quantity of innovative packaging penetration: 0.11 billion items (+10% year-on-year) • Refill packs collected through RecyCreation activities: 12 tons (2025 result) • Reduction in waste from products and promotional materials: 59% (+24% year-on-year)	• Further promote the use of recycled plastic • Build a resource circulation model by strengthening cooperation with stakeholders • Pursue further reduction of waste from products and promotional materials	> Zero Waste (P161)
Water conservation	• While we have steadily reduced water withdrawal at production sites, we need to further enhance site-level water management based on water stress and other factors.	• Further identified production sites in water-stressed areas, while preparing to set and disclose water management targets for each site, covering water withdrawal reduction, reuse, etc.	• Identified 14 production sites based on water stress and water quality risks, and set water management targets for each site	• Strengthen the execution and tracking of measures based on site-level targets, and enhance the effectiveness of water management at production sites	> Water conservation (P176)
Air & water pollution prevention	Broader disclosure of VOC and COD across more plants is required.	• Implemented initiatives to achieve 100% disclosure of VOC and COD	• Improved the disclosure rate for VOC (2020: 0%, 2025: 94%)	• Provide regular education and training • Share know-how among plants	> Air & Water Pollution Prevention (P192)

Theme	Challenges	Focus Areas	Outcomes	Next Step	Page Reference
Walking the right path					
Effective corporate governance	We need to strengthen measures to prevent harassment across the Kao Group's business activities.	• Took actions to fully eliminate harassment ・In a video message streamed in April 2025, the President stated, "We do not tolerate any form of harassment, and we protect our employees." ・Issued a compliance message in May 2025 ・Made it easier for employees to speak up by sharing compliance case studies	• The number of whistleblowing and consultation cases increased (434 → 474; 109% year-on-year) • Among these, the share of harassment-related whistleblowing and consultation cases increased (20% → 29%; 145% year-on-year)	• Issue guidance on sexual harassment • Continuously communicate the company's stance on preventing harassment (intranet, training, etc.)	> Effective Corporate Governance > Metrics and targets (P203)
Full transparency	• Since our KPI is calculated based on the number of brands, the value remains unchanged unless new brands disclose information, limiting visibility into the progress of our activities. • We need to strengthen our data infrastructure to enhance transparency and to use data more effectively.	• Leveraged established mechanisms • Used developed applications to streamline operations • Expanded the scope of activities covered by our ESG data platform project	• Added a table with the number of products with disclosed or updated fragrance ingredient names over time (Due to information updates accompanying new products and improvements within the same brand, disclosure was made for a total of 39 products.) • Improved operational efficiency through the use of developed applications, reducing work time to approximately 1/10 to 1/100 of conventional methods and saving over 9,000 working hours annually • Expanded the scope of target product groups for output and environmental data coverage (environmental risk assessment, CO_2 emissions, etc.)	• In addition to making activities visible, redefine the information consumers need and further review brand transparency strategy (disclosure of fragrance ingredients) • Enhance application functionality and expand the user base • Promote activities that translate ESG information into new customer value and enhanced value • Promoting data preparation and system development to respond promptly to expanding mandatory disclosure requirements	> Full transparency > Metrics and targets (P221)
Respecting human rights	• The implementation rate of human rights risk surveys for contractors falls short of the target. • No complaints have been filed through the grievance mechanism (for foreign workers).	• Reviewed the process for human rights risk surveys for contractors and improved its comprehensiveness • Strengthened in-person communication (Japan) • Monitored responses at companies that employ foreign workers	• Response rate to human rights risk surveys for contractors: 27% • No target has been set for the number of consultation cases. However, if no one is using the system, we need to examine whether there are any issues. (That said, dialogue suggests that initiatives by employers may have rendered such consultations unnecessary.)	• Prioritize comprehensiveness by reviewing the process and accepting alternative survey measures • Continue to monitor the situation. In addition, strengthen ties with subcontractors and improve the working environment	> Initiative "Conducting human rights risk surveys internally and for suppliers and contractors" (P232) > Initiative "Deployment of grievance mechanisms" (P234)
Inclusive & diverse workplaces	• To make cognitive diversity work to the advantage of our organization, we need to strengthen psychological safety in the workplace. • As part of efforts to ensure diversity in decision-making across all levels of the organization, we need to increase the number of female managers. In Japan, further improvement is particularly needed.	• Conducted educational and awareness-raising activities, including efforts to deepen understanding of the significance of DE&I, psychological safety, and unconscious bias, and put such learning into practice • Promoted women's empowerment	• Score for "Inclusive organizational culture" in the employee engagement survey: 65 • % of female managers related to that of female employees: 79.4% globally; 71.4% in Japan	• Educate and raise awareness among management employees on diversity management • Continue to educate employees on psychological safety and unconscious bias • Promote women's empowerment, with a particular focus on eliminating gender role biases	> Initiative "Deepening understanding of DE&I" "Fostering a dialogue-driven organizational culture" (P274) > Initiative "Women's empowerment" (P269)

Theme	Challenges	Focus Areas	Outcomes	Next Step	Page Reference
Employee wellbeing & safety (Wellbeing)	• In Japan, while the percentage of healthy and engaged employees remains high, a growing number of long-term absentees is becoming a challenge, requiring measures for both mental and physical health. • To maintain both mental and physical health, we need to continue monitoring and reducing hazardous factors, including chemical substances.	• Improved mental health • Helped employees balance medical treatment and work • Managed employee health risks from hazardous factors, including chemical substances	• Mental wellness training (basic) participation rate: 79.4%; comprehension rate: 96.0% • Secondary screening rate: 97.6% • Advanced the project on hazardous factors and employee health risk management	• Improve the participation and comprehension rates in mandatory training and line care training to promote mental health • Provide support for taking leave and returning to work, as well as balancing treatment and work, to enable more employees to work in good health • Launch a company-wide initiative on hazardous factors and employee health risk management to reduce the impact of hazardous factors, including chemical substances, on employee health	> Employee Well-being & Safety: Wellbeing (All pages) (P276-291)
Employee wellbeing & safety (Safety)	• Among occupational accidents, the number of non-job-specific accidents (such as falls and overexertions) has been increasing. It is therefore essential not only to implement physical measures, such as installing handrails and removing steps, but also to educate employees and raise awareness.	• Worked to reduce non-job-specific accidents (falls, overexertions)	• Among occupational accidents, non-job-specific accidents account for approximately 50%.	• Educate employees and raise awareness to reduce non-job-specific accidents	> Initiative “Improving safety awareness with the award system for no accidents that cause lost work days” (P297) > Initiative ”Sharing safety messages globally” (P298)
Human capital development	• To fully empower employees and manage human capital and the organization in line with the *Global Sharp Top* strategy, we need to establish a system where employees can continue to take on challenges and grow, while further accelerating cooperation.	• Provided equal opportunities and executed talent strategies that address human capital, organizational, and environmental aspects accordingly	• Employee engagement: 68 (2025)	• Strengthen the selection and development of future leaders • Expand talent and capability development programs	> Selection of human capital who will become global leaders (P249) > Initiative ”Human Capital Development/ Capacity Building Programs” (P245)
Responsible chemicals management	• Strengthen risk management to respond to increasingly stringent regulations and sustain zero incidents (occupational injuries, leaks/spills, fires, etc.) • Strengthen supply chain collaboration in response to growing demands for information disclosure	• Enhanced risk assessment and promoted incident prevention • Strengthened information disclosure and collaboration through safety summaries and Safety Data Sheets (SDS)	• Disclosure rate of safety information on Kao priority assessment substances (57% [12 out of 21 substances] in 2025). • Maintained a high level of management of health, environmental, and safety impacts at business sites (management rate: 98% in 2025). • Conducted chemical substance communication with stakeholders (16 activities, including information sharing, in 2025) and provided education programs (3 in 2025).	• Further enhance risk assessment methodologies and expand them globally • Standardize information disclosure and strengthen supply chain collaboration • Promote incident prevention by enhancing safety awareness	> Responsible Chemicals Management > Metrics and targets (P305)

Progress and insights on our three commitments

Progress for each of our three commitments is as follows. For each commitment, we evaluate progress comprehensively, taking into account not only movements in the primary indicator but also underlying changes in our business structure and the value we deliver. Toward achieving our 2030 targets, we recognize that further improvement is needed across all commitments in both the quality and pace of progress.

1. Making my everyday more beautiful

Under this commitment, Kao has set a target of reaching 1 billion people by 2030 by helping them live cleaner, healthier lives, age with greater peace of mind, and live true to themselves—in other words, the number of people who can enjoy comfortable and emotionally fulfilling lives through Kao's products, services, and activities. This indicator estimates the number of consumers reached based on sales volumes and related data for applicable products. The result for 2025 was 0.49 billion people, lower than the previous year. This primarily reflects the strategic shift we have promoted toward large-capacity and high-value-added products in response to evolving consumer needs in recent years.

These efforts are making it easier for individual consumers to choose products that match their own circumstances and needs, and we believe our contribution to improving consumers' QOL is steadily deepening. At the same time, this expansion of qualitative value provision is not fully captured by reach figures based on sales volumes alone; the growth of brand-led activities aimed at improving QOL, including awareness-raising initiatives, to 62 is one indication of this.

Progress toward our 2030 target is not yet sufficient, and we recognize the need to accelerate both the expansion of applicable products and services and the deepening of the value propositions we offer. Going forward, we will work to expand the provision of products that contribute to comfortable, beautiful, and healthy lives and to QOL that resonates emotionally with consumers. Alongside expanding our reach, we will also enhance how we capture and disclose qualitative dimensions of value provision, such as consumer behavior change and satisfaction, as complementary perspectives.

2. Making thoughtful choices for society

Under this commitment, Kao aims to achieve 100% by 2030 for the ratio of brands that propose small but meaningful choices for consumers, helping to realize a more vibrant and compassionate society.

This ratio is calculated as the proportion of brands that meet Kao's eligibility criteria, with the base population consisting of major brands selected based on factors such as their reach to consumers. The base population and eligibility criteria are reviewed periodically in line with changes in the business environment, and in 2025, we refined how this indicator is applied to more accurately reflect its impact on consumers.

The result for 2025 was 68%, an increase from the previous year. This figure is calculated based on the refined methodology; for reference, the value under the former criteria was 61%. This increase was attributable to the expansion of brands that resonated strongly with consumers under "Purpose-driven brands," together with brands that implemented technological innovations under "Transformative Innovation" and environmental awareness-raising initiatives under "Sustainable lifestyle promotion."

Going forward, Kao will focus on expanding the scope of substantive initiatives by broadening the range of covered brands, and on deepening the substance of the meaningful choices it proposes to consumers.

3. Making the world healthier & cleaner

Under this commitment, Kao aims to raise the ratio of products with an environmental footprint that stays within scientifically defined planetary boundaries throughout their entire lifecycle to 100% by 2030. This ratio is calculated as the percentage of products that meet Kao's thresholds for key environmental impact indicators based on life cycle assessment (LCA).

The actual figure for 2025 was 23%, up from 21% in the previous year. Progress is moving in the right direction; at the same time, a substantial gap remains relative to the 2030 target, and we need to accelerate the expansion of eligible products.

In 2025, the major contributing factors were increased sales volumes of products meeting the eligibility criteria, such as the water-saving laundry detergent *Attack* and dishwashing detergent *CuCute*, together with the expanded adoption of recycled materials in containers and packaging.

At the same time, the range of products meeting the eligibility criteria remains limited at present, and expanding eligibility is a key challenge. Going forward, we will work to expand eligibility through technological development and product rollout in areas such as concentrated formulas, the use of low-carbon raw materials, and improved water-saving performance, while embedding reductions in environmental impact across the entire lifecycle from the product design stage, in order to accelerate progress.

To further enhance the effectiveness of the three commitments in light of changes in the business environment and social issues, we are conducting a review based on materiality analysis. We will disclose the direction of this review at an appropriate time.

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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 2025, 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 2025, 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

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Governance

Kao's ESG governance is carried out under the supervision of the Board of Directors, with the President & CEO, other Executive Officers, 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 initiatives, incorporates environmental (E) and social (S) perspectives into Kao's management and business activities, and supports the realization of the Mid-term Plan "K27" as well as the mid- to long-term corporate value enhancement beyond this plan.

Under this system, the President and CEO, other Executive Officers, as well as divisions and group companies are responsible for executing business operations under the supervision of the Board of Directors. Characteristics of this system include the ability to ensure 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

Kao's Board of Directors will conduct a substantial delegation of authority to the executive organizations, and further strengthen its monitoring function to encourage appropriate risk-taking by management and prompt and bold decision-making. In particular, the Board of Directors will effectively supervise the appropriate allocation of management resources, including human capital, and the adequate implementation of strategies by management. It also recognizes that it is the responsibility of the Board of Directors to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.

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 environmental and social 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 these matters. The Board of Directors receives regular reports twice a year from the ESG Managing Committee, which deliberates and discusses ESG issues, and oversees the execution status. The Board of Directors also makes decisions on significant matters that meet the criteria for Board referral.

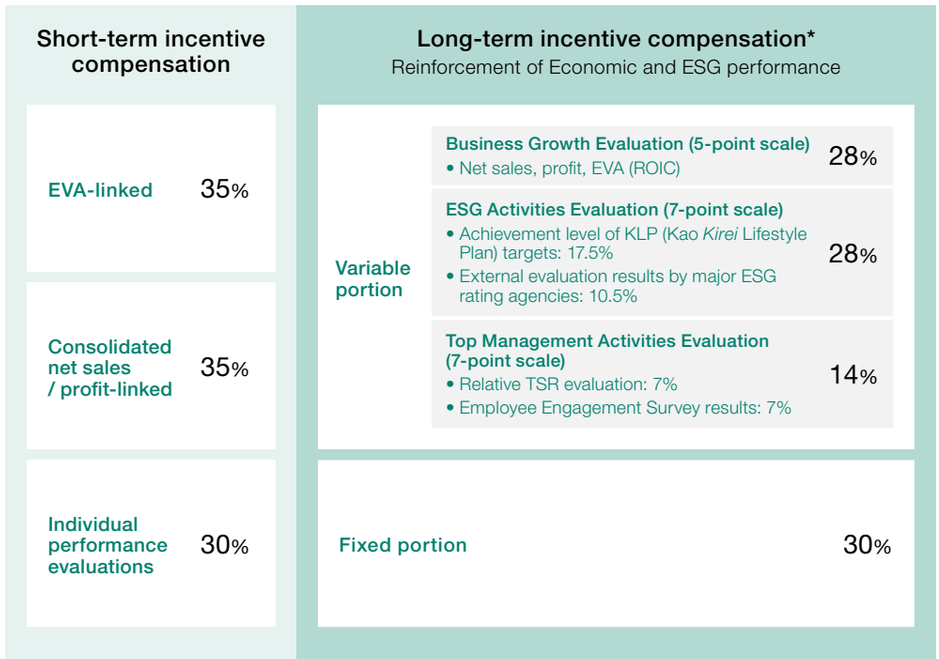
- Corporate Governance Report [Principle 4.1] Roles and Responsibilities of the Board (1)
  https://www.kao.com/global/en/corporate/policies/corporate-governance/
- Corporate Governance, The Board of Directors
  https://www.kao.com/global/en/corporate/policies/corporate-governance/directors/
- Integrated Report 2026, P56-57 Corporate Governance Structure
  https://www.kao.com/jp/investor-relations/library/reports/

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Overview of the Incentive Compensation System

The Board of Directors determines the incentive compensation system and performance evaluation framework following deliberation by the Compensation Advisory Committee, whose majority members are Outside Directors. For individual performance evaluations of Directors, Outside Directors evaluate the President & CEO. The Compensation Advisory Committee evaluates other Directors through deliberation among its members.

Overview of the Incentive Compensation System and ESG Indicators



* Composition ratio (CEO example)

* Directors and Executive Officers, excluding Outside Directors, receive fixed and variable compensation. Outside Directors receive fixed (non-performance-linked) compensation only.

Kao believes that the enhancement of social value and environmental conservation value accompanied by economic rationality leads to the long-term enhancement of Kao's corporate value. Based on this belief, Kao integrates ESG into its management without decoupling it from capital discipline, and actively promotes related activities. At the company, with respect to the degree of achievement of key targets for ESG Activities Evaluation, the perspective of economic rationality has also been incorporated, and evaluation indicators reflecting this concept have been introduced and are being disseminated company-wide.

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 FY 2026, the ratio of short-term and long-term incentive compensation against base salary has been revised to 1:1:1.25 for the Representative Director, President and Chief Executive Officer. Long-term incentive compensation incorporates the "ESG Activities Evaluation indicators" (accounting for 28% of total long-term incentive compensation), of which the achievement of KLP's priority targets accounts for 17.5% and the results of external evaluations by major ESG rating agencies account for 10.5%. The achievement of KLP's priority targets is based on a multifaceted evaluation and consists of Decarbonization (CO_2 emissions reduction rate), Zero Waste (plastic recycling rate), percentage of female managers, and the number of serious compliance violations.

- 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 2026, P64 Executive Compensation https://www.kao.com/global/en/investor-relations/library/reports/

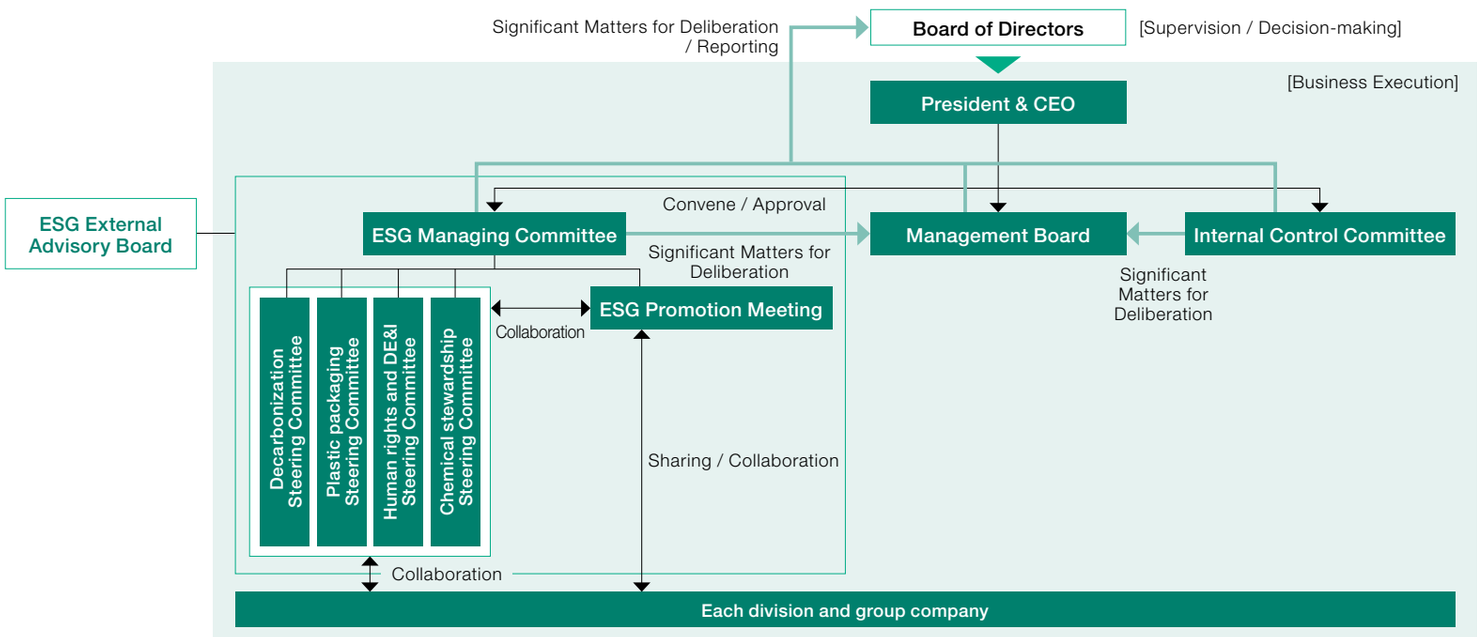
ESG management framework

The overall execution of ESG has a governance structure centered on the ESG Managing Committee chaired by the Representative Director, President and Chief Executive Officer. The ESG Managing Committee, which consists of management, discusses and decides on the direction of ESG-related activities, refers significant matters to the Management Board as appropriate, and reports the status of activities to the Board of Directors. The ESG Managing Committee positions key themes related to forward-looking financial impacts on the mid-term management plan, effects on capital markets and credit ratings, and future risks as its highest priorities. In addition, the ESG External Advisory Board, which is comprised of outside experts, provides reports and recommendations in response to consultations from the ESG Managing Committee, and reflects the third-party perspectives from management experts.

We have established the cross-functional ESG Promotion Meeting, which works to achieve the KLP, and the ESG Steering Committees, which steadily execute reliable and timely execution of 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 division. 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. Executive Officers 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.

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 the ESG Managing Committee (which meets six times a year and is chaired by the Representative Director, President and CEO), and opportunity management is conducted by the ESG Managing Committee.

ESG governance structure



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

Organization	Roles	Structure	Performance (2025)	
			Frequency of meeting	Main deliberated items
ESG Managing Committee	Deliberate, discuss or report the following items that concern Kao as a whole: • Basic approach to and policy of ESG • ESG policy sharing, strategy, activities, external communications, etc. • Decisions on investments for promoting ESG activities • Trends, risks and opportunities related to social sustainability and ESG • Active stakeholder engagement by ESG Managing Committee members • Deliberation with the Board of Directors and regular reporting on the status of discussions	Chair: Representative Director, President and Chief Executive Officer Members: Representative Director, Senior Managing Executive Officers, Managing Executive Officers, Executive Officers Observers: Full-time Audit & Supervisory Board Members	Six times/ year	• Deliberated on and approved disclosure regarding quantitative assessments of financial impacts based on the TCFD • Deliberated on and approved the disclosure policy of the Kao Sustainability Report 2025, the details of disclosure including the progress made on KLP KPIs • Added and revised KPIs in the KLP, and deliberated on and approved new KPIs • Deliberated and decided on the ESG investment budget and investment projects • Deliberated on and discussed policies and operations for goal-setting management related to promoting ESG • Deliberated on proposals submitted by the ESG Steering Committees • Examined the proposals from the ESG External Advisory Board
ESG External Advisory Board	• Give advice and recommendations for issues raised by the ESG Managing Committee from outside 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 Representative Director, Ethical Association etc. Specialization: Ethical consumption, etc. • Ruma Bose CEO, Kayanee Specialization: Human rights, entrepreneurship support, etc. • Mike Jefferson Director, Verde Research and Consulting Ltd. Specialization: Waste management, Recycling systems, etc. • Noémie Bauer CSO, Pernod Ricard Specialization: Governance, Law, etc.	Twice/ year	• Proposed expectations for and risks to Kao based on the social climate • Evaluated the progress made in ESG and raised issues • Provided advice on revising Kao's materiality • Provided advice on promoting the procurement of sustainable raw materials • Provided advice for circular economy and advocacy activities • Provided advice for DE&I and human rights approaches and initiatives
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. at business divisions, functional divisions, corporate divisions and regions	Six times/ year	• Revised the mid- to long-term targets in the KLP and the progress and future plan for action themes in the KLP • The progress of the ESG Steering Committee • The draft of an ESG investment strategy • Proposed the direction of information disclosure in the Sustainability Report and other materials • Promotion of ESG activities in each division and region and identified issues

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Organization		Roles	Structure	Performance (2025)	
				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: Executive Officer, Vice President, R&D, Core Technology Research Center Members: Staff of R&D, Procurement, Manufacturing and Engineering, Chemical Business, ESG	Six times/ year	• Deliberated on and approved a GHG reduction strategy • Discussed the progress made to achieve decarbonization-related KPIs and approved an action policy to address issues • Deliberated on and approved a policy for the 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: Managing Executive Officer, Senior Vice President, R&D Members: Staff of R&D, Procurement, Global Consumer Care Business, ESG	Eleven 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: Managing Executive Officer, Senior Vice President, Human Capital Strategy Members: Staff of Human Capital Strategy, Procurement, Manufacturing and Engineering, Global Consumer Care Business	Once/ month	• Promoted activities based on the human rights and DE&I Policy • Shared the risks identified in the human rights risk assessment and promoted activities at relevant divisions and subsidiaries • Promoted understanding of human rights and DE&I and developed awareness-raising initiatives for employees in anticipation of implementing activities along these lines • Built an internal global collaborative structure for implementing DE&I, and launched activities
	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 the 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: Senior 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 • Discussed approaches for reducing the impact of chemical substances on the environment and human health throughout the product lifecycle and for disseminating information about these initiatives in an easy-to-understand way • Participated and contributed to the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (Cefic)

Note: Priority issues are promoted through the ESG Steering Committees, while focus themes requiring a cross-functional structure are advanced through dedicated projects as needed.

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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

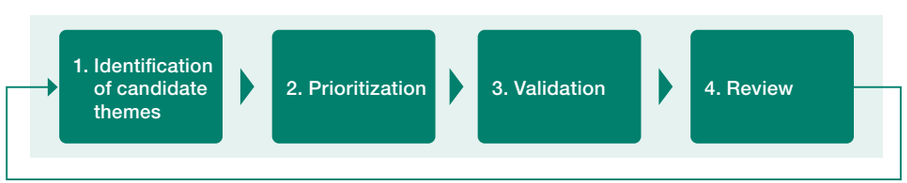
Risk management involves the Risk and Crisis Management Committee regularly monitoring the significance of the risks. Among these, risks that would have a major impact on management and require an enhanced response are designated as Corporate Risks, and for those, risk themes and risk owners are decided 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. Additionally, risks relating to societal sustainability and ESG are reviewed and deliberated at the ESG Managing Committee.

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 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.

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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

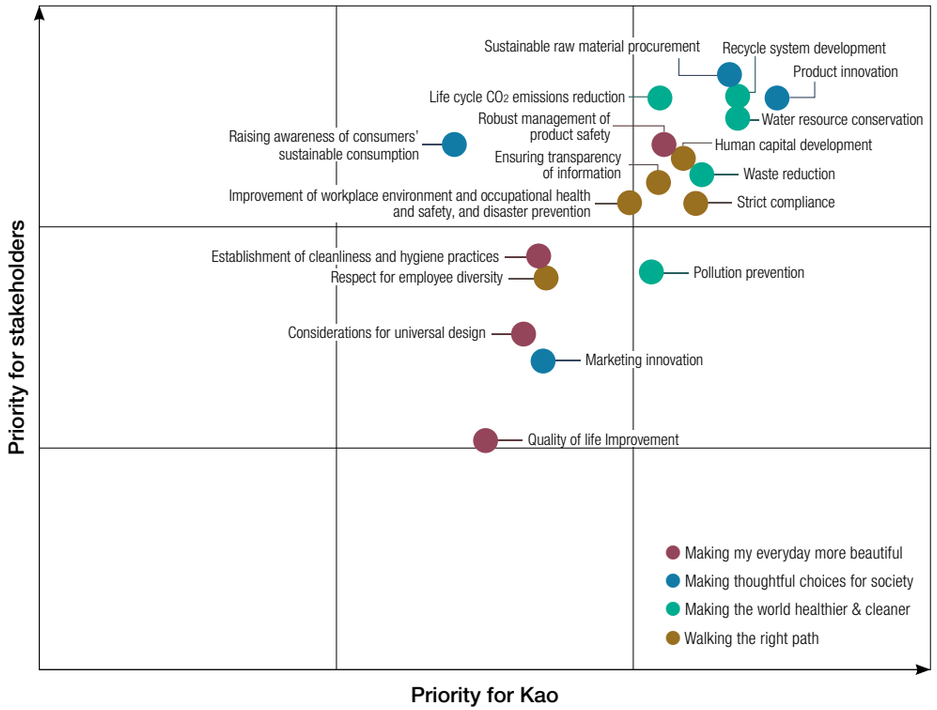
The ESG Committee (current ESG Managing Committee) reviewed the 19 Kao Actions selected in the ESG Promotion Meeting, and the Board of Directors approved them. Based on this, divisions set their own targets and action plans to conduct ESG activities.

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. Going forward, we will align our efforts with the materiality assessment conducted in FY2025 and with the next medium-term management plan.

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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

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Risk Management

The Risk & Crisis Management Committee is one of the related committees positioned below the Internal Control Committee, and holds four meetings annually. It establishes risk management systems and activity policies based on the Kao Risk and Crisis Management Policy. Each division and subsidiary identifies and assesses risks in accordance with activity policies set by the Risk & Crisis Management Committee, and examines, selects and implements countermeasures, thereby achieving risk management. These activities are checked by the Management Board periodically (once a year), as well as at other times when required. The activities are approved by the Board of Directors, and their effectiveness is checked by the Internal Control Committee.

Kao introduced ERM* in 2016, and has been striving to enhance risk management globally ever since. In Kao's ERM, the Genba and management initiatives are powerfully integrated. We conducted a risk survey for Genba from an on-site operations perspective, held interviews with management from a managerial perspective, and analyzed the external environment to identify and assess the major risks and action issues that could hinder the achievement of the Mid-Term Plan (K27). In addition, we implement ERM in a global framework with reference to ISO 31000.

* ERM (Enterprise Risk Management): Activities to identify and assess all major risks in an integrated and comprehensive manner and to implement countermeasures to enhance corporate value.

Carrying out appropriate risk management not only fulfills the conventional role of minimizing physical damage and financial losses, but also supports efforts for taking on new challenges, boosts the probability of success in business, and further enhances our corporate value.

The Risk & Crisis Management Committee has examined the 14 main risks of particular importance that could potentially hinder sustainable growth and contributions to society, and the Management Board has made decisions regarding these main risks. The responsible divisions formulate the policy for and manage the progress of countermeasures for these main risks.

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 risk themes and risk owners responsible for addressing them (Executive Officers) are examined by the Risk & Crisis Management Committee and decided by the Management Board. Risk owners assemble countermeasure teams, formulate response plans, monitor risks, and take action when risks emerge. The Risk & Crisis Management Committee examines the effectiveness of these actions and manages their progress, and the Management Board revises the risk themes every year.

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

Risks related to societal sustainability and ESG are reviewed and deliberated at the ESG Managing Committee.

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.

Deployment of 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.

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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.

Employee engagement

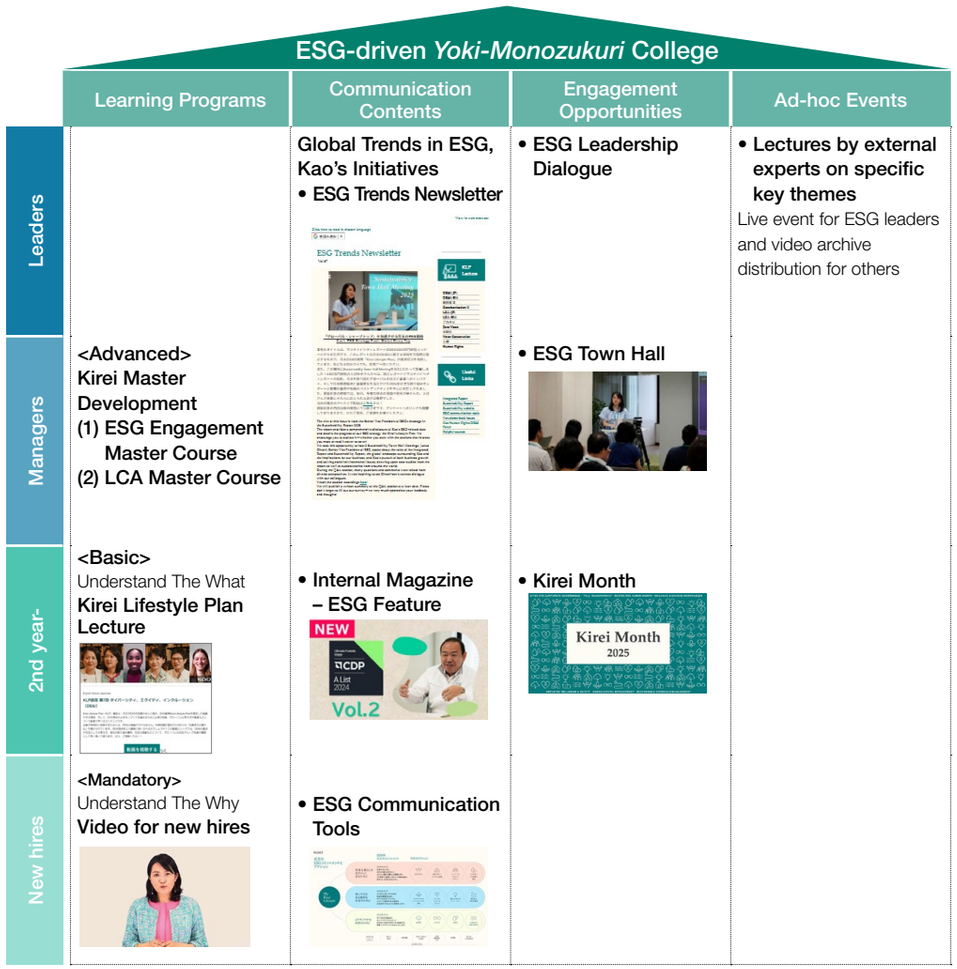
ESG Employee Engagement Framework

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, continuously offering information and inspiration to employees to boost their motivation and realize their full potential.

* 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 develops and offers dedicated learning programs tailored to different levels in order to provide all employees with the knowledge necessary to advance the KLP and encourage them to learn autonomously. As part of onboarding training for new hires, we provide a training video in which the Senior Vice President of ESG explains why Kao is committed to ESG. For employees in their second year and beyond, Kao offers an e-learning program called the Kirei Lifestyle Plan Lecture, which allows a deeper understanding of Kao's ESG initiatives. This learning program has been created in both English and Japanese, and translated into local languages across Kao's Asian subsidiaries to further enhance understanding globally. In AEMEA, where there is a strong social demand for sustainability initiatives, Kao offers specialized programs such as the "Sustainability 101 Training Course" to address evolving regulatory developments. As the need to drive forward sustainability heightens, business operations and required skillsets are evolving across areas such as production, supply chain management, and R&D. To evolve with these changes, Kao develops and provides training to equip employees with practical skills in areas such as thinking with a lifecycle perspective and environmentally conscious design to support transitions into new roles.



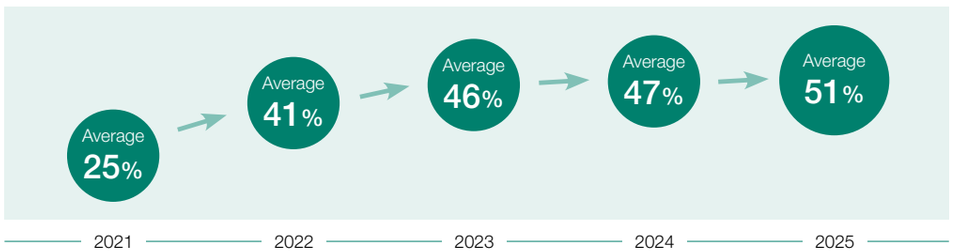
Structure of the ESG *Yoki-Monozukuri* College

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Communication Contents

Kao creates and publishes communication content to help each employee worldwide gain insights into promoting ESG-driven *Yoki-Monozukuri* in plan and action. The ESG Trends Newsletter is distributed to all global employees of the Kao Group, and 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. The newsletter also aims to direct employees' attention towards engagement measures through announcements and special features. These engagement measures will be described in detail later. The ESG Trends Newsletter has boosted its average open rate to 51%, and the series titled "Kao's ESG *Genba*" posted on the global intranet in 2025 had a cumulative total of 11,000 views across the Japanese and English versions. These initiatives aim to increase employee awareness of ESG-related information and create a deeper understanding of how ESG is integrated into and implemented in work at each *Genba*.

ESG Trends Newsletter Average Open Rate



Engagement Opportunities

We plan and execute a wide range of engagement measures to boost awareness about the importance of employees engaging in their work with an ESG perspective and to inspire a sense of ownership among employees.

Targeting leaders, we carried out an event called ESG Leadership Dialogue, joined by the presidents of subsidiaries involved in the Global Consumer Care Business in Asia, as well as the Senior Vice President and Vice President of ESG. Presidents from each company shared details on the challenges that should be tackled in order to accelerate the integration of ESG and business, and reaffirmed their intent to collaborate together while utilizing the roles and strengths of each country while viewing the whole of Asia as a single value chain region. This served as an excellent opportunity to discuss the actions for Kao to take going forward.

Our ESG Town Hall sessions, serving as an opportunity for dialogue between the Senior Vice President of ESG and employees, began in 2023 in AEMEA. In 2025, we held ESG Town Hall sessions at three locations in Japan, Asia and AEMEA, reaching a total of 900 people, including both in-person participants and archive video views. The sessions were met with positive feedback from participants, with comments such as "I gained a deeper understanding of ESG trends, Kao's philosophies and initiatives, and external evaluations."

Additionally, in 2025, we collaborated with our Asian subsidiaries to organize a new globally unified employee engagement event Kirei Month. We defined decarbonization, zero waste, and human rights and DE&I as shared focus themes, and the ESG representatives of each subsidiaries planned and executed measures to meet the needs of each local company. These measures were joined by a cumulative total of 7,000 people who expressed a high level of satisfaction in participant questionnaires, with presidents from multiple subsidiaries commenting that since ESG serves as the foundation of business value, it is important for employees to have a sense of ownership, and that these activities are directly linked to brand value. We found that activities for Kirei Month enhanced employees' pride and understanding while also boosting their desire to put these ideas into practice.

When considering plans for Kirei Month, we held multiple rounds of dialogue with ESG representatives from our Asian subsidiaries,and we believe that this helped them gain a deeper understanding about the Kao Group's policy and successfully share and thoroughly discuss plans for each company.

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



The Kirei Month event held at Kao Industrial (Thailand)

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. In Japan, a lecture on Business and Human Rights was held for employees at all levels, featuring an external expert.

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Our First Global Event Made Possible by the Spirit of Kirei



Saya Douglas
ESG Global Engagement, ESG Strategy, ESG Division
Kao Corporation

What stood out most throughout Kirei Month was the passion across the Kao Group. This initiative was the first global event of its kind for the ESG Division. We approached with humility and caution, exchanging thoughts with global representatives through open dialogue. Through these conversations, we were reminded that we are united by shared values that are deeply embedded in our culture and embodied in our corporate philosophy the Kao Way and ESG strategy the Kirei Lifestyle Plan. I believe these anchors, the spirit of Kirei, made global co-creation possible.

We were moved by the strong sense of unity. With regional representatives at the helm, presidents from multiple subsidiaries endorsed local events through their participation, highlighting the importance of employees' ownership, recognizing ESG as the foundation of business value and a direct driver of brand value. We were truly inspired by the overwhelming enthusiasm and ownership from every region.

This response also confirmed that Kirei Month met global and local needs, addressing the key opportunities that we had identified upon proposal: strengthening alignment, deepening cross-regional collaboration, and most importantly, fortifying internal engagement to make sustainability an even stronger driver of value creation for the business and for the people we serve.

A key success factor in this activation was ensuring relevance across regions with diverse business portfolios, sustainability priorities, and engagement landscapes. To achieve this, we aimed for global planning with local execution. Global representatives first came together to shape Kirei Month. With a shared vision, they returned to their regions to plan and implement events taking into account each market's business landscapes, working closely with local teams. We continued to engage in dialogue with our counterparts, which also contributed to balancing consistency with adaptability.

Our analysis suggests Kirei Month strengthened unity and pride among colleagues around the world and reinforced their ambition to put these ideas into practice. For our team, the process helped us deepen our understanding of regional realities. These insights will guide our future efforts to empower colleagues worldwide to drive value creation through sustainability.

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Kirei Month From Global Initiative to Local Ownership: Empowering Our People to Inspire a Kirei Life for All.



Dararat Insuwan
ESG Promotion
Corporate Strategy
Kao Industrial (Thailand)

Kirei Month is a new initiative featuring participation from teams across all regions. It serves as a symbol of global internal engagement focused on sustainability at Kao, unified under the theme 'Let's Celebrate Kirei Together'. This initiative aims to raise awareness about importance of promoting sustainability through business by empowering employees to take ownership and integrate sustainability into their specific roles, while fostering a unified culture of cross-regional collaboration and shared inspiration.

As the representative of Kao Thailand, I am immensely proud to see our team transform this global symbolic initiative into a tangible movement through the "Inspire My Kirei" program.

Our core objective was to foster understanding and employee engagement, aiming to integrate the Kirei Lifestyle Plan (KLP) daily routines at work, across personal life and empower our people to care for society and the planet, fulfilling Kao's mission of Kirei Life for All.

To achieve this, we implemented a strategic two-pillar approach:

1. Building Knowledge and Understanding of KLP.

We initiated the "Kirei Mini Conference", where our ESG team simplified complex ESG strategies into visual insights derived from Sustainability Reports and external best practices to build foundational understanding of the KLP, we empowered employees to see exactly how their individual roles contribute to ESG strategies and corporate goals. This initiative drove engagement, with 47% of participants achieving "KLP BIG FAN" status through a rigorous strategy quiz, demonstrating a profound awareness of the organization's sustainability roadmap.

2. Connecting the KLP to everyday life and work through "Kirei Moments".

We created a platform for employees to share their "Kirei Moments"—personal stories of how they integrate KLP principles into their professional tasks and daily lives. The response was overwhelming, with 62 inspiring stories shared, significantly exceeding our target. This proves that the Kirei Lifestyle is becoming more than just a strategy; it is becoming a living culture for our people.

Our Commitment and Future Challenges:

While these initial results are a great start, our ultimate challenge is to fully integrate the KLP into our business. How the KLP strategy can be applied to enhance product value—specifically, through products that minimize environmental impact and address social issues. I am firmly committed to leveraging the momentum gained from Kirei Month to further foster deep employee engagement and a sense of "Co-ownership" across the entire organization.

We are dedicated to transforming Kao Thailand into an "Indispensable Company in a Sustainable World," fully aligned with our K30 goal. By empowering every employee to take ownership of our sustainability goals and by co-creating impactful business models with our partners, we will ensure that our growth directly contributes to a better planet.

At Kao Thailand, we are not just celebrating a month; we are building a legacy of "Kirei Life for All" that will remain vital to the world for generations to come.

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Message from the ESG External Advisory Board

How Kao's Capability in the Social Implementation of ESG Is Transforming Consumer Behavior

Rika Sueyoshi
Representative Director
Ethical Association

In 2025, I felt that Kao had moved ESG beyond a simple corporate strategy toward social implementation. What particularly impressed me was how the company further advanced systems that enable consumers to make planet-friendly choices from the moment they pick up a product. I believe that the product design philosophy of enabling consumers to contribute to the environment simply by choosing a product aligns with the transition to a circular economy promoted jointly by Japan's public and private sectors. As a pioneer that has embedded a refill-and-reuse culture in society for about 30 years, Kao deserves renewed recognition. Kao has reduced plastic consumption by 78% relative to its projected baseline and has achieved a structural shift in actual consumption, with refill-and-reuse products now more widely used than standard bottles. I greatly appreciate this achievement, as it goes beyond a stage in which reduction depends on conscious consumer choice and instead normalizes everyday behaviors that automatically lead to reduction, thereby realizing a consumer-driven circular society.

To advance to the next stage, Kao needs to redesign sustainable lifestyles without relying on existing product structures. For example, as an extension of its refill culture, the company could pursue bolder initiatives such as moving away from bottles altogether or encouraging their long-term use (by concentrating, solidifying, transitioning to sheets, and deploying refill stations). In addition, Kao should improve its experience design across the entire cycle, from purchase and use through to completion and feeding back into the cycle (through measures such as in-store collection systems, incentives for returning empty containers, and automated refill options on e-commerce sites). By doing so, the company can take the lead in embedding this transformation within Japanese consumption culture.

I understand that Kao's Extended Producer Responsibility (EPR) initiative for packaging is highly advanced for a voluntary corporate action. Going forward, it will be important to establish KPIs in collaboration with municipalities and to build a government support framework linked to social impact. Ideally, for example, the system should be designed to incorporate KPIs covering not only recycling rates and reduction volumes but also the scope of awareness-raising activities conducted in local communities and schools, with subsidies allocated based on the performance. In addition, regarding the Japanese Digital Product Passport (DPP) policy, which has so far focused primarily on the automotive industry, I would like Kao to take a proactive role in advancing policies related to plastic packaging for household and everyday products. Specifically, such policies would include making public-private investments in shared data formats and integrated data platforms, as well as addressing technological and institutional barriers to cross-industry circularity.

In my role as a member of Kao's ESG Advisory Board since 2019, I have been encouraged by the evolution of the company's ESG Strategy. Initially, the company adopted a more defensive approach focused on legal compliance and risk avoidance, but it has since clearly identified material issues, such as palm oil concerns, and translated its efforts into concrete actions. However, given the cost pressures facing the industry as a whole and the confusion surrounding global sustainability requirements, there remains an underlying sentiment that Kao should not be penalized for doing the right thing.

To overcome this situation, Kao needs to shift its perspective from "how the company can change internally" to "who the company needs to partner with to create broader environmental change." Beyond collaboration with existing suppliers and customers, the company needs to pursue large-scale initiatives that update consumer purchasing behavior by working closely with government bodies, financial institutions, educational institutions, and even industry peers. I believe that such initiatives can help promote rule-making that prevents companies from being disadvantaged for their ESG commitments.

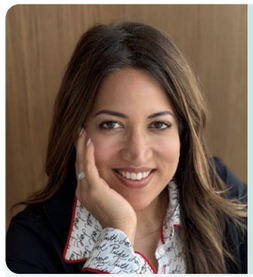
Kao's strength lies in its capacity for social implementation—the ability to translate abstract policy goals into consumers' daily lives through the design and experience of everyday products. I hope that the company will lead the transformation across the entire industry by leveraging its unrivaled ability, promoting changes in consumer behavior, and collaborating with a wide range of parties. I'm confident that by sharing insights gained through repeated trial and error, companies, government, and civil society (including educational institutions) can come together to establish ESG as a foundation for society.

Message from Kao about the comments

As pointed out in the message for 2026, we recognize that not only building resource circulation mechanisms but also reshaping consumer purchasing behavior itself will be crucial to building a circular economy. Kao is creating new business models through the RNA Co-creation Consortium, jointly established with various companies, to build on technologies and insights cultivated through dermatology research and product development. By visualizing each consumer's skin condition and ensuring they can choose the right products in the right amounts, we aim to significantly improve their QOL and propose lifestyles that are distinctively Kao, and in doing so, help reduce inventory and waste to promote resource circulation.

Meanwhile, to integrate the circular economy into society, cross-industry implementation is essential. Kao has expanded the initiative jointly promoted with KOSÉ since 2021 to include the retail sector, and in 2025, Kao, KOSÉ, and AEON Retail partnered to transition the horizontal recycling of cosmetic plastic containers to full-scale implementation. Going forward, we will work toward achieving new consumer lifestyles through our proprietary technologies and collaboration with partners.

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Going Deeper: Kao's ESG Leadership When Others Retreat

Ruma Bose
CEO, Kayanee

In my fourth year on Kao's sustainability advisory board, I have never been more proud to be associated with the company. At a time when many businesses have abandoned or stopped talking about their ESG commitments in response to growing political hostility, particularly from the new US administration, Kao has demonstrated remarkable courage. Rather than engaging in "green hushing" or retreating from sustainability, Kao has gone deeper, embedding ESG more thoroughly in everything the company does while continuing to communicate positively about this work.

This steadfastness matters. Kao understands what many companies have forgotten: that ESG is not superficial reputation management but a superior way of doing business, *Kirei living*, that drives better financial performance by helping all stakeholders thrive.

From reducing wasteful packaging to creating more healthful skin products, Kao is providing powerful examples of how scientific rigor can simultaneously improve ESG outcomes and the bottom line.

Kao's recent strategic evolution is visionary. Embedding ESG directly into medium-term business strategy and evolving the approach to materiality to include the impact of management are steps few companies globally are taking.

My core message this year is about acceleration. With critical targets approaching in 2027 and 2030, Kao must accelerate implementation across the board, with special focus on areas where the company is not yet on track: scope 3 emissions, packaging waste reduction, and building an inclusive workforce.

On gender diversity specifically, Kao has the right infrastructure, including mandatory paid parental leave achieving around 100% take-up among eligible men. But with the 2030 target approaching, the company should consider interim annual targets at each management level, published transparently, and use data rigorously to identify bottlenecks where women are not advancing fast enough. Kao should also consider "returnship" programs to bring talented women back from career breaks into management roles.

Kao's human rights work is impressive, particularly the SMILE program supporting 5,000 oil palm smallholders in Indonesia - exactly the kind of initiative that demonstrates ESG is good business. I encourage Kao's leadership to close the remaining 12% traceability gap by 2027 and expand this model to other commodities and geographies.

The Kao Life-in-Harmony Foundation has significant potential. Kao should focus on 2-3 areas where the company's scientific expertise can have transformative impact. The company should use the foundation as a laboratory for innovations around water security and support for people with disabilities that could scale globally and eventually deliver profitable products - and it should set concrete, measurable targets for lives impacted.

Finally, Kao should communicate more boldly. Five consecutive years with CDP's Triple-A rating and 19 consecutive years as one of the World's Most Ethical Companies®, this extraordinary story matters more than ever when others are silent.

My belief is that the current hostility to ESG will eventually pass. When it does, Kao will be stronger, its stakeholders more loyal. Kao's example will have helped preserve the broader ESG movement for the next generation of businesses. That is true leadership: going deeper not despite the hostile environment, but because of it.

Message from Kao about the comments

We received valuable recommendations from the message for 2026 emphasizing the need to accelerate our overall initiatives, with a particular focus on reducing Scope 3 emissions and packaging waste, building an inclusive workforce, and advancing the ratio of female managers as a key priority in our commitment to gender diversity.

To accelerate our overall initiatives, Kao has established four Steering Committees—decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship—which will, in line with the ESG Managing Committee, ensure the swift and reliable execution of initiatives across each domain. Regarding gender diversity, with the aim of incorporating diverse viewpoints across various decision-making settings to promote women's empowerment, we are focusing on three priorities: "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." In the Kao Group, the ratio of female managers related to that of female employees has grown to 79.4% (2030 target: 100%), with the ratio of women on the Board of Directors exceeding 35%. The Kao Group will continue to strive to develop an inclusive corporate environment where diversity is a source of strength and every individual accepts and lives in harmony with one another.

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Keeping a focus on ESG in increasingly complex global markets

Mike Jefferson
Director
Verde Research and Consulting Ltd.

Kao has put in place a strong foundation for its ESG strategy over recent years. Last year I commented on the increased focus on communicating the ESG vision internally and breaking down objectives at the level of the business unit to facilitate change throughout the organisation. It is good to see that ESG continues to play an important role in the company vision and that the sustainability objectives are now being consciously integrated with the management and business strategy in the K27 management plan.

With the high levels of geopolitical uncertainty and rapid developments in environmental legislation in recent years, these foundations to the ESG strategy combined with ongoing and in-depth analysis of key externalities put Kao in a good position to navigate the complexities and keep their ESG strategy on track. The company understands that sustainability and financial objectives can work together and are not mutually exclusive.

Extended Producer Responsibility (EPR), where producers take financial and operational responsibility for their products and packaging end of life, continues to grow globally with the Packaging and Packaging Waste Regulation now in force in the European Union and new legislation also in place in the UK. In Canada, EPR programmes continue to be rolled out, and a growing number of US States now either have EPR legislation in place or are developing it. Much of the policy thinking behind the legislation is aligned to ESG objectives within Kao and it should support in areas such as collection and recycling of end of waste packaging where it is difficult for one company to act in isolation. These rapid developments in legislation do of course bring some complexity for a global brand with different geographical regions sometimes having specific priorities and approaches. Kao will have to align its ESG activities with these regional policy priorities but ultimately they will present opportunities to expand Kao's collaborations with other market leaders in the area of sustainability and help facilitate the achievement of company ESG objectives.

There are often complex interactions between different environmental objectives and there is typically a need to consider multiple factors when making decisions to get the best overall environmental outcome. For example, in relation to packaging design recyclability, weight minimisation, and the ability to use recycled content must all be considered. Work on the bottle with a unique ribbed design is a good example of how Kao have evaluated these interactions and trade-offs in their packaging design.

Kao continue to invest in change at their sites, with the biomass plant in Olesa being a notable example in 2025. Their work on palm oil alternatives also has the potential to make a significant difference and it is good to see leading companies collaborate to create change.

Amid an increasingly complex market for global brands, there is always the temptation to ease back on environmental and sustainability objectives. Commendably, Kao have not taken this path and continue to integrate ESG thinking into their overall business strategy.

Message from Kao about the comments

While Kao believes that trends in international frameworks, including expanded producer responsibility (EPR), are essential, we do not view ESG as a mere regulatory response. We view ESG as a "strategy itself" for strengthening our business competitiveness and enhancing corporate value over the medium-to-long term.

For many years, Kao has been promoting Reduce initiatives, with a focus on refillable products. Such efforts have resulted in significant reductions in plastic consumption, while simultaneously achieving business growth and enhancing customer value. Rather than treating the reduction of environmental impact as an ultimate goal, Kao has stayed true to its identity by creating new value while driving business growth.

Going forward, we believe it is critical to further develop our philosophy of responsible design—an approach mindful of the entire product lifecycle that has been nurtured through our Reduce efforts—and apply it across our entire resource circulation strategy. This means implementing, in the real world, a self-sustaining cycle that integrates products, packaging containers, collection, and recycling, rather than treating recycling and the use of recycled materials as ends in themselves. With this philosophy at its core, Kao will continue to fulfill its role in expanding a resource circulation model that promotes both ESG and business growth while actively collaborating with partners across industries.

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Message from the ESG External Advisory Board

Kirei Lifestyle: Leading sustainability beyond compliance

Noémie Bauer
CSO
Pernod Ricard

Kao's sustainability program, *Kirei Lifestyle*, is a clear example of leadership and innovation in the consumer goods sector.

As a new member of the ESG External Advisory Board, I have been impressed by the comprehensive strategy of the company, going beyond compliance, aligning with globally recognized standards such as GRI, SDGs, and UNGPs, and even anticipating CSRD requirements well ahead of schedule. To go further, I would recommend changing its materiality approach for the future by embedding financial metrics. The current approach prioritizes impact over financial metrics, which is misaligned with CSRD requirements and investor expectations.

Kao's forward-thinking approach is reinforced by strong governance, with frequent ESG Managing Committee meetings chaired by the CEO, a clear signal of genuine commitment at the highest level. Transparency and boldness in communication, including the CEO's acknowledgment of the paradox for a consumer goods' company to advocate for minimizing consumption, further strengthen Kao's credibility.

External recognitions, such as CDP A List (Triple-A) or Ethisphere most ethical companies, confirm the leadership positioning of Kao in ESG. To strengthen its climate leadership, I believe that Kao should pursue the scientific verification of its decarbonization targets by the Science Based Targets Initiative (SBTi) or similar.

The program delivers measurable impact: a remarkable 78% reduction in plastic use through refillable and compact formats, pioneering partnerships in horizontal recycling, and ambitious goals such as becoming waste negative, an aspiration rarely seen in the industry.

Progress on climate and water is equally impressive, with Scope 1 and 2 emissions down 42% since 2017 and lifecycle water savings exceeding 2030 targets years ahead of schedule. These achievements are complemented by innovative initiatives such as biomass-powered plants and clean water programs, demonstrating a holistic approach that combines environmental responsibility with business resilience.

Kao's sustainability program on carbon and water could be enhanced by linking sustainability into business planning and financial value creation. Kao could embed carbon and ESG metrics into cost-reduction frameworks and demonstrate clear returns on investment. Similarly, water risk assessments and avoided emissions initiatives show forward-thinking, but integration into business planning remains incomplete.

Human rights disclosures and employee health initiatives add depth to Kao's ESG framework, showcasing transparency and care across the entire value chain.

The company's proactive stance on PFAS elimination and its investment in alternative palm oil sourcing through Future Origins highlight its ability to anticipate regulatory changes and market expectations.

By embedding sustainability into product innovation and supply chain partnerships, Kao is not only mitigating risks but creating long-term value for consumers and investors.

While future opportunities include enhancing financial integration and collaboration with peers on groundbreaking initiatives, Kao's strategy sets a high benchmark for responsible business, combining innovation, transparency, and societal impact in a way that resonates strongly with stakeholders and positions the company as a true sustainability leader shaping the future of its industry.

Message from Kao about the comments

We received valuable recommendations from the message for 2026 regarding the importance of redefining materiality to incorporate financial metrics and integrating sustainability priorities, such as decarbonization and water conservation, with business plans to clarify the relationship between investment and profit in order to further elevate our *Kirei Lifestyle* initiative.

Kao views sustainability (ESG) as a critical competitive strategy that helps create high added value and address environmental and social challenges and will remain committed to enhancing corporate value and driving business growth. This revolves around the core principle of making investment decisions to maximize corporate value while viewing ESG as part of our business strategy and taking into account return on investment across individual business units. Going forward, based on the principle of double materiality, we will comply with the European Sustainability Reporting Standards (ESRS) and other external requirements, and quantify the financial value generated from the costs (investments) in environmental efforts, such as decarbonization and water conservation, while incorporating these investments into our business plans. Through these initiatives, Kao will further strengthen the unique sustainability activities that will drive the continuous growth of corporate value.

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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 the Board of Directors and having feedback reflected in deliberations of material matters.

Key Kao stakeholders

Employees

The vitality of employees who are excited to work is essential for a company to become stronger. We are working to strengthen a corporate culture in which each of our diverse personnel has great aspirations and is willing to take on challenges with dedication. As a corporate responsibility, we are committed to providing a better work environment and opportunities to support their growth.

Communication methods and frequency

- Kao Forum: Twice a year
- Employee engagement surveys: Yearly
- Health and Safety Committee / Employee Welfare Committee: Monthly
- Career development / human capital development: As needed
- Diversity, Equity & Inclusion promotion activities: As needed
- Support for employee health: As needed
- Employee ESG engagement: As needed

Consumers and customers

We aim to utilize feedback in developing and improving new products and services by listening to the concerns and opinions of consumers and business partners and engaging in close communication.

Communication methods and frequency

Consumers

- Consumer consultations: As needed
- Environmental events: As needed
- Communication events: As needed
- Website feedback form: Available at all times

Chemical and professional-use product customers (Suppliers)

- Opinion-exchange meetings with distributors: Twice a year
- Workshop and plant tours for new employees at distributors: Every other year (odd-numbered years)
- Study meetings on hygiene: As needed

Consumer product retailers (Suppliers)

- Policy briefings: Once a year
- Collaboration meetings: Once a year
- Joint business plans Consumers, kindergartens, nurseries, schools, and others
- Educational lectures about simplifying housework, washing hands and cleaning: As needed

Suppliers

We consider suppliers as our business partners vital to *Yoki-Monozukuri* and undertake procurement activities according to the Policies for Procurement, including fairness, compliance and ethics, and social responsibility.

Communication methods and frequency

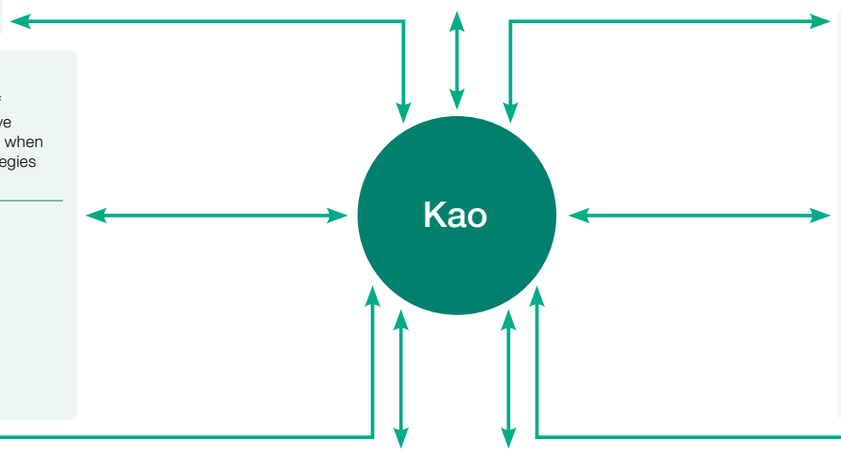
- Quality improvement activities (meetings and visits): Yearly
- Monitoring of compliance status with Partnership Requirements for Suppliers: As needed
- Supplier satisfaction surveys: Every three years
- Partner Summits and Supplier Awards: Yearly
- Supply chain reinforcement through honorary visits: As needed

Shareholders / Investors

Kao's Directors and management prioritize listening to a diverse range of shareholders, investors, and stakeholders, engaging in open, constructive dialogue. Insights from these discussions are reported to the Board and, when relevant to enhancing corporate value, integrated into management strategies and communicated transparently.

Communication methods and frequency

- General Meeting of Shareholders: Once a year
- Earnings conferences: Four times a year
- IR roadshow: Once or twice a year
- Small meetings with the President and CEO: Twice a year
- Business strategy briefings: Once or twice a year
- IR and SR meetings: As needed
- In-person events for individual investors: Twice a year
- Online events for individual investors: Twice a year
- Integrated Report: Issued once a year



National and local governments

We aim to collaborate with local and national governments as we enhance both social and business value by solving social issues. We emphasize maintaining healthy and equal relationships with national governments as defined in the Kao Business Conduct Guidelines. We share information about consumers with related ministries and government offices at a level that only Kao is capable of, and we involve ourselves in the operation of systems while ensuring compliance with laws and regulations. In addition, we also partner with local governments for cooperative efforts alongside local communities in sustainability and other areas.

Communication methods and frequency

- Committees, councils: As needed
- Opinion exchanges and information sharing: As needed
- Recommendations on laws and regulations: As needed
- Opinions and advice regarding governmental policy: As needed
- Participation and cooperation in government projects as well as projects involving industry, government, and academia: As needed
- Sustainability-related events: As needed
- Communication and educational activities: As needed

Local communities

We strive to co-exist with local communities by understanding the impacts of our business activities on local communities, conducting business activities to meet the demands of local communities and engaging in communication activities.

Communication methods and frequency

- Corporate citizenship activities: As needed
- Education in the classroom: As needed
- Activities (plant tours): As needed
- Meetings and collaborations with local residents: As needed

NGOs / NPOs

Through ongoing dialogue and collaboration with NGOs and NPOs, we create social impact through our business activities while also managing supply chain risks, engaging in corporate citizenship, and pursuing other efforts.

Communication methods and frequency

- Collaboration as experts: As needed
- Opinion exchanges: As needed
- Environmental and communication events: As needed
- Corporate citizenship activities: As needed

Academia

We share knowledge and broadly engage in opinion exchanges through a process of co-creation that fuses social issues and needs with cutting-edge research, thereby bolstering our foundations for innovation that assists the development of industry and academia.

Communication methods and frequency

- Information exchanges: As needed
- Joint research: As needed
- Conference presentations and paper submissions: As needed
- Research talent development: As needed

Industry groups / Peer companies

We participate in the activities of industry groups with an aim to engender healthy development across the industry while also solving social issues. In addition to getting involved in considerations regarding shared industry challenges and rule creation, we also share the insight we have gained through our business activities.

Communication methods and frequency

- Committees, councils: As needed
- Opinion exchanges and insight sharing: As needed
- Consideration of industry rules, guidelines, and other matters: As needed
- Collaborative surveys and projects: As needed

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Our Progress

Making My Everyday More Beautiful

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Making Thoughtful Choices for Society

- Sustainable Lifestyle Promotion 107
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Making the World Healthier & Cleaner

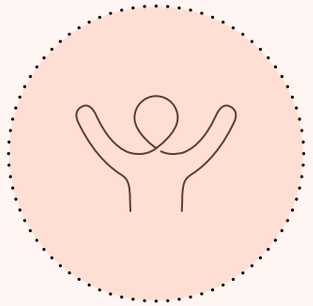
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Improved Quality of Life

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

- 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

Overall	(1) Develop products, services and activities that contribute to improving QOL
Products and services	(2) Develop QOL improvement services that meet individual needs
Products and services	(3) Develop and deploy products and services that improve QOL through new technologies and ideas
Support activities	(4) Develop marketing through activities that support QOL improvement
Support activities	(5) Improve the quality of support activities with external stakeholders

Metrics, targets and results

Metrics	Targets	2025 results
Number of products that contribute to a comfortable, beautiful, healthy life and touch the heart of people (1)	7 billion In 2030	3.6 billion
Number of QOL improvement activities proposed by brands (2) (3) (4) (5)	–	62

Initiatives

- Reinforcing proposals regarding skin tone in consideration of health and safety in AEMEA as part of the Skin Protection Business (2) (3)
- Skincare seminars for cancer patients (2)
- Expansion of awareness-raising activities about skincare for babies (2)
- Expansion of “Going with smile to nursery schools by Kao,” a childcare support service for nursery schools (3)
- Expansion of “Laurier in the Workplace,” a program to provide sanitary napkins as a company amenity (3)
- Expansion and additional donation activities for the “Pink Ribbon Campaign,” a breast cancer prevention awareness campaign (4) (5)
- The “Light Up Curiosity Project” that contributes to the education of young people in developing countries who had no opportunities to learn due to poverty (4) (5)
- Exhibitions at events for people with visual disabilities (4) (5)

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

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

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

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 will promote the following strategies to address the identified risks and opportunities. This theme is directly connected to the vision of the K27 Mid-term Plan, Protecting future lives, and is positioned at the core of our growth driver areas such as the Skin care and Cosmetics businesses. By expanding the options that help people enjoy more beautiful lives that are unique to each individual, we will refine our capability for cross-business proposals as well as Kao's proprietary skin science and experience value, thereby expanding business in many regions while enhancing brand loyalty.

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

Provide options that support comfortable lifestyles and bring satisfaction through social and environmental contribution with products and services that can be used every day without difficulty, and deliver products and services that are optimized for each country's environment, culture, and customs.

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

Give individually optimized proposals to match people's conditions and living environments, thereby helping to reduce unease and enhance their lifestyles. At the same time, respond to environmental and other regulations in each country, and identify the climate, culture, lifestyle habits, and other common elements across different areas while expanding.

Also, leverage our insight as a general chemical manufacturer to continually provide new products and services. In particular, utilize our strengths in technology for surfactants, water saving, foam, and packaging.

Related initiative: P84 Skin Protection Business to protect skin from increasingly serious external stressors reinforce global expansion

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

Utilize AI and other technologies to rethink things from innovative and user-oriented perspectives to respond to increasing diversity and identify new needs, while also identifying priority regions and shortening the lead time up to launch in these regions to thereby accelerate global expansion. In addition, reinforce accurate descriptions about products and services and accelerate awareness to establish businesses rapidly.

(4) Marketing development through activities that support QOL improvement

Enhance health literacy and encourage behavioral change among consumers, while also deploying the common tools (educational materials and videos) developed in Japan for awareness-raising activities regarding health across Asia, with operations starting by 2027. In addition, design a process that guides people from experiencing products and services to trials and continued purchases, and boost the repeat purchase rate.

(5) Quality improvement of support activities with external stakeholders

Collaborate with medical and educational institutions, local governments, and NPOs to support early detection and achieve hygiene in times of disaster to help improve the QOL of vulnerable individuals and other people. At the same time, expand products and services that contribute to solving global challenges, such as through the Pink Ribbon Campaign and support for people with disabilities.

Related initiatives: P84 Global expansion of the “Pink Ribbon Campaign”, breast cancer prevention awareness campaign

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 through 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, which help us build 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 alongside ongoing improvements that utilize the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics						Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	Number of products that contribute to a comfortable, beautiful, healthy life and touch the heart of people	4.5 billion	4.5 billion	4.1 billion	3.9 billion	3.6 billion	7 billion	2030

Under this theme, to contribute to realizing comfortable and emotionally enriched lives for each consumer, we have established the number of products that contribute to improving quality of life as an indicator of the expanding opportunities to provide consumers with products and services that help improve quality of life through our products, services, and activities; this figure was 3.6 billion units in 2025. The number of products contributing to quality of life declined year on year on a unit basis, as a result of our strategic shift toward large-capacity and high-value-added products in response to recent changes in consumer needs. Through these efforts, an environment is taking shape in which each consumer can more easily choose products suited to their own condition and needs. As the forms in which products are provided and the ways they are used continue to change, we recognize that capturing units alone under the current indicator does not sufficiently capture consumers' actual usage or the contribution to improving quality of life. In light of this, while continuing to disclose the current indicator for the time being, we are considering introducing an evaluation method that can also capture perspectives on improvements in quality of life — such as consumer satisfaction and the degree of contribution to daily living — and we plan to proceed with setting a new indicator by around fiscal 2026.

Metrics and results

Strategy	Metrics	Results			
		2022	2023	2024	2025
(2) (3) (4) (5)	Number of QOL improvement activities proposed by brands	41	43	60	62

In 2025, we strengthened skin care awareness-raising for cancer patients and medical professionals through the introduction of moisturizers and method videos. The number of brand-initiated activities (such as awareness-raising) that improve quality of life expanded steadily to 62 (compared with 60 in the previous year), reflecting a deepening of the value we provide to consumers that cannot be captured by a count of products. Going forward, we will continue to contribute to improving quality of life for a broader range of consumers through seminars in the categories in which we operate.

Governance

With Global Consumer Care serving as the supervising division, we regularly hold the following three meetings to promote our strategy for Improved Quality of Life.

The meeting attended by the heads of business divisions and the managers of each division shares information on ESG promotion, including the discussions at the ESG Managing Committee, regulatory trends outside Japan, and the response policies of each business, and also discusses material issues and policies.

We also hold a meeting attended by the Officer in Charge, the heads of business divisions, and the managers of R&D, 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, for each business division, we hold a meeting attended by the managers and staff in charge of the business, research, manufacturing, product quality management, and other divisions, where we check the product performance, product value, and business potential involved in commercialization from an ESG perspective.

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Risk and opportunity management

Management process

The status of our efforts to address the risks and opportunities related to 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)

At the meeting for ESG promotion, we monitor various trends, such as global regulations and customer requests, and identify 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 at the 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)

At the meeting, we report on and evaluate 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	Skincare seminars for cancer patients	Expansion of awareness-raising activities about skincare for babies	Reinforcement of proposals regarding skin tone in consideration of health and safety in AEMEA as part of the Skin Protection Business
Products and services	(3) Develop and deploy products and services that improve QOL through new technologies and ideas	Expansion of “Going with smile to nursery schools by Kao,” a childcare support service for nursery schools	Expansion of “*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	Expansion and additional donation activities for the “Pink Ribbon Campaign,” a breast cancer prevention awareness campaign	The “Light Up Curiosity Project” that contributes to the education of young people in developing countries who had no opportunities to learn due to poverty	Exhibitions at events for people with visual disabilities
Support activities	(5) Improve the quality of support activities with external stakeholders			

Reinforcing proposals regarding skin tone in consideration of health and safety in AEMEA as part of the Skin Protection Business

Region: Global
Corresponding strategies: (2) (3)

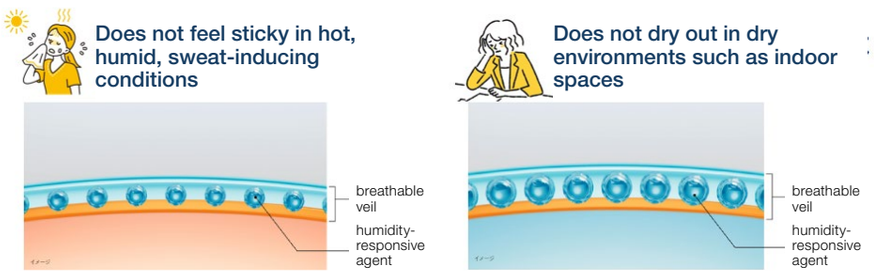
The Skin Protection Business, which protects the skin from the increasingly severe external environment caused by climate change, is comprised of three businesses: “UV care” that prevents sunburn and skin aging by protecting the skin from UV rays, “self-tanning” that creates a tanned look without exposure to UV rays, and “protection from environment” that repels mosquitos using skin-friendly ingredients without DEET (an ingredient found in insecticides).

Bioré UV Aqua Rich Airy Hold Cream

In recent years, often referred to as the “era of global boiling,” we paid particular attention to stress related to the use of sunscreens in 2025, and developed *Bioré UV Aqua Rich Airy Hold Cream*.

We added a humidity-responsive agent to Kao’s proprietary water-based formula to develop a cream with a soufflé-like texture. It spreads lightly across the skin, where a highly water-retaining polymer helps retain or release moisture. This provides the unique benefit of reducing stickiness in hot and humid conditions, while helping to keep the skin moisturized in dry conditions, such as when indoors.





In 2025, we conducted test sales through limited channels, and received positive feedback from purchasers, including comments such as, “It feels like I have an air conditioner,” and “This is next-generation UV care.” We launched sales across Japan in February 2026, and will gradually roll the product out across Asia.

Initiatives for proposals on skin tone (self-tanning) in consideration of health and safety

In AEMEA, people tend to view a tan acquired through sunbathing as a symbol of a healthy and active lifestyle. However, excessive UV exposure can bring severe health issues, such as a greater risk of skin cancer. *Jergens* offers the sub brand *Jergens® Natural Glow* for people to achieve the skin tone they want through self-tanning without any damage from UV rays. In the Americas, we are working to expand awareness about self-tanning while also promoting skin cancer prevention, in collaboration with a free skin cancer screening bus operated by an organization dedicated to promoting skin cancer prevention.



Expansion of the “Pink Ribbon Campaign,” a breast cancer awareness initiative, with additional donation activities

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 held the “Pink Ribbon Campaign” annually from October to November since 2007. We conduct various activities to create opportunities for people to think about their own health and the health of those close to them.

External awareness-raising and donation activities

We are conducting a social media campaign to communicate the importance of screening to as many people as possible outside the company. In 2025, we implemented a campaign in which we donated 10 yen for each reaction—such as likes, reposts, and shares—to posts about the Pink Ribbon Campaign on Kao's official social media accounts. Through this initiative, we donated 122,720 yen to National Cancer Center Japan.

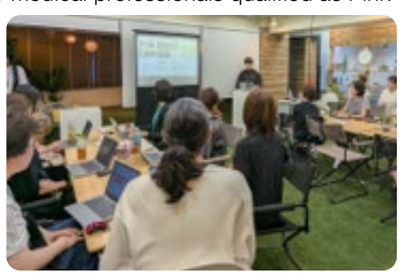
We have also conducted initiatives with our cosmetics brands *LISSAGE* and *KANEBO* to donate a portion of product sales to the Japan Society of Breast Health, a certified non-profit organization.



Link: Kao Group Pink Ribbon Campaign
https://www.kao.com/jp/pinkribbon/

Internal and external awareness-raising activities

Internally, we hosted lectures delivered by medical professionals qualified as Pink Ribbon Advisors, providing employees with the opportunity to learn the basic facts about breast cancer and breast self-awareness. Externally, we distributed leaflets about self-check methods in stores and shared information through our brand site, thereby promoting the importance of the early detection of breast cancer.



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

- 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

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

Strategy, Metrics, targets and results, Initiatives

Strategy	Metrics	Targets	2025 results	Initiatives
Overall: (1) Strengthen the link with the business through brand-led activity development				
Overall: (2) Promote cleanliness and hygiene practices and expand the market				
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	66 million	Sampling of Merries at "Mother Classes" and in the "Hello Baby Project" (3) Awareness-raising activities about skincare and face washing for elementary school children (3) Awareness-raising activities about UV ray protection for children and households (3)
Awareness-raising/support activities: (4) Develop effective activities tailored to local issues and circumstances through external collaboration	Number of activities to raise awareness and support cleanliness and hygiene	–	82	Sampling of Merries in Asia to raise awareness about "Kirei" (4) Education about basic grooming for high school boys in Indonesia (4)
Awareness-raising/support activities: (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	–	8 countries/ regions	Support activities regarding menarche education for female students in Asia (4)
Products and services: (6) Propose products and services that promote habits of cleanliness and hygiene				
Products and services: (7) Develop hygiene solution businesses and services to improve the hygiene level of society				Cleaning knowhow provided by Kao Professional Services Co., Ltd. to the accommodation industry (7)

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

Financial impact

- While we are currently evaluating the direct financial impact, activities to raise awareness of cleanliness and hygiene are expected to increase brand recognition and build trust, thereby contributing to stronger customer loyalty over the mid- to long-term

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

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
- 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 launching the high-quality cosmetic soap, *Kao Soap*, in 1890, 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 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 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.

(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 educational institutions. Aim to increase awareness and expand the market by encouraging people to naturally incorporate the Kao brand into their daily lives.

(4) Develop activities through external collaboration

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

(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.

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

Propose products and services 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 for nearly 140 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.

Related initiatives: P90 Creation of a cleaning guide that stays close to Genba to resolve labor shortages at lodging facilities

Impact generated by implementing the strategies

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

Financial impact

- While we are currently evaluating the direct financial impact, activities to raise awareness of cleanliness and hygiene are expected to increase brand recognition and build trust, thereby contributing to stronger customer loyalty over the mid- to long-term

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 at customer facilities 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 alongside ongoing improvements that utilize the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics						Mid- to long-term targets	
		2021	2022	2023	2024	2025	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)	45 million	51 million	59 million	63 million	66 million	100 million	2030

Under this theme, to support each consumer in practicing clean and healthy lifestyle habits in their daily lives, we have established the cumulative number of people reached through our awareness-raising activities as an indicator — measuring both the expanding points of contact with consumers that serve as a prerequisite for such habits and the expanding points of contact that promote understanding of hygiene practices. As of the end of 2025, the cumulative number of people reached was 66 million, representing steady progress toward our 2030 target (a cumulative total of 100 million). We believe that expanding these points of contact goes beyond raising consumer awareness and promotes understanding of healthy lifestyle habits through the practice of everyday hygiene behaviors such as handwashing and skin care, and through the establishment of cleanliness habits. Going forward, building on our educational and awareness-raising activities to date, we will work to maintain and leverage our points of contact with consumers through the rollout of initiatives in schools and local communities and through information dissemination using digital channels. In addition, by addressing hygiene challenges in settings such as lodging, medical care, and food service, we will contribute to raising the level of hygiene across society as a whole. We will also continue to examine more appropriate ways to capture the actual expansion of hygiene practices.

Metrics and results

Strategy	Metrics	Results			
		2022	2023	2024	2025
(4)	Total number of themes for activities to raise awareness and support cleanliness and hygiene	43	50	51	82
(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	8

Regarding the number of countries and regions in which we operate, we are advancing the prioritization of our activities in light of alignment with the business strategy of each region. In the regions where we operate, by deepening programs tailored to local issues (for example, men's makeup seminars addressing the needs of those seeking marriage, and the "KATE SCHOOL" in Hong Kong, which expands self-expression), we are focusing on finely tailored responses and on maximizing impact, and the number of activities has increased.

Governance

With Global Consumer Care serving as the supervising division, we regularly hold the following three meetings to promote our strategy for Improved Quality of Life. The meeting attended by the heads of business divisions and the managers of each division shares information on ESG promotion, including the discussions at the ESG Managing Committee, regulatory trends outside Japan, and the response policies of each business, and also discusses material issues and policies. We also hold a meeting attended by the Officer in Charge, the heads of business divisions, and the managers of R&D, 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, for each business division, we hold a meeting attended by the managers and staff in charge of the business, research, manufacturing, product quality management, and other divisions, where we check the product performance, product value, and business potential involved in commercialization from an ESG perspective.

P62 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 (P90).

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 and expand the market			
Awareness-raising/support activities	(3) Conduct awareness-raising and support activities using Kao products and services	Sampling of Merries at “Mother Classes” and in the “Hello Baby Project”	Awareness-raising activities about skincare and face washing for elementary school children	Awareness-raising activities about UV ray protection for children and households
	(4) Develop effective activities tailored to local issues and circumstances through external collaboration	Sampling of Merries in Asia to raise awareness about “Kirei”	Education about basic grooming for high school boys in Indonesia	Support activities regarding menarche education for female students in Asia
	(5) Increase the number of people reached by providing educational materials and utilizing sales networks			
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	Cleaning knowhow provided by Kao Professional Services Co., Ltd. to the accommodation industry		

Creation of a cleaning guide that stays close to *Genba* to resolve labor shortages at lodging facilities

Region: Japan

Corresponding strategy: (7)

In light of the increase in demand from tourists visiting Japan from abroad and other factors, the accommodation industry in Oita Prefecture has faced ongoing long-term labor shortages and needs to streamline operations urgently.

In FY2025, Kao Professional Services Co., Ltd. collaborated with the Oita Prefecture Ryokan and Hotel Lifestyle Hygiene Association—which has some 400 registered accommodation facilities—and gained assistance from Oita Prefecture’s tourism bureau and an accommodation and tourism association to create the Professional Cleaning Guide for Accommodation Facilities based on opinions from the Genba, with the objective of reducing the burden of on-site cleaning work.

This guide includes information about effective cleaning methods, with a focus on three areas identified as requiring significant effort based on questionnaires with facilities registered with the association: large bathing facilities, prefabricated bathrooms, and restrooms.

Starting at the end of June, a dedicated webpage about this guide was published, and the prefectural office also published a webpage. Currently, the guide has been distributed to approximately 45% of some 990 facilities in the prefecture. We have received positive feedback from lodgings that have been involved in this initiative, with comments such as, “It helped to shorten and streamline work to clean large bathing facilities,” and “It helped to reduce the operational burden of elderly employees.”

We will continue with this initiative while also engaging in co-creation with associations, the prefectural government, and related groups to raise awareness about effective cleaning and hygiene management, thereby helping to develop facilities where employees can work with ease and guests can spend time safely and with peace of mind in a clean and comfortable environment. Through these efforts, we will contribute to the resolution of social issues as well as the sustainable development of the accommodation industry.



Cleaning Guidebook: Download Form
https://pro-info.kao.com/kps_kyushu_tourism_guidebook.html

Employees' opinions

Working with tourism-related groups in bold efforts to reduce the burden of cleaning operations at tourist destinations and accommodation facilities



Hiroshi Yamada
Kyushu Tourism Project Team, Kyushu Branch, Kao Professional Services, Co., Ltd.

The mission of Kao Professional Services, Co., Ltd. is to support the development of environments that bring peace of mind and comfort to workers and users through proposals on hygiene at professional sites. Based on this mission, we implemented initiatives to solve issues faced by the accommodation industry in Oita Prefecture, including labor shortages and streamlining operations, in response to environmental changes, such as an increase in demand from tourists visiting Japan from abroad.

Using the cleaning guidebook that we created with the support and cooperation of tourism-related groups and the Oita Prefectural Government, we are offering proposals for standardizing the level of cleaning work and streamlining cleaning operations at accommodation facilities and tourist destinations.

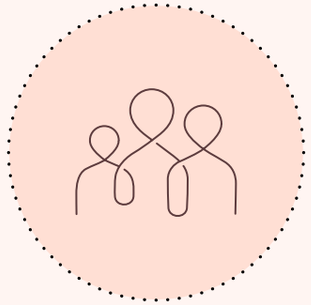
Through these initiatives, many facilities came to view guest rooms as products that are provided to customers, focusing on the quality of cleaning from a management perspective rather than simply carrying out cleaning tasks. By working to solve issues regarding the operational burden of cleaning in the accommodation industry with streamlined operations so that employees can work with greater ease and higher productivity, we create an atmosphere of hospitality in which guests are provided safe, secure, clean, and comfortable spaces.

We will develop further efforts to help solve other issues faced by the accommodation industry that were revealed through this project: educating employees about cleaning and achieving stable employee retention.

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

- 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, Metrics, targets and results, Initiatives

Strategy		Metrics	Targets	2025 results	Initiatives
Overall	(1) Developing UD along the consumer flow of "knowing the product," "choosing," "buying," "using," and "disposing of"	Percentage of new and improved products compliant with Kao's Universal Design Guidelines (1)	100% 2030	–	*Bioré-u the Body Foaming Type for Shower Head* (1)
					Enhancement of identifiability with creative ideas for the front and back indicators on *Relief Easy to Put On and Take Off Thin Briefs with Double Absorbency* (1)
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)	–	50,891	Expansion of "Hair styling to hear," "Skincare for everyone" and "Mirrorless Makeup: Learn by Listening" (2)
		Cumulative distribution of braille stickers (2)	–	8,804	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	84%	Promotion of UX/UI improvements for websites and online services (2)
	(3) Developing a wide range of initiatives from an inclusive perspective	Percentage of Kao commercials with subtitles (2)	–	81%	Expansion of universal manner training (3)
External collaboration	(4) Collaborating with companies, government agencies, and consumer organizations that have a disability perspective				

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

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

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 products being easy to choose and use, as well as the clarity of information, in response to the progression of population aging
- Insight from feedback given by individuals with diverse backgrounds regarding 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 fewer corporate and brand fans and decreased trust
- 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, "Diversity, Equity and Inclusion in Society," we aim to create a society where people with diverse backgrounds 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 initiative: P97 Mirrorless Makeup: Learn by Listening, P98 Web Accessibility

(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 the use of products and services for people with diverse backgrounds—in terms of age, gender, nationality, disability and other aspects—without leaving anyone behind, to effectively provide value shared by 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.

(4) Collaborating with companies, government agencies, and consumer organizations that have a DE&I-oriented perspective

By strengthening collaboration with companies, government agencies, specialized institutions, and consumer organizations with a DE&I-oriented 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, people with disabilities, foreign nationals, and other 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 alongside ongoing improvements that utilize the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics						Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Yearw
(1)	Percentage of new and improved products compliant with Kao's Universal Design Guidelines	98%	99%	99%	99%	–*	100%	2030

* No data were compiled for fiscal year 2025 due to the transition period for the new metrics framework.

Under this theme, with the goal of providing products and services that are easy for everyone to use, we have established a target for the percentage of new and improved products that comply with the Kao Universal Design Guidelines as an indicator of compliance with universal design (UD) during the product design phase.This indicator is intended to ensure a certain level of quality regarding usability and safety in product design, and it has consistently maintained a high standard, achieving 99% for three consecutive years. However, we recognize that while this indicator reflects compliance with design standards, it does not fully capture the diversifying needs of consumers or actual usage patterns.In light of this situation, as the next step, we will work to evolve this indicator to one that is more closely linked to business results and consumer value. Specifically, we plan to formulate new UD guidelines applicable globally by fiscal year 2026 and begin piloting the new KPIs starting in fiscal year 2027. We will continue to promote UD compliance for new and improved products throughout the transition period.

Metrics and results

Strategy	Metrics	Results			
		2022	2023	2024	2025
(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	50,891 people
(2)	Cumulative distribution of braille stickers	3,620 sets	7,218 sets	8,048 sets	8,804 sets
(2)	Compliance with WCAG 2.1 Level AA on Kao's website	20%	42%	83%	84%
(2)	Percentage of Kao commercials with subtitles	53%	82%	75%	81%

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.

P62 Our ESG Vision and Strategy > Governance

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.

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 (P96-98).

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 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”	*Bioré-u the Body Foaming Type for Shower Head*	Enhancement of identifiability with creative ideas for the front and back indicators on *Relief Easy to Put On and Take Off Thin Briefs with Double Absorbency*	
Products and information provision	(2) Providing information and developing communication with consideration for diversity	Expansion of “Hair styling to hear,” “Skincare for everyone”and “Mirrorless Makeup: Learn by Listening”		Promotion of UX/UI improvements for websites and online services
	(3) Developing a wide range of initiatives from an inclusive perspective	Expansion of universal manner training		
External collaboration	(4) Collaborating with companies, government agencies, and consumer organizations that have a disability perspective			

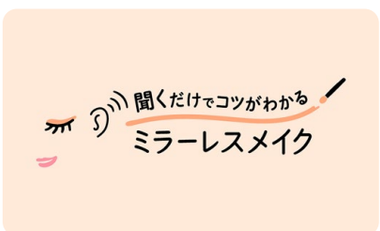
Mirrorless Makeup: Learn by Listening

Region: Japan
Corresponding strategy: (2)

“Mirrorless Makeup: Audio Guidance for Inclusive Makeup” was developed based on insights gained from a seminar for students with visual impairments on pre-employment grooming. We assisted the students with applying makeup, and the people around them naturally offered compliments on how beautiful and cute they looked. The students were delighted by these words, and the entire venue was filled with smiles. This marked the starting point of our project.

Later, we conducted surveys with a broader group of people with visual impairments and found that many had stopped using makeup due to anxiety about making mistakes as their vision declined. In response, we carefully explored ways to encourage such individuals to continue using makeup. Reflecting the many perspectives we heard, we created Mirrorless Makeup.

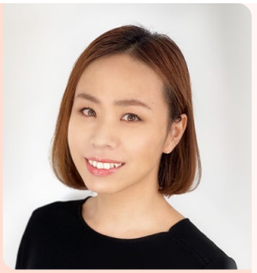
The main feature of this approach is that it helps users achieve a natural-looking finish without specific cosmetic products or a mirror, simply by following audio guidance and moving their hands accordingly. It can also be practiced repeatedly anytime and anywhere. Currently, five modules, including supplementary videos, are available online with four additional modules scheduled for release in summer 2026.





Employees’ opinions

Toward a world where everyone can enjoy makeup in their own way



Sayaka Iwaya
Corporate Citizenship (Beauty), Strategic Public Relations

Everyone aspires to look more beautiful or cute, which is why we developed Mirrorless Makeup, allowing people to apply makeup using audio guidance, without relying on a mirror.
I hope this will encourage those who previously gave up on makeup due to visual challenges to try again, while also helping beginners practice at their own pace.
Makeup is a wonderful tool for lifting one’s spirits and building self-confidence. I hope more people will be able to enjoy makeup in a way that suits them, without fear of failure. I have received feedback from users of this method such as, “I am now able to do things I had given up on,” and “I was amazed at how well this makeup came together without relying on sight.”
Mirrorless Makeup has only just launched, and I would like to develop it further so that it is cherished by more people, helping to create a kind society in which everyone can freely embrace beauty. Going forward, I will continue to incorporate feedback from users with visual impairments as I refine the functionality and guidance. I will also share this approach more widely so that it can reach even more people.

Enhancing UX through web accessibility improvements

Region: Global
Corresponding strategy: (2)

In 2022, the Kao Group announced a policy to target the WCAG 2.1, Level AA, an international standard for web accessibility, with the aim of providing digital information that is easy for anyone to access.

Kao has long been commited to Yoki-Monozukuri and, from the perspective of universal design, has provided products and services that are easy for anyone to use (such as shampoo bottles with ridges and the distribution of Braille stickers). As the next step of Yoki-Monozukuri, Kao is working on universal design for the web.

Kao introduced a proprietary checklist for companies involved in its webside development, raised awareness internally and externally through briefing sessions, and established an FAQ site and a support desk. Following these efforts, approximately 80% of Kao's major domestic websites have undergone accessibility remediation.

In 2024, Kao conducted a website experience survey with people with disabilities. The results confirmed that Kao's previous efforts had produced positive reults, and also gained may new insights from user feedback. Kao will continue its efforts to further enhance the user experience.



Employees' opinions

Creating websites that are easy for anyone to use, based on an understanding of consumers



Hirotaka Kondo
Customer Relationship Management
Enterprise Information Systems,
Digital Strategy
Kao Corporation

When you hear the general term "accessibility improvements," you tend to think of them as measures aimed solely at people with disabilities. I was present when the website experience survey was conducted, and as an observer, I found many issues that I could relate to. For example, pages with a lot of information took a long time to read, and excessive use of color strained my eyes. Through this survey, I realized that all consumers, regardless of disability, can benefit from user experience improvements. I would like to utilize this valuable experience to learn more about consumers' actions and feelings, and to better understand and empathize with them so that I can implement accessibility improvements in the best possible way. Additionally, I aim to enhance the usability of websites for everyone and ensure that accurate information is delivered across all platforms, thereby further enhancing the user experience.



Stakeholder engagement

Taking on the challenge of more inclusive language and design

Sami Yamamoto
viwa Organization for Lifestyle Support for People with visual impairments

As a former Kao employee, I worked in public relations within the Cosmetics Business. Living with a visual impairment, I came to appreciate the joy of makeup through the advice and support of many colleagues.

At the time, I was interested in makeup trends, although they often felt difficult to achieve. I also wanted to share the joy of makeup with others facing similar challenges, but I was unable to pursue this within my role before leaving the company. Later, a former colleague contacted me, and I became involved in the makeup guide project.

The greatest challenge was expressing sensations that vary from person to person using words alone, without relying on visual information. The focus was on designing guidance that fully conveys what is needed through audio alone, rather than increasing the amount of explanation. It was highly effective to combine this approach with video.

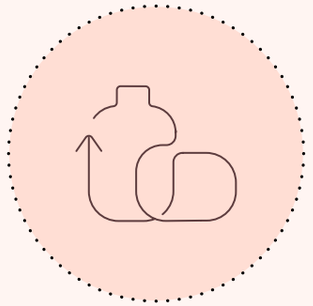
Makeup plays an important role in how we present ourselves and has the power to uplift our spirits. When we put on makeup, we naturally hold our heads higher and feel more able to connect with others. I want to help create a society where everyone can experience the joy of makeup. I hope that Kao's commitment to practical and meaningful inclusion for people with disabilities will gain recognition and be seen as part of Kao's values.



Left: Ms. Nara from viwa. Center: Ms. Yamamoto from viwa. Right: Ms. Iwaya.

Safer Healthier Products

We foster peace of mind and trust among 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

- A lack of proper understanding or misinterpretation of the safety of specific ingredients or products may increase concerns among consumers, customers, and society, potentially leading to decline in product sales
- The use of ingredients of safety concern may result in a drop in corporate and brand reputation and trust, a loss of sales opportunities, as well as a decline in the company's stock price
- Competitors' disclosure of product safety information earlier than the Company's may erode the Company's brand value and result in lost business opportunities

Opportunities

- Fostering accurate understanding and peace of mind among consumers and customers regarding the safety of ingredients and products can enhance brand value and loyalty, and drive business growth
- Indicating our policies on ingredient use can help enhance reputation and trust among consumers, customers, and society
- Proactive initiatives to provide information related to safety can cultivate new customer segments and expand sales opportunities

Strategy

Overall	(1) Transparent information disclosure
Overall	(2) Proactive information provision regarding ingredients with a high level of vague concern in society
Products	(3) Use of safe ingredients and development of safe products
Products	(4) Utilization of scientific evaluation methods
Communication	(5) Promotion of understanding through communication
Communication	(6) Collaboration with industry associations and government

Metrics, targets and results

Metrics		Targets	2025 results
% of targeted ingredients of concern on which views are disclosed (1)		100% 2030	87%
Number of ingredients of concern on which views are disclosed (2)		30 2030	26
Number of people reached the disclosure web-site about ingredients contained in Kao' products (5)	Ingredients contained in Kao's product	–	49,606
	Ingredients we do not use	–	2,124

Initiatives

Establishment of a plan for disclosing our ingredient policy (1) (2)
Use of safe ingredients and development of safe products (3) (4)
Acting in anticipation of chemical regulations through communication and industry activities (5) (6)

Financial impact

- Prevention of sales decline in sales in Kao's Consumer Products Business, which accounts for approximately 80% of Kao's sales, by strengthening the provision of accurate safety information
- Enhancement of our brand value owing to accurate proactive information provision, and a stable foundation for revenue owing to reinforced long-term customer loyalty
- Development of new markets and customer segments, and greater opportunities for revenue owing to proactive initiatives related to safety and ingredients
- Avoidance of penalties and costs 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 and effectively operating social system aimed at ensuring the safety of ingredients and products
- Improvement in information literacy among consumers through the dissemination of accurate information in an information society, and preventing confusion caused by misinformation, resulting in a decrease in consumer inquiries
- Contribution toward building a fair society where everyone can access accurate information and benefit from 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 in delivering 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 not only help reduce Kao's risk in business but also serve as a key driver in identifying new business opportunities to stimulate growth. Kao recognizes the following social issues in relation to this theme:

- A rise in vague concerns regarding the safety of ingredients and products among consumers, customers, and society
- Enhancing access to information and the spread of misinformation among consumers with the advancement of 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 various risks while also discovering new business opportunities. The identification of risks and opportunities is a critical process in formulating corporate strategies and initiatives. The major risks and opportunities that Kao has identified in relation to this theme are described below:

Risks

- A lack of proper understanding or misinterpretation of the safety of specific ingredients or products may increase concerns among consumers, customers, and society, potentially leading to decline in product sales
- The use of ingredients of safety concern may result in a drop in the corporate and brand reputation and trust, a loss of sales opportunities, as well as a decline in the company's stock price
- Competitors' disclosure of product safety information earlier than the Company's may erode the Company's brand value and result in lost business opportunities

Opportunities

- Fostering accurate understanding and peace of mind among consumers and customers regarding the safety of ingredients and products can enhance brand value and loyalty, and drive business growth
- Indicating our policies on ingredient use can help enhance reputation and trust among consumers, customers, and society
- Proactive initiatives to provide information related to safety can cultivate new customer segments and expand sales opportunities

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 assessment while also fulfilling accountability to gain the trust of consumers, customers, and society. These strategies are key pillars underpinning Kao's competitiveness, closely aligned with the core principle of the Mid-term Plan "K27"—"to become an essential company in a sustainable society"—as well as with the development of products that have exclusive uniqueness, and they support Kao's competitive edge. By leveraging synergy between Consumer Products Business and the Chemical Business, we drive the efficient and effective use of safe ingredients and the development of products with a high level of safety.

(1) Transparent information disclosure

We will provide safety information and Kao's policies based on scientific evidence, in an easy-to-understand way. Through transparent disclosure, we fulfill corporate accountability and address the concerns of consumers and customers, while also securing the trust of consumers, customers, and society.

Related initiative: P104 Establishment of a plan for disclosing our ingredient policy

(2) Proactive information provision regarding ingredients with a high level of vague concern in society

We will proactively provide information and Kao's policies in relation to the safety of such ingredients, as well as initiatives to reduce or eliminate the use of ingredients of concern. Through these efforts, we will build an environment where people can select products with peace of mind, while also enhancing stakeholders' understanding.

Related initiative: P104 Establishment of a plan for disclosing our ingredient policy

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

Various divisions will consider human and environmental safety, antiseptic and antifungal properties, compliance with applicable laws and regulations, and other matters when designing formulas and selecting raw materials (including the substitution with safer ingredients) in the product development stage. Furthermore, we will systematically invest the necessary research and development resources and budget with respect to the development of materials with high

biodegradability and low environmental persistence, thereby enhancing our long-term capabilities to respond to regulations while also maintaining brand value and reducing litigation risk. Moreover, we will comply with chemical substance regulations in the countries and regions where our products are distributed, while promoting appropriate chemical substance management throughout our entire supply chain. For example, in Japan, we will maintain a 0% intentional use rate of Class I Specified Chemical Substances under the Chemical Substances Control Law in both products and raw materials. 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 implementing consumer panel evaluations. Through these efforts, we deliver safe and high-quality products to the market.

Related initiative: P105 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 the safety of ingredients and products and thereby maintain and strengthen trust among society and stakeholders.

Related initiative: P105 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 the safety of ingredients and products. In this way, we will build an environment where they can use products with peace of mind, while also maintaining and enhancing trust among consumers, customers, and society.

Related initiative: P105 Acting in anticipation of chemical regulations through communication and industry activities

(6) Collaboration with industry associations and government

We will deepen collaboration and communication with industry associations and governments in multiple countries and areas to help build a society with secure the safety of ingredients and products.

Related initiative: P105 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

- Prevention of sales decline in sales in Kao's Consumer Products Business, which accounts for approximately 80% of Kao's sales, by strengthening the provision of accurate safety information
- Enhancement of our brand value owing to accurate proactive information provision, and a stable foundation for revenue owing to reinforced long-term customer loyalty
- Development of new markets and customer segments, and greater opportunities for revenue owing to proactive initiatives to provide information related to safety and ingredients
- Avoidance of penalties and costs 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 and effectively operating social system aimed at ensuring the safety of ingredients and products
- Improvement in information literacy among consumers through the dissemination of accurate knowledge in an information society, and prevention of confusion from misinformation, resulting in a decrease in consumer inquiries (UV absorbers: Safety-related inquiries decreased by approximately 40% after information was published on our website.)
- Contribution toward building a fair society where everyone can access accurate information and benefit from safe and reliable products

Strategic resilience

We have built resilience to respond swiftly to the concerns of consumers and customers with a highly transparent system for providing information about the safety of ingredients and products, as well as the adoption of assessment methodologies based on scientific evidence. We have also conducted awareness initiatives 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 sales decline and erosion of 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 progress for metrics related to particularly significant risks and opportunities, thereby making continual improvements and steadily driving initiatives through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	% of targeted ingredients of concern on which views are disclosed	30% (56%)*	60% (100%)*	67%	77%	87%	100%	2030
(2)	Number of ingredients of concern for which views are indicated	10	18	20	23	26	30	2030

* Values in parentheses are based on the former definition.

In 2025, we successfully published a statement about adding three more ingredients that we do not use, on the basis of the Kao Chemical Stewardship Policy. We did not intentionally add

these ingredients to our products; however, from a global perspective, we selected them here and executed this plan as we understood that stakeholders' may have significant concerns about them.

Metrics and results

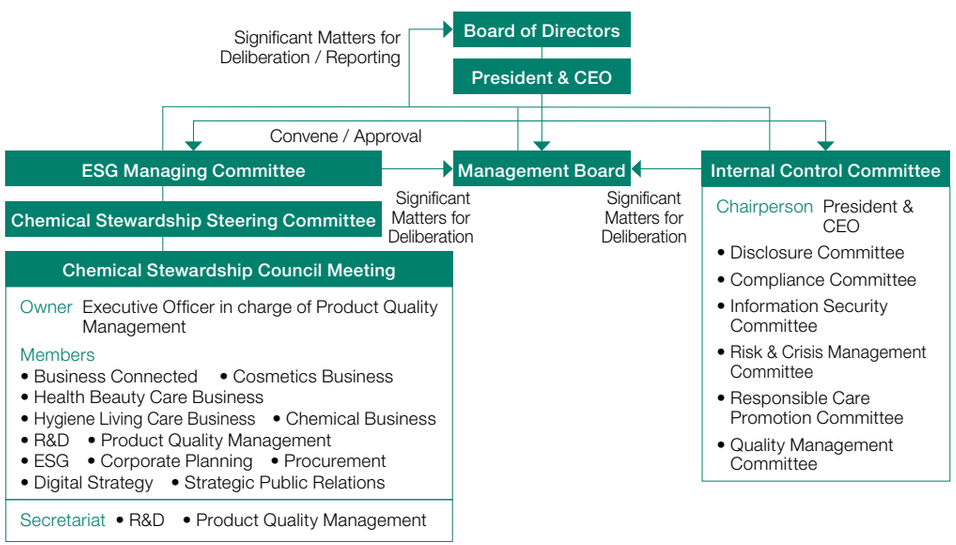
Strategy	Metrics		Results			
			2022	2023	2024	2025
(5)	Number of people reached the disclosure web-site about ingredients	Ingredients contained in Kao's product	–	–	36,268	49,606
		Ingredients we do not use	–	–	1,099	2,124

We have newly disclosed three ingredients that we do not use (benzene, bisphenol A and heavy metals), all of which we have already ceased intentionally adding to our products. We have conducted ongoing reviews of the ingredients used in existing products and promoted a shift to safer alternatives.

In accordance with the Kao Chemical Stewardship Policy, we are currently reviewing these ingredients with a view to disclosing of PFAS, formaldehyde, and other ingredients, while also building an understanding of actual usage and evaluating the feasibility of alternatives.

Governance

Framework for promoting responsible chemicals management activities



We have established a governance framework for this theme under the supervision of the Board of Directors, with the Product Quality Management Division in charge. The Senior Executive Officer and 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 2025, reviewing the information to be disclosed and finalizing the policies.

Risk and opportunity management

Policies

Kao has established the following policies to function as guidelines in regular operations and decision-making, so that it can provide safer healthier products. Further details are available on our website.

- Kao Chemical Stewardship Policy
  Based on this policy, we promote the appropriate use of chemical substances and the transition to safer ingredients, among other efforts.
  https://www.kao.com/global/en/innovation/safety-quality/saicm/stewardship-policy/
- 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/
- Fragrance Policy
  https://www.kao.com/global/en/innovation/safety-quality/fragrance-policy/
- Kao's Risk Assessment Policy on Chemicals
  https://www.kao.com/global/en/innovation/safety-quality/saicm/saicm-risk-assessment/
- Kao Sustainable Product Development Policy
  https://www.kao.com/global/en/sustainability/klp/policy/product-development-policy/

Management process

We manage the processes for planning, implementation, evaluation of results, and corrective actions, and we carry out steady improvements through initiatives that address risks and opportunities related to safer, healthier products.

P (Planning)

The Chemical Stewardship Council formulates plans regarding targets and activities for the next fiscal year. Authorization is carried out by the Senior Vice President in charge of Product Quality Management.

D (Implementation)

In addition to Kao's multiple initiatives, a working group established under the Chemical Stewardship Council operates on a monthly or bimonthly basis. It drives efforts from the perspectives of safety, regulatory, and social risks. (P104-105).

C (Evaluation of results)

The Chemical Stewardship Council evaluates the results of activities. It summarizes the evaluation method and results and reports to the Senior Vice President in charge of Product Quality Management, who serves as the accountable executive. The Chemical Stewardship Steering Committee convenes monthly to share reports and hold discussions. In addition, the details of these discussions are also reported to the ESG Managing Committee in the following fiscal year.

A (Corrective action)

The Chemical Stewardship Council carries out corrective measures, and reviews targets and activities. Authorization is carried out by Senior Vice President in charge of Product Quality Management.

Initiatives

Kao carries out various initiatives for safer healthier products mentioned above. These initiatives are based on the strategies outlined above and are advanced in a coordinated manner toward the achievement of our targets. Some significant examples among our many initiatives are described below.

Strategy		Initiatives
Overall	(1) Transparent Information disclosure	Establishment of a plan for disclosing our ingredient policy
	(2) Proactive information provision regarding ingredients with high level of vague concern in 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 ingredient policy

Region: Global

Corresponding strategies: (1) (2)

We have established a plan for disclosing our FY2025 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): benzene, bisphenol A and heavy metals. We researched the laws and regulations of multiple countries around the world with a focus on AEMEA (the Americas, Europe, the Middle East and Africa), 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 disclosure of ingredients that we do not use scheduled for release in 2026 and onward (including PFAS and formaldehyde); namely the details to disclose and the phrasing to use. This is because it may lead to risk of 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 determine the appropriate disclosure approaches for these ingredients.

We believe that the social impact of this initiative will enhance consumers' information literacy and prevent confusion caused by misinformation. We conducted a preliminary assessment of its impact by analyzing the number of customer inquiries. As a result, regarding the UV absorbers that we disclosed in our ingredient policy in 2020, the number of inquiries with safety-related concerns decreased by approximately 40% compared to the period before this disclosure.

Kao will continue to engage in transparent information disclosure and proactive provision of information about ingredients with a high level of vague concern in society, thereby living up to the trust that society holds in the company while 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

Region: Global
Corresponding strategies: (3) (4)

We have established a system to scientifically assess the safety of ingredients and products in all categories, so as to use safe ingredients and develop safe products. In particular, highly novel products and raw materials require detailed safety verification owing to their characteristics, and we have developed a system for cross-divisional checks. We have also established a framework for continually checking whether customers are using products safely after launch, and for responding promptly if necessary.

In one recent example of our development efforts, by gaining inspiration from advanced wetting control technology in the agriculture business, we developed an effective firefighting foam that does not include PFAS, persistent substances that remain in the environment for decades and are linked to potential health risks. Through this development, we aim to address global challenges. Additionally, we developed *Bioré GUARD Mos Block Serum* without any chemical repellents, thereby helping to bring effective protection against mosquito bite for consumers dealing with the threat of dengue fever.

Kao will enforce strict safety assessment 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.

- PFAS-free firefighting foams
  https://chemical.kao.com/global/business/key-technology/fluorine-free_AFFF_technology/
- Saving Future Lives from Dengue Fever, an Infectious Disease Spread by Mosquitoes GUARD OUR FUTURE
  https://www.kao.com/global/en/newsroom/stories/dengue/

Acting in anticipation of chemical regulations through communication and industry activities

Region: Global
Corresponding strategies: (5) (6)

There is a recent global trend of chemical regulations becoming more stringent. In particular, the EU has introduced many strict regulations in rapid succession, resulting in a significant business impact for companies that deal in chemicals. In response, Kao acts strategically on trends in chemical regulations through communication with governments as well as industry activities. As one example, in 2025 we contributed to the refinement of the Japanese government's safety Classification for benzalkonium chloride (based on the Globally Harmonized System of Classification and Labelling of Chemicals (GHS)). Specifically, a conservative classification had been applied for skin sensitization due to insufficient safety data in the classification process. This posed the risk of people having inaccurate safety concerns about products containing this ingredient. However, Kao provided accurate additional data to help achieve a more appropriate assessment result ("not classified" status).

GHS classification results for benzalkonium chloride
https://www.chem-info.nite.go.jp/chem/english/ghs/m-nite-8001-54-5e.html

In a similar vein to this initiative, we have also submitted detailed safety data to authorities about the chemical substances that we use in relation to REACH regulations (in the EU) and TCSA regulations (in the U.S.) as part of our global activities. Through these efforts, we make expansive contributions to the appropriate government administration of chemicals management.

Additionally, we collaborate with partner companies in industrial associations and proactively holding dialogue with government agencies in multiple countries. In 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. Last year, we have also participated in initiative aimed at developing new methodologies for assessing sustainability. 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 will continue to 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.

Employees' opinions

Accelerating alternative raw materials with portfolio-focused evaluation



Kenkichi Fujii
R&D Strategy Promotion and Administration Center, R&D

To evolve the raw materials used in our products toward safer and more environmentally responsible alternatives, Kao has established its own policy through a companywide cross-sectional structure called the Chemical Stewardship Council. To support the implementation of these policies, We utilize an assessment framework called Portfolio Sustainability Assessment (PSA) V2.0, which was developed by the World Business Council for Sustainable Development (WBCSD). The defining characteristic of this system is that it can evaluate a wide range of sustainability values in many forms—covering not just chemical substance safety and compliance with laws and regulations, but also product usefulness, future product substitutability, and even social expectations. By assessing raw materials as entire product portfolios rather than focusing on individual raw materials separately, we can identify the raw materials that should be substituted preferentially and thereby make improvements for a more effective product portfolio. In addition, using an internationally coordinated methodology helps us uphold accountability to external parties more easily. Through the development of policies based on evidence, we reduce risks as a responsible business, while steadily driving initiatives to create new value.

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

- 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 driving societal transformation towards sustainable lifestyles

Strategy	Metrics, targets and results			Initiatives
	Metrics	Targets	2025 results	
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	63 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)
Products: (2) Proposing sustainable lifestyles through eco-friendly products and brands	Number of sustainable lifestyle proposals implemented in conjunction with products (2)	–	2 proposals	*CuCute*: *Mirai ni eco-peko bottle* (eco-friendly refill bottle) (2) *Emal*: Sustainable Fashion (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)	–	4 activities	Lending and exhibition of artworks from the Environmental Painting Contest (3) Raising environmental awareness through the “TSUKISAI” event (3) Raising environmental awareness through plant tours (3) Environmental event hosted by Kao Group Customer Marketing (3)
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)
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.

Financial impact

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

Environmental and social impact

- Cumulative number of people reached through information provision proposing sustainable lifestyles (cumulative total since 2016): 1.21 million
- Cumulative number of people reached through learning opportunities provided for sustainable lifestyles (cumulative total since 2016): 0.64 million

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.

- Consumers' lifestyles remaining the same despite the emergence of environmental issues such as climate change
- Indifference among consumers regarding preferences for sustainable lifestyles and corporate sustainability initiatives and commitments

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 support to promote unsustainable 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 will pursue the following strategies. This area serves as a key pathway to achieving the basic policies of the Mid-term Plan K27. We will spread products, services and information provision across many regions based on efforts to increase the number of options that consumers can continue using easily and to enhance the quality of life and the healthiness of local communities. We will differentiate ourselves from the competition with proprietary technologies, designs, and experience value, and boost trust in and recognition of Kao as a company that people continue to choose. Leveraging Kao's 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

By proposing options that are rooted in daily living, such as conserving water and electricity, as well as reducing waste, Kao supports lifestyles that minimize environmental impact while maximizing a sense of fulfilment. Kao expands with a local approach to communications about these proposals in a way that stays close to each region's values while focusing on a unified message, thereby achieving horizontal expansion with proposals for sustainable lifestyles across countries in Asia.

In addition, by achieving a design that integrates the visualization of CO_2 and water use based on a Life Cycle Assessment (LCA), along with the way the product is used (such as opting for one rinse cycle or using refills), Kao demonstrates its unique qualities and enhances its presence in the market, thereby boosting customer loyalty.

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

Kao aims to achieve both resource circulation and a reduction in CO_2 emissions by using refills and recycled materials and reducing the thickness of packaging while retaining ease of use and functionality. By rolling these initiatives out and spreading refill culture to regions that do not have one, Kao expands the value of eco-friendly products and brands. In addition, Kao leverages its formulation technology for high concentrations, foam rinsing control and more, as well as its packaging design with thin walls among other features, to differentiate its offerings and reinforce its unique status.

By informing people about these initiatives through environmentally conscious communications, Kao enhances its market presence and boosts customer loyalty.

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) Offering proposals through corporate information provision on product use, daily life, and people's values

Using product usage examples, lifestyle tips, and people's perspectives, Kao organizes information in an easy-to-understand way while combining its data with consumer insight, and communicates in a way that makes people want to incorporate products in their own lives or try them out.

Through these initiatives, Kao garners both trust and resonance while boosting its appeal and increasing its share of searches on the web and social media.

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

In schools and local communities, Kao provides programs that range from experience to practice and continued action, thereby creating opportunities for the next generation to learn and gain hands-on experience. In addition to standardizing teaching resources, Kao visualizes the results of conserving water and reducing plastic waste in a way that quantifies the effects of this study, which makes this effort more unique as an educational program. By sending out its message about its actual performance in collaboration with schools, local governments and NGOs, Kao secures an even greater level of trustworthiness.

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

By sharing Kao's proprietary insights, including technology for recycling film packaging for use as material and the design of its collection scheme, Kao establishes these as standard elements of social infrastructure. In addition, by creating unified evaluation design and replicating a collaborative model involving government, industry and academia across sectors, Kao promotes a system in which society functions as a unified whole.

Through these initiatives, Kao will establish a unique position and earn recommendations from third parties, thereby securing a superior position on sales floors and expanding its B2B projects.

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 ongoing improvements and steady implementation through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics						Mid- to long-term targets	
		2021	2022	2023	2024	2025	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)	11 million people	43 million people	48 million people	56 million people	63 million people	0.1 billion	2030

With this theme, we use the cumulative number of people reached through awareness-raising activities as a metric representing the expansion of consumer touchpoints that encourage sustainable choices in daily life. As of the end of 2025, the cumulative number of people

reached stood at 63 million, demonstrating steady progress toward our 2030 target (100 million cumulatively). We believe that expanding these touchpoints not only helps raise consumer awareness but also increases interest in and understanding of sustainable lifestyles through product selection and use. Going forward, we will further expand customer touchpoints by disseminating information through digital and social media in addition to our in-person efforts, while also developing educational programs and collaborating with local governments and companies. We will also continue exploring the most effective approaches for expanding our real-world activities.

Metrics and results

Strategy	Metric	Results			
		2022	2023	2024	2025
(2)	Number of sustainable lifestyle proposals implemented in conjunction with products	2 proposals	2 proposals	2 proposals	2 proposals
(3)	Number of information provision activities proposing sustainable lifestyles	3 activities	3 activities	3 activities	4 activities
(4)	Number of learning opportunities provided for sustainable lifestyles	2 opportunities	2 opportunities	2 opportunities	2 opportunities
(5)	Number of collaboration activities with external partners for realizing sustainable lifestyles	2 activities	2 activities	2 activities	2 activities

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

Global Consumer Care promotes Sustainable Lifestyle strategies through a range of meetings.

Specifically, ESG Promotion Meetings (held periodically), which include business division and development managers as the committee members, are led by the ESG division. These meetings involve sharing the outcomes of the ESG Managing Committee, deliberating proposals, determining policies, and reviewing and discussing global trends and responses.

We also hold meetings to consider global business strategies, attended by managers from business, research, manufacturing, procurement, and other divisions. At these meetings, participants discuss new products and major investment projects, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, during the product development process, we hold development meetings attended by managers and staff from business, research, manufacturing, product quality management, and other divisions. At these meetings, we also evaluate product performance, product value, and business potential from an ESG perspective when making commercialization decisions.

P62 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 (P112).

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	(2) Proposing sustainable lifestyles through eco-friendly products and brands	*CuCute*: *Mirai ni eco-peko bottle* (eco-friendly refill bottle)	*Emal*: Sustainable Fashion		
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 the “TSUKISAI” event	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		

Tsukisai 2025 WINTER: A Hands-on Event for Connecting with the Local Community and Exploring More Comfortable Lifestyles

Region: Japan

Corresponding strategy: (3)

On Saturday, December 6 and Sunday, December 7, 2025, Kao employees welcomed visitors at Tsukisai 2025 WINTER, held at Kao Corporation's Sumida Office (Sumida Ward, Tokyo). The event was designed to provide opportunities to connect with the local community and reflect together on ways to create more comfortable lifestyles. This was the first Tsukisai event to be held at one of Kao's worksites. The theme for this year's event was "Exploring Manufacturing," and a total of 5,171 people visited over the two days. Through programs designed to help visitors experience manufacturing through a journey of surprises and discoveries, the event was enjoyed by people of all ages.

Tsukisai was launched in 2023 as an event hosted by Kao to provide experiences that spark genuine inspiration. Through the event, Kao plans and operates programs that allow visitors to experience the value of its innovative products and the supporting evidence behind them, while staying closely attuned to customers' everyday concerns. At the venue, Kao employees came together as the "Hospitality Squad," making wholehearted efforts not only to introduce products and technologies in a welcoming manner, but also to help visitors understand the elements of Kao's philosophy embodied in its products and research. Squad members wore custom-made coats featuring the phrase "Hospitality Squad: Proud to Be Kao Employees," making them instantly recognizable as they interacted with visitors. The event received a great deal of positive feedback from participants, including comments such as:

- "It was striking to see the employees enjoying their work."
- "I became an even bigger fan of Kao's products after listening to employees describe their favorite aspects of the products they are closely involved with."
- "I really enjoyed discovering technologies that I would never have learned about simply by looking at in-store displays and advertisements."
- "I could feel that Kao is constantly evolving on a daily basis."

Employees' opinions

Nurturing a sustainable future with the community through "Tsukisai"



Chie Tsuno
Consumer Communication, Strategic Public Relations, Kao Corporation

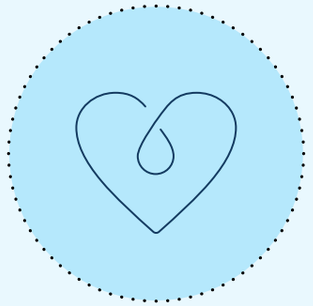
I want to create a future in which everyone can live in greater comfort and peace of mind.

With this ambition in mind, I collaborated with Sumida Ward to host Tsukisai 2025 WINTER at our office as an opportunity to connect with the local community and reflect together on how to achieve more comfortable lifestyles. The event featured hands-on booths showcasing Kao's environmental activities, including sustainable material selection and resource circulation efforts that consider the wellbeing of the planet, people, and society. Through these interactive experiences, visitors learned more about practical activities that benefit the environment and support a better future for all. We employed creative ideas by focusing on practices that could be easily incorporated into everyday life and creating experiences that allowed people of all ages to have fun while learning. Our aim was to help visitors view these activities as more accessible and feel encouraged to try them out. Employees engaged in direct dialogue with members of the local community, which I believe helped make Kao's activities and philosophy more familiar and approachable to visitors.

We received positive feedback from participants, such as, "I had fun learning together with my children," "I felt inspired to place refill packs in the recycling bin," and "I hope there will be more recyclable products available." I feel the event helped boost people's interest in environmental awareness. Going forward, we will continue working alongside the local community to create a sustainable future in which everyone can enjoy a comfortable life.

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

- 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

Overall	(1) Evolve all brands into purpose driven brands that have a significant purpose for existing—to address issues of consumers and society and resonate with them.
Overall	(2) Improve loyalty through stronger marketing based on brand purpose
Branding	(3) Spread awareness of the brand's role and value through brand purpose
Branding	(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose
Products and support activities	(5) Communicate with consumers and society about the value of products based on brand purpose
Products and support activities	(6) Support activities for solving issues facing consumers and society based on brand purpose

Metrics, targets and results

Metrics	Targets	2025 results
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% in 2030	59%
Degree of brand favorability among consumers using the product (3)	–	76.2%

Initiatives

- *Merries*: Ongoing development of "Going to nursery schools by Kao," a childcare support service for nursery schools (1)
- *THE ANSWER*: Transformation of the hair care business to focus on emotion and technology (2)
- *Curél*: Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets (3)
- *Laurier*: Ongoing development of "Laurier in the Workplace" and "Laurier at School" to contribute to the daily lives of individuals and to social issues
- *SENSAI*: Consistent endeavors from a sustainability perspective: "In Harmony with Nature," "Weaving Beautiful Traditions," and "Nurturing Connections" (5)
- *est*: Ongoing development of projects to support learning among young people in Asia (6)

Financial impact

- Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyalty
- Improvement in investment efficiency through purpose-driven and consistent marketing, leading to the securing of price premiums through enhanced brand value and to improved profitability and ROIC through efficient customer acquisition.

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

* 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 holding 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. This 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) Evolve all brands to be purpose driven brands with a significant purpose for existing—to address issues of consumers and society and resonate with them.

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. With this, we will build trust with consumers and society, and contribute to increased loyalty.

Related initiatives: P118 *THE ANSWER:* Transformation of the hair care business to focus on emotion and technology
P119 *Curél:* Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets

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

Kao will enhance consistent marketing activities aligned with brand purpose. We will foster the significance of each brand's purpose for existing within consumers to strengthen brand loyalty and strive for greater stakeholder support. This will reinforce our revenue base and drive mid- to long-term growth.

Related initiatives: P118 *THE ANSWER:* Transformation of the hair care business to focus on emotion and technology

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

Kao will clearly communicate the role of its services based on brand purpose to consumers, fostering a deeper understanding of the brand's value. This will enhance consumer affinity with the brand and strengthen support from consumer stakeholders.

Related initiatives: P119 *Curél:* Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets

(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, while also continuing to refine our marketing by driving digital transformation and implementing data-driven management to maximize effectiveness.

(5) Communicate with consumers and society with the value of products 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: P120 *SENSAI:* Consistent endeavors from a sustainability perspective: "In Harmony with Nature," "Weaving Beautiful Traditions," and "Nurturing Connections"

(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 be able to generate the following impacts financially, environmentally, and socially.

Financial impact

- Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyalty
- Improvement in investment efficiency through purpose-driven and consistent marketing, leading to the securing of price premiums through enhanced brand value and to improved profitability and ROIC through efficient customer acquisition.

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 improvements made with the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Result					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	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)	–	52% (53%)*1	52% (57%)*1	55%	59%	100%	2030

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

Starting from FY2025, brands subject to this indicator have been reviewed. We are restructuring with a focus on priority brands that promote global development while reinforcing alignment with the K27 growth driver strategy and taking market changes and sales composition into account, to evaluate contributions toward solving issues faced by consumers and society more effectively. With this, we believe this indicator will reflect the progress of both business growth and social value creation more appropriately.

Metrics and results

Customer Satisfaction

Strategy	Metrics	2022	2023	2024	2025
(3)	Degree of brand favorability among consumers using the product (3) *2	73.0%	73.3%	75.6%	76.2%

*2 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.

Governance

With Global Consumer Care serving as the supervising division, we regularly hold the following three meetings to promote our strategy for Improved Quality of Life.

The meeting attended by the heads of business divisions and the managers of each division shares information on ESG promotion, including the discussions at the ESG Managing Committee, regulatory trends outside Japan, and the response policies of each business, and also discusses material issues and policies.

We also hold a meeting attended by the Officer in Charge, the heads of business divisions, and the managers of R&D, 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, for each business division, we hold a meeting attended by the managers and staff in charge of the business, research, manufacturing, product quality management, and other divisions, where we check the product performance, product value, and business potential involved in commercialization from an ESG perspective.

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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 (P118-120).

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.

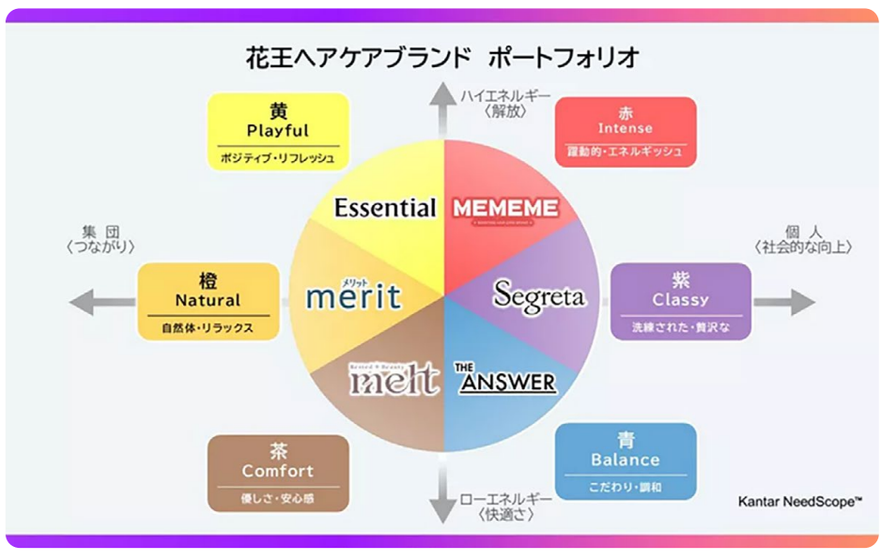
Strategy		Initiatives
Overall	(1) Evolve all brands into purpose driven brands that have a significant purpose for existing—namely, to address issues of consumers and society and resonate with them.	*Merries*: Ongoing development of “Going to nursery schools by Kao,” a childcare support service for nursery schools
	(2) Improve loyalty through stronger marketing based on brand purpose	*THE ANSWER:* Transformation of the hair care business to focus on emotion and technology
Branding	(3) Spread awareness of the brand’s role and value through brand purpose	*Curél*: Applying Kao’s technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets
	(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose	*Laurier*: Ongoing development of "Laurier in the Workplace" and "Laurier at School" to contribute to the daily lives of individuals and to social issues
Products and support activities	(5) Communicate with consumers and society about the products’ value based on brand purpose	*SENSAI:* Consistent endeavors from a sustainability perspective: “In Harmony with Nature,” “Weaving Beautiful Traditions,” and “Nurturing Connections”
	(6) Support activities for solving issues facing consumers and society based on brand purpose	*est*: Ongoing development of projects to support learning among young people in Asia

Transformation of the hair care business to focus on emotion and technology

Region: Japan
Corresponding strategies: (1) (2)

Under the business vision of “Hair: The Power of Life,” Kao is restructuring its hair care brand structure based on the fundamental needs of human emotion (refer to the Portfolio). With roots in emotion and driven by Kao’s assets of a century of hair care research, Kao has been advancing product development within each brand and exceeding consumer expectations.

THE ANSWER, launched in 2024, is a brand that embodies such business transformation. The target customers are women with a strong desire to be independent who enjoy a genuine and well-balanced life and who prioritize their personal standards when making decisions. For hair care as well, these consumers seek authentic quality that offers formulations and repair capabilities that are backed by advanced technologies.



To address these needs, *THE ANSWER*, having been developed from 100 years of research by Kao, was released as a world-first shampoo and treatment containing all five essential ingredients for beautiful hair (repairs). With a product design that simultaneously delivers a high level of moisture, manageability, gloss, smoothness, and softness, the product offers a perceived quality that becomes evident to users through continued use.





Furthermore, care ingredients are able to reach every hair strand due to its unique approach of “applying and washing,” in which shampoo is applied and spread on wet hair before lathering, offering a distinctive use experience. By combining sensory elements and technology, this experience transcends simple functional appeal and fosters hair care habits that consumers can confidently choose and continue over time.

These initiatives have resulted in a strong performance within Kao’s high-premium brands, including *melt*, which launched in spring of the same year. Since its launch, *THE ANSWER* has exceeded a total of 3.4 million units shipped and has significantly improved its position within manufacturer share rankings in the high-premium segment (from 32nd in 2023 to third in the fourth quarter of 2025). The brand was also profitable in its first year after launch.

THE ANSWER will empower people’s inner strength to live through continued cultivation of the brand with emotion at its core.

Curél: Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets

Region: Global

Corresponding strategies: (1) (3)

In recent years, due to global climate change, the spread of air pollution, and an increase in stress levels, there is a growing number of people who feel they have sensitive skin. The cosmetics market for sensitive skin in Japan expanded by more than 150% between 2015 and 2025.

Since it was launched in 1999, *Curél* has held the top share in Japan's sensitive skin market and has remained committed to its purpose of helping people with dry and sensitive skin live with peace of mind. In 2025, the brand's market shares reached an all-time high.

Based on over 40 years of ceramide research unique to Kao that began with studies on the causes of chapped hands, pseudo-ceramide (SLE), developed in 1987, was incorporated as the core technology to investigate the fundamental causes of sensitive skin, with the goal of enhancing the skin's original functions. The brand also applies its technology to a diverse range of products, including sprays and balms, that other competitors find difficult to develop. This enables *Curél* to respond to the wider range of consumer lifestyles and usage applications.



Curél is positioned as one of Kao's growth drivers. With a focus on regions prone to dry and sensitive skin, from 2026 and onward, the brand will build on its foundation in Japan and China to expand into EMEA (Europe, the Middle East and Africa), as well as North America and ASEAN, to further accelerate its entry into the global sensitive skin market, which has grown 3.3 times over the past decade to become a 4.5 trillion yen market.

For its global strategy, *Curél* will leverage the trust earned from physicians through consistent academic endeavors in Japan as a starting point to deepen collaboration worldwide and enhance evidence-based retention marketing. The goal is to establish a long-term advantage grounded in quality and trust, setting the brand apart from the large-scale mass advertisements typical of global competition.

Curél customers continue to send in comments, such as how their child's dry skin is no longer a concern and how they intend to continue using the product, or how their child's discomfort had clouded their emotions, but after trying *Curél* as a last resort, they discovered that the product was truly wonderful.

Going forth, *Curél* plans to leverage Kao's strengths in technology to further pursue the fundamental causes of sensitive and dry skin and contribute towards improving the quality of life for people suffering around the world with the aim of becoming a brand with a strong presence in the global sensitive skin market.

Japan's market for sensitive skin cosmetics in 2025 saw a 150% growth when compared to 2015.
* intage SRI+data; estimated sales scale (value) for sensitive-skin cosmetics, body care, and hair care.

In 2025, the brand's share reached an all-time high.
* intage SRI+data; sensitive-skin cosmetics

The global sensitive-skin market has grown 3.3 times over the past decade to become a 4.5 trillion yen market.
* Euromonitor International; derma care (sensitive skin) market based on retail sales



SENSAI: Consistent endeavors from a sustainability perspective: “In Harmony with Nature,” “Weaving Beautiful Traditions,” and “Nurturing Connections”

Region: Global

Corresponding strategy: (5)

SENSAI is a global prestige brand launched in 1983 by Kanebo, which had been expanding its reach throughout EMEA (Europe, the Middle East and Africa), including at Harrods in London, with EMEA still accounting for 80% of the brand’s sales today.

The brand’s purpose is to create precious moments in time to connect with one’s skin and mind through care with *SENSAI*, for mindful and sensitive living, in our modern, fast-paced society. It all began when people started to notice the exceptionally lustrous hands of the artisans who spun silk. This unique discovery by a company born from the textile industry led to the development of cosmetics using ingredients derived from silk (for moisture). This philosophy has been passed down to this day as the Koishimaru Silk extract (for moisture) that is the signature ingredient of *SENSAI*.

The concept of extraction and formulation of active ingredients from waste generated by silk spinning is similar to the creation of the highly acclaimed, luxury cosmetic bar soap SAVON DE SOIE, which was created from discarded oil from the textile industry. This illustrates the ongoing spirit of sustainability that Kanebo holds to this day.

Sustainability is at the foundation of *SENSAI*, which has EMEA as one of its primary markets. This mindset enhances brand value and fosters deeper relationships with customers.

With this background, *SENSAI* has established “In Harmony with Nature,” “Weaving Beautiful Traditions,” and “Nurturing Connections” as its three pillars for future initiatives. As part of “In Harmony with Nature,” *SENSAI* supports nature conservation and biotope environment development at the UNESCO Aya Biosphere Reserve in Aya Town, Miyazaki Prefecture, where one of *SENSAI*’s signature ingredients is sourced. For “Weaving Beautiful Traditions,” the brand makes efforts to support the preservation of Japanese culture and Koishimaru Silk, which is the basis of its identity, and through “Nurturing Connections,” *SENSAI* donates cosmetics to the global “look good feel better” program which supports cancer patients. These diverse activities are all conducted under the consistent philosophy of the brand.

Against this backdrop, the global sales of *SENSAI* have been seeing a strong performance with double-digit growth. In Germany, which is the brand’s largest market by sales composition, *SENSAI* rose in the special care category rankings of Beauty Alliance Deutschland (a cooperative of local retail organizations) to take second place in the skin care category in 2025, solidifying its presence as a prestige brand.

Moving forward, the brand will leverage the actual performance level it has established in EMEA to expand into other areas starting with Asia. It will aim to further strengthen its role as a leading global and sustainable brand within the Kao Group.



01 In Harmony with Nature
02 Weaving Beautiful Traditions
03 Nurturing Connections

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

Employees' opinions

Sharing our proven technologies with consumers to help those lost in the sea of hair care products



Tomohiro Yamaoka
Brand Manager, Hair Care Business
Health Beauty Care Business
Kao Corporation

Every time I come in contact with Kao's 100-year history of hair care research through my work as brand manager, I am profoundly aware of the depth of technology and knowledge accumulated by our predecessors over the years. Despite having such proven technologies, I continue to worry that we might not be reaching customers who are lost in the sea of hair care products.

This is because I have realized on many occasions that technology itself is not enough to resonate with customers. Some quality products are not chosen by consumers, and some values are not effectively conveyed.

By designing the brand around the fundamental emotional needs of humanity, I feel that *THE ANSWER* is able to naturally communicate the value of its technologies and successfully reach consumers. Changing its delivery allows technology to exert its true power. I am genuinely grateful to have experienced this feeling myself. Going forward, I would like to continue to foster the brand in order to assist as many individuals as possible in finding a hair care solution.

Employees' opinions

Healthy skin, better lives: *Curel*'s global commitment



Carla Ferrario
Director, Mass A/
EMEA & US Therapeutic

As *Curél* continues to expand across AEMEA, we are proud to bring the sensitive skin consumer a dedicated line of high-quality products with our Ceramide Care Technology that are rooted in science & Japanese expertise.

Each formula is thoughtfully developed to deliver a premium product experience that is gentle yet effective, clinically proven, & consistently praised.

This combination of efficacy, trust, & sensorial excellence is what sets *Curél* apart.

What motivates our team in driving these initiatives is simple yet powerful: the real impact on our consumers lives. When someone feels comfortable in their own skin, it affects their confidence, wellbeing, & daily interactions. *Curél*s purpose connects directly to this human truth—supporting healthier skin means supporting better quality of life.

By addressing sensitive skin concerns with respect & scientific rigor, we contribute to a society where skin health is not a luxury, but a foundation for self-confidence & comfort. This purpose fuels our passion, guides our decisions, and unites us as we continue to grow *Curél* globally—bringing relief, trust, and healthier skin to more people.

Employees' opinions

SENSAI's vision of Japanese sustainable luxury

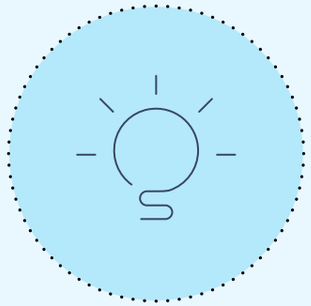


Yoshiko Sakurai
Brand Manager, *SENSAI*
Prestige Brand Business,
Cosmetics Business,
Kao Corporation

The goal of *SENSAI* is not to compete by being extravagant. Rather, it seeks to use cosmetics to provide the world with a refined luxury that comes from living every day with thoughtfulness and sensitivity. The brand's origins can be traced back 90 years. Silkworm pupae oil, a once discarded material in the company's original textile business, was reborn as a luxury soap. This paved the way for a Japanese brand to enter the cosmetics market, which had been dominated by EMEA brands in that era. Having inherited this history, our team is now discussing how *SENSAI* can contribute to society today and in the future and support Koishimaru Silk, which is the main ingredient for our products, along with other initiatives related to our purpose. This includes participation in nature conservation activities at the UNESCO Aya Biosphere Reserve in Aya Town, Miyazaki Prefecture, where clear waters flow and Koishimaru Silk is produced. We also support the preservation of Japanese culture, such as silk weaving with Koishimaru silk. We have also launched support initiatives for people around the world who face illnesses to enable them to live each day with thoughtfulness. These ongoing initiatives are part of what *SENSAI* proposes is true luxury.

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

- 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
- Insufficient capabilities to respond to stricter regulations and heightened environmental awareness lead to loss of business opportunities

Opportunities

- Securing a competitive advantage through promoting technology innovation and value creation, and development of new markets and businesses that lead to medium- to long-term growth
- Provision of indispensable products and services through unique value propositions backed by scientific evidence and an understanding of the essence of consumer and customer issues
- Co-create with partners to solve difficult issues and achieve early social implementation

Strategy / Metrics, targets and results / Initiatives

	Strategy	Metrics	Targets	2025 results	Initiatives
Overall	(1) Develop globally competitive core technologies and products				
Overall	(2) Achieve both customer value and sustainable value creation				
Overall	(3) Strengthen development based on speed as a competitive axis				
Overall	(4) Create new areas that drive future growth				
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 or more 2030	8	*Bioré The Body Totonoihada* (1) (2)
Product development research	Decarbonization: Product development that contributes to reducing CO_2 emissions (energy and water conservation, reducing usage and waste, etc.), prevention of air and water pollution, and use of environmentally friendly raw materials				*THE ANSWER* (1) (2)
Product development research	Development of safer and healthier products				*Cucute No-Scrubbing Foam Pack Spray* (1) (2)
					Room-temperature anti-rust cleaners (1) (2) (4)
					Jergens Lotion Bursts (1) (3)
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 or more 2030	9	Saccharification enzyme supply platform (1) (4)
Fundamental technology research	Technology development that solves social issues and creates high-value-added products and new businesses				

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

Financial impact

- Increase in sales by developing technologies to solve social issues and proposing high-value-added products
- Increasing market share and improving operating margins by differentiating from existing products
- Increasing customer loyalty and LTV by delivering cutting-edge, indispensable value propositions through proprietary technologies

Environmental and social impact

- Reduction of waste and carbon dioxide emissions
- Realization of a healthy and comfortable society by improving the quality of life
- Maximization of the impact of solving social issues through active communication of technology and expanded co-creation with external partners

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 accurately grasp evolving 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

- Disruption of production activities and surging raw material procurement costs due to an increase in severe natural disasters caused by global warming and the loss of biodiversity
- Decline in product competitiveness resulting from intensified global competition in product and technology development, which undermines capabilities in raw material procurement, technology development, cost competitiveness, and other areas; weakening and loss of conventional R&D competitiveness due to technological innovation and market entry by companies from other industries
- Needs and value propositions becoming more complex due to social issues and the diversification of lifestyles
- Loss of business opportunities due to increased compliance costs and a lack of relevant response capabilities

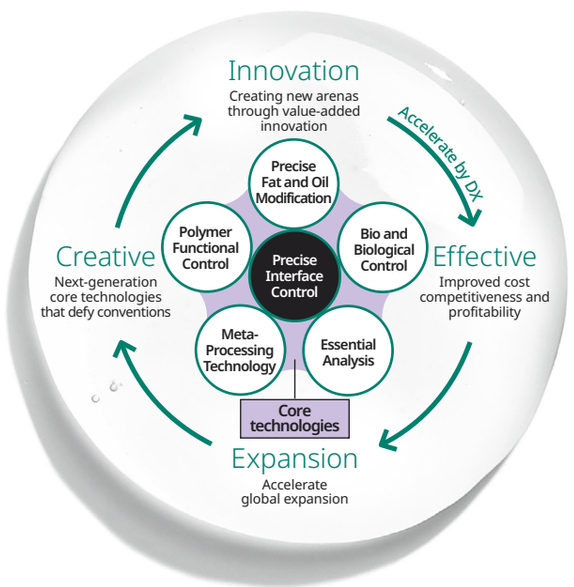
Opportunities

- Creation of new markets and new businesses that lead to medium-to-long-term growth through securing proprietary exclusivity and competitive advantage with the promotion of technology innovation and value creation
- Provision of indispensable products and services to consumers and customers through unique value propositions backed by scientific evidence and an understanding of the essence, to address the diversification of lifestyles and values
- Promotion of cross-industry, industry-government-academia collaboration through open innovation to overcome intractable social issues and achieve the early implementation of solutions in society

Strategy

We have formulated the following strategies to address the identified risks and opportunities.

R&D strategies are essential if Kao is to continue being a company that is essential to a sustainable world. Based on its unique core technologies cultivated over many years, Kao has established its *Global Sharp Top* business by linking those technologies across businesses and areas. Furthermore, understanding consumer and customer issues to define the true values that are wanted, and fusing this with technology innovation has enabled Kao to offer proposals for products and services that have proprietary exclusivity and competitive advantages. Intellectual property



strategies are also essential to achieve this. The broad application of these technologies and the linking of values is a distinctive strength of Kao's R&D that sets it apart from other companies. This strength is the source of its competitive edge in global markets.

(1) Develop globally competitive core technologies and products

Kao continuously enhances its technology capabilities and scope of application by concentrating its resources on core technologies that are unique and have a competitive advantage. A key element to this is its precise interfacial control technology*, which is backed by extensive technology assets and is extremely difficult to replicate. By combining this with its other five core technologies and connecting them across businesses for application in products and services, Kao proposes solutions to social issues that are becoming increasingly diverse and complex, while maintaining a competitive edge in global markets.
Furthermore, we will unearth new approaches for difficult issues through Essential Research that delves deep into subjects and phenomena related to people and objects to reveal their mechanisms and create new values by combining them with technologies.

* Precise interfacial control technology: A Kao technology that precisely controls the properties of interfaces between elements, such as liquids and solids, liquids and gases, and solids and gases. Cleanliness is achieved by controlling various interfaces, including cleansing technologies that penetrate and break down oily residues on tableware surfaces, antifouling technologies that transform hydrophobic synthetic fibers to become more compatible with water for easier removal of oil-based stains, and application technologies that allow UV-blocking ingredients to cover the skin while providing effective protection and a pleasant user experience.

(2) Achieve both customer value and sustainable value creation

We will realize both pioneering value creation from a customer perspective and sustainable value realization that contribute to a sustainable world by using Kao's innovations, without having to make trade-offs. To achieve this goal, we will create unique customer value backed by scientific evidence under Kao's Sustainable Product Development Policy through close collaboration between fundamental technology research and product development research. This enables us to fulfill our responsibility to society and provide the maximum benefit and quality to customers.

(3) Strengthen development based on speed as a competitive axis

With our proprietary technologies as the starting point, we will swiftly proceed with global expansion and social implementation while actively applying open innovation and co-creation with our partners to achieve this. We will also improve the efficiency and speed of R&D activities and *Yoki-Monozukuri* through the application of digital technologies, and foster DX human resources within R&D to further strengthen development capacities.

(4) Create new areas that drive future growth

We will anticipate changes in the world to create new technologies needed for the future, transform them into innovative customer value, and build new markets that will lead to medium- to long-term growth.

Related initiatives: P127 Application of core technology (1): *Bioré The Body Totonoihada*—Kao's proprietary cleansing technology of selective sebum wash while protecting the skin, P127 Application of core technology (2): *THE ANSWER*—formulated with high concentrations of hair-nourishing ingredients with lamellar structuring technology, P128 Application of core technology (3): *Cucute No-Scrubbing Foam Pack Spray*—saving water and time through foam cleansing, P128 Development of a room-temperature anti-rust cleaner that significantly reduces CO_2 emissions by collaborating with another company, P128 Development of Jergens Lotion Bursts through global internal collaboration, P129 Establishment of a saccharification enzyme supply platform to support growth in the bio-business

Impact generated by implementing the strategies

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

Financial impact

- Increasing sales through development of technologies that solve social issues and proposing high value-added products
- Increasing market share and improving operating margins through differentiation from existing products
- Increasing customer loyalty and LTV (Lifetime Value) by delivering cutting-edge, indispensable value proposition through proprietary technologies

Environmental and social impact

- Reduction of waste and carbon dioxide emissions
- Realizing of a healthy and confortable society by improving the quality of life
- Maximizing the impact of solutions to social issues through active communication of technology capabilities and expansion of co-creation with external partners (creation of synergies that cannot be achieved by ourselves)

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 through improvements by using the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1) (2) (3)	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)	4 cases	5 cases	6 cases	7 cases	8 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)	3 cases	5 cases	6 cases	7 cases	9 cases	10 or more	2030

In the product category, the hair care shampoo and treatment *THE ANSWER* received the Trend Category Award at the 2025 Nikkei Excellent Products and Services Awards. In the business and systems category, the room-temperature anti-rust cleaners earned the Minister of the Environment Award at the 52nd Environmental Awards (along with AISIN CORPORATION), co-hosted by the National Institute for Environmental Studies and NIKKAN KOGYO SHIMBUN, and supported by the Ministry of Environment. Furthermore, Kao's technologies for concrete surface aesthetic enhancement received the Environmental Technology Prize at the 57th JCIA Technology Award held by the Japan Chemical Industry Association.

These awards reflect the high recognition that Kao's efforts have earned as contributions to people's lives and society. We will continue these activities going forward.

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.

P62 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 (P127-129).

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.

Strategy			Initiatives	
Overall	(1) Develop globally competitive core technologies and products (2) Achieve both customer value and sustainable value creation (3) Strengthen development based on speed as a competitive axis (4) Create new areas that drive future growth	Product Development Research + Fundamental Technology Research	*Bioré The Body Totonoihada*	Room-temperature Anti-rust cleaners
			THE ANSWER	*Jergens Lotion Bursts*
			Cucute No-Scrubbing Foam Pack Spray	Saccharification enzyme supply platform

Application of core technology (1): *Bioré The Body Totonoihada* —Kao's proprietary cleansing technology of selective sebum wash while protecting the skin

Region: Japan
Corresponding strategies: (1) (2)

Ever since it was founded, Kao has continued to accumulate cleansing technologies for a wide range of surfaces, including the face, body, clothing, and tableware. The technologies evolved to thoroughly remove unwanted elements while protecting the skin and minimizing strain caused by over-washing.

Bioré The Body Totonoihada is a skin cleanser that contains Kao's proprietary Sodium C16 Olefin Sulfonate derived from natural sources. It preserves the sebum necessary for skin moisture and removes unsaturated fatty acids that have a negative impact on the skin barrier functions, while providing a luster created by a water veil when the body wash is rinsed off.

The environment surrounding our skin is becoming increasingly harsh with global warming and the rise in extremely hot days. This product addresses a variety of skin conditions throughout the body, such as having sticky skin on one's back while experiencing dryness on the shins. In addition to dermatological expertise, this product makes use of the selective cleansing technologies of Kao's core precise interfacial control technology.

Application of core technology (2): *THE ANSWER*—formulated with high concentrations of hair-nourishing ingredients with lamellar structuring technology

Region: Japan
Corresponding strategies: (1) (2)

Hair that has been damaged by repeated use of hair straighteners and coloring tends to lose lipids and proteins during washing. These components need to be replenished because they are essential for managing beauty hair and enhancing its shine. However, ingredients such as lipids do not dissolve easily in water and may cause formulas to separate and foam poorly, so incorporating them

sufficiently into shampoos has conventionally been challenging.

For this reason, we came up with the idea of a lamellar structure, in which water and oil layers alternate and overlap. This allowed for the retention of large quantities of lipids and other components of the five essential hair-nourishing ingredients, leading to the development of *THE ANSWER*, a shampoo that replenishes lipids during washing while retaining the fundamental properties of a shampoo. This lamellar structuring technology is one application of Kao's precise interfacial control technology, which is also used in products such as beauty serums.

In a market with various premium shampoos, the product's reliable user experience was held in high regard, especially among beauty-conscious consumers who had not been able to find a shampoo that satisfied them, and received the Trend Category Award at the 2025 Nikkei Excellent Products and Services Awards.

Application of core technology (3): *Cucute No-Scrubbing Foam Pack Spray*—saving water and time through foam cleansing

Region: Japan
Corresponding strategies: (1) (2)

Conventionally, foam was thought to have pleasant sensory qualities but little effect on cleaning. However, some types of fine, dense foam can absorb oil in the interface created when compressed foam attempts to revert to their original spherical shape. This cleansing mechanism uses the interfacial forces between air and liquid to remove grime without applying force.

By combining this foam cleansing with the functions of enzymes to decompose complex grime that includes oils and sugars, we developed *Cucute No-Scrubbing Foam Pack Spray*—a dishwashing detergent that cleans by simply spraying foam over tableware that has been piled up in the sink and rinsing, without the need for scrubbing.

As lifestyles become more diverse, scrubbing dishes is still a chore that many consumers find tedious. This product shortens dishwashing time by approximately 30% while also reducing the amount of water used for rinsing by 20%. Using this product does not only create free time, but also contributes towards improving quality of life and water conservation.

Development of a room-temperature anti-rust cleaner that significantly reduces CO_2 emissions by collaborating with another company

Region: Japan
Corresponding strategies: (1) (2) (4)

The manufacturing process for automotive parts calls for high levels of energy consumption for heated cleaning agents and hot-air drying, which led to the issue of significant CO_2 emissions.

Through joint development with AISIN CORPORATION, Kao leveraged its precise interfacial control technology to accelerate the penetration of cleaning ingredients to enhance cleansing power and reduce drying times by controlling surface wettability. This led to the development of an anti-rust cleaner that works at room temperature and provides rust prevention by forming a surface film.

In addition to helping the automotive industry achieve energy conservation and reduce CO_2 emissions, this technology has also simplified rust-prevention processes, thus significantly reducing environmental impact at the *Genba*.

In recognition of these achievements, the technology received the Minister of the Environment Award at the 52nd Environmental Awards (co-hosted by the National Institute for Environmental Studies and NIKKAN KOGYO SHIMBUN, and supported by the Ministry of Environment).

Kao has always been committed to developing unique cleansing technologies for industrial fields. Going forward, we will continue to develop cleansing technologies for both consumers and industrial fields to promote the *Global Sharp Top* strategy. The use of Kao products will contribute towards improving the environments of both consumers and workers, along with the realization of a decarbonized society.

Development of *Jergens Lotion Bursts* through global internal collaboration

Region: North America
Corresponding strategies: (1) (3)

In 2025, we launched the solid type lotion *Jergens Lotion Bursts* in the Americas, to offer consumers an enjoyable, completely new experience that cannot be achieved with a conventional lotion format. This product is a lotion that takes on a solid form using agar derived

from seaweed. It locks in moisturizing ingredients and fragrance and can be molded into fun shapes, such as stars and hearts. When rubbed on the skin directly with one's palm or similar method, the fragrance is released while thoroughly moisturizing the skin.

Commercialization was made possible by combining the processing technologies for solidifying liquid formulas developed by research laboratories in Japan with moisturizing formulas and formulation technologies tailored to local consumers developed by research laboratories in the Americas. Researchers from both countries repeated experiments to create a formulation that holds its shape, can be easily crushed, applies smoothly, releases fragrance effectively.

This product has been received well by consumers as an unprecedented and unique skincare experience. It does not only cater to new lifestyle scenes by being easy to carry and share with friends, but everything about it is new, from the color and shape of the solid in transparent containers to the sensory experience when using the product.

Establishment of a saccharification enzyme supply platform to support growth in the bio-business

Region: Japan

Corresponding strategies: (1) (4)

Kao is advancing collaborations with various universities and external research institutions to acquire and enhance its technologies. One of Kao's core technologies, biotechnology, has been cultivated through the development of enzymes for detergents. We are focusing on this as a manufacturing foundation using biomass raw materials as a replacement for petrochemical raw materials.

To date, through projects commissioned by the New Energy and Industrial Technology Development Organization (NEDO), Kao has been conducting process engineering development for saccharification enzymes that convert cellulosic biomass into sugars, which is essential for bioethanol production and does not compete with food sources. Kao's proposal to establish a stable domestic supply platform for these saccharification enzymes has been selected for NEDO's Bio Manufacturing Revolution Promotion Project.

Within this project, Kao will work on developing diverse saccharification enzymes according to biomass types, along with establishing effective process engineering for enzymes, including microbial improvement. Through corporate collaboration, we will aim to create a saccharification enzyme supply platform that supports the production of bioethanol, sustainable aviation fuel (SAF), and bio-based products.

Employees' opinions

Reinventing body lotion through collaboration and challenges with global members



Kensuke Aoyagi
Processing Development Research,
Kao Corporation

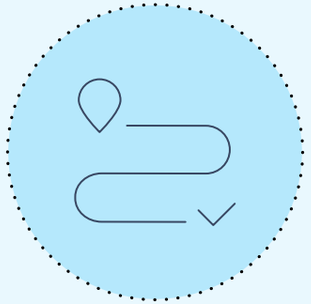
Jergens Body Lotion has been a beloved brand in the United States for more than 125 years. Looking ahead, we explored how this long-established brand, trusted by generations, can continue to serve even more consumers by engaging local researchers and brand team members in ongoing, candid conversations. To bring a wide range of ideas to life, we combined the diverse processing technologies developed in Japan with moisturizing technologies that have long been cherished locally, thereby taking on the challenge of reinventing body lotion as a unified global team. We aim to create body lotions that are a pleasure to look at, use, and share—products that spark excitement from the moment of use and continue to deliver after application, while adding a touch of color and joy to everyday life.



Responsibly Sourced Raw Materials

GRI 2-23

We 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

- 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 / Metrics, targets and results / Initiatives

Strategy	Metrics	Targets	2025 results	Initiatives
Supplier management: (1) Selection of suppliers for collaboration to solve social issues	Human rights due diligence response rate (direct material suppliers) (Sedex, Kao's original SAQ, and other evaluation bodies) (2)	100% 2030	99.9%	Supplier selection (1) Education for sustainable procurement (1) Regular review of purchasing practices and evaluation of supplier performance (2) ESG risk assessment of suppliers (2) Participation in and the Utilization of the CDP Supply Chain Program (2) Collaboration with stakeholders (2)
Supplier management: (2) Deepening ESG procurement through supplier assessment and collaboration	Number of companies with critical issues identified through SMETA audits (2)	–	0	
Palm derivatives, 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	99.99%	Procurement of forest raw materials (3) (4)
	Traceability to oil palm plantations (TTP) (3)	100% 2025	91%	
Palm derivatives, pulp, and paper procurement: (4) Initiatives to address issues related to natural resources	Number of supported oil palm smallholders (total number) (4)	–	4,630	
	Procurement volume of independent oil palm smallholder credits (tons) (4)	–	42,488t	
	Number of oil palm smallholders covered by the Kao Grievance Mechanism (4)	–	323	
Collaboration: (5) Kao's packaging collection and recycling scheme initiatives				Recycling of packaging materials (5)
Electricity: (6) Reducing environmental impact by promoting the procurement of renewable electricity	Renewable energy ratio of purchased electricity (6)	–	91.8%	Promotion of renewable electricity procurement (6)

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

Financial impact

- Mid- to long-term cost control through stable procurement
- Planned business growth based on stable procurement
- Avoidance of reputational risks by addressing sustainable procurement

Environmental and social impact

- Conservation of the natural environment and enhancement of ecological system sustainability
- Promotion of respect for human rights through improved working conditions
- Economic development and improved living standards in production communities

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 human rights violations in the supply chains of natural resources (palm, pulp, and paper)
- Higher supply chain risks and greater management complexity due to business 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

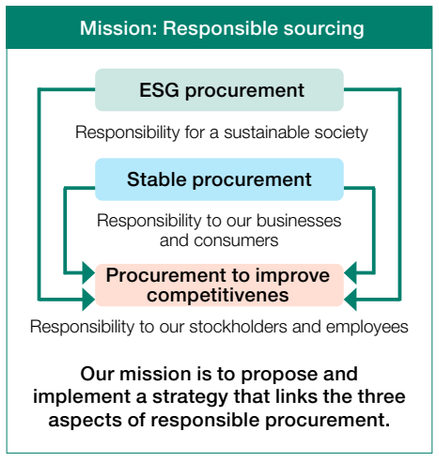
- Establishing a stable supply system through the selection of suppliers with low environmental and social risks
- Improved trust from investors
- Enhanced customer loyalty and increased repurchase rate

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, safety 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 based on its core approach of ESG procurement and stable procurement.

Responsible sourcing



(1) Selection of suppliers for collaboration to solve social issues

We aim to build a global supply chain that complies with international standards by conducting due diligence during the supplier selection phase and making efforts to prevent human rights and environmental risks.

(2) Deepening ESG procurement through supplier assessment and collaboration

To address various issues, including human rights and environmental risks, we incorporate effective monitoring methods to assess suppliers. In doing so, Kao will contribute to resolving social issues and reducing environmental impact, and achieve sustainable procurement. Furthermore, along with the conventional focus on quality, cost, and delivery (QCD), we will minimize risks throughout the supply chain and strengthen the procurement base by incorporating ESG elements with solid partnerships with suppliers as a foundation.

(3) Reducing risks by ensuring traceability and procuring products certified by third parties

By ensuring effective traceability and the procurement of products certified by third parties, we will reduce deforestation risks and contribute to a sustainable society. Furthermore, we will ensure corporate reliability and transparency by achieving consistent and responsible procurement throughout the global supply chain.

(4) Initiatives to address issues related to natural resources

In palm derivatives, paper, and pulp procurement, we aim to achieve zero deforestation and zero land conversion (DCF: Deforestation and Conversion Free). Instead of focusing solely on certification, we will adopt an approach that addresses the root causes of issues, including enhancing traceability and improving farming practices at local farms. Through collaboration with suppliers, we will establish frameworks to respect human rights, achieve forest conservation, and ensure appropriate land use.

(5) Kao's packaging collection and recycling scheme initiatives

With the collection and recycling of plastic waste as a foundation, we will build a resource-circulating supply chain through collaborations with suppliers. In doing so, we will contribute towards achieving a sustainable society.

(6) Reducing environmental impact by promoting the procurement of renewable electricity

By strategically advancing the introduction of renewable energy, we will work on reducing the environmental impact across the entire supply chain while pursuing high-standard initiatives that prioritize "Additionality". This will drive the expansion of the renewable energy market and promote a change in industry mentality to support decarbonization across society.

Impact generated by implementing the strategies

Through the above strategies, we believe we can generate the following financial, environmental, and social impacts.

Financial impact

- Mid- to long-term cost control through stable procurement
- Planned business growth based on stable procurement
- Avoidance of reputational risks by addressing sustainable procurement

Environmental and social impact

- Conservation of the natural environment and enhancement of ecological system sustainability
- Promotion of respect for human rights 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 make improvements through the PDCA (Plan, Do, Check, and Act) cycle to ensure steady implementation by checking our progress against these targets.

Targets and progress

Strategy	Metrics						Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(3)	Percentage of certified paper products and pulp used in household products*1	96%	97%	98%	99.6%	99.99% ☑ *2	100%	2025
(3)	Traceability to oil palm plantations (TTP)	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Traceability to farms 87%	Traceability to farms 88%	Traceability to farms 91%	100%	2025

*1 The ratio of certified materials among paper / pulp materials is tabulated based on the ratio by weight of certified materials for each procured item.
*2 The scope applies to paper products and pulp used in household products (excluding some products).

The rate of certified paper products and pulp purchased in 2025 was 99.99%, with FSC-certified products accounting for approximately 68%. Because CoC (Chain of Custody) certification*3 is not fully established throughout the supply chain for certain products, the result did not reach 100%. We will continue to strengthen engagement with suppliers and aim to achieve 100% certified products as early as possible. Kao currently conducts traceability confirmation for the pulp and paper*4 used in household products.

As of the end of 2025, traceability to palm oil mills (TTM) was 99%, traceability to palm kernel oil mills was 82%, and traceability to oil palm plantations (TTP) was 91%. Due to the presence of many intermediaries, ensuring 100% traceability back to the plantations is challenging, and therefore 100% has not been achieved. While continuing to aim for 100% traceability, by the end of 2030, we will further strengthen collaboration with local partners and advance more comprehensive initiatives.

*3 CoC certification: a system that verifies that certified materials are not mixed with non-certified materials throughout the supply chain, from certified forests to the final product.
*4 This applies to the paper and pulp products used in household products (excluding some products).

Metrics and targets

Strategy	Metrics	Results			
		2022	2023	2024	2025
(2)	Human rights due diligence response*5 rate*6 (direct material suppliers) (%) (figures in parentheses are transaction amount %)	62 (88)	81 (97)	90 (98)	99.9 (more than 99.9)
(4)	Number of supported oil palm smallholders (total number)	2,316	3,083	3,489	4,630
(4)	Procurement volume of independent oil palm smallholder credits (tons)	3,798	18,657	24,238	42,488
(4)	Number of oil palm smallholders covered by the Kao Grievance Mechanism	–	212	259	323

*5 Human rights due diligence response (Sedex, Kao's original Self-Assessment Questionnaire (SAQ), and other evaluation bodies)
*6 Rate (number of companies surveyed / number of target companies (direct material suppliers))

The human rights due diligence response rate for direct material suppliers in 2025 was 99.9%. 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 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 increase effectiveness of the assessment.

Aiming to achieve sustainable procurement of palm-related raw materials, Kao works with partner companies to support independent oil palm smallholders in Indonesia by improving productivity, obtaining RSPO certification, and returning value through the purchase of RSPO-certified credits. In Indonesia, there are approximately 2 million independent oil palm smallholders, accounting for approximately 40% of all oil palm plantations, and human rights and environmental risks exist within the supply chain. By directly supporting these independent oil palm smallholders, Kao aims to prevent human rights and environmental risks from materializing while working toward "To realize a Kirei World in which all life lives in harmony," where independent oil palm smallholders can prosper. By the end of 2025, the total number of independent oil palm smallholders in Indonesia supported by Kao was 4,630, of whom 2,834 had obtained RSPO certification. We have set a goal to expand the number of supported Independent oil palm smallholders to 7,000 by the end of 2030. After independent oil palm smallholders supported by Kao obtain RSPO certification, Kao purchases all RSPO-certified credits they sell, while also promoting the purchase of RSPO-certified credits from smallholders supported by external organizations. The total volume of RSPO-certified credits purchased through these initiatives in 2025 was 42,488 tons. Going forward, Kao will further expand these initiatives and promote sustainable agricultural practices among a greater number of oil palm smallholders.

As of the end of 2025, the number of oil palm smallholders covered by the Kao Grievance Mechanism (KGM) was 323, and the total number of inquiries received since September 2022 was 291. Approximately 50% of the inquiries were related to production and income, 30% to forest conservation and certification, approximately 5% to human rights and land disputes, and approximately 4% to hygiene and living conditions. The KGM is a system through which independent oil palm smallholders in Indonesia, at the upstream end of the supply chain, can directly submit, in local languages, complaints related to human rights violations and land disputes, as well as inquiries about plantation operations. Of particular importance is the KGM's proactive approach to information gathering. Under the KGM, onboarding and input support are provided at the time of registration, and on-site visits are conducted regularly to identify potential issues proactively. Inquiries can also be submitted in Indonesian, enabling the KGM to directly receive consultations from independent oil palm smallholders, who are often placed in vulnerable positions. The increase in the number of covered smallholders reflects progress in

Certified palm oil purchases*7 (Kao Group)

Total volume of palm-derived raw materials purchased in 2025: 504 thousand tons

	2022	2023	2024	2025
MB*8	89.6 thousand tons	63.6 thousand tons	50.8 thousand tons	59.8 thousand tons
B&C*9	63.0 thousand tons	91.0 thousand tons	125.0 thousand tons	402.7 thousand tons
B&C (ISH Credits)*10	3.8 thousand tons	18.7 thousand tons	24.2 thousand tons	42.5 thousand tons
Total	156.4 thousand tons	173.3 thousand tons	200.0 thousand tons	505.0 thousand tons ☑

*7 Total of palm-derived raw materials (B&C is calculated based on the volume of purchased credits, so in some cases B&C may exceed the actual procurement volume.)
*8 MB 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.
*9 B&C Book & Claim: A certification model in which RSPO-certified credits are traded online between producers and end-product manufacturers/sellers
*10 B&C (ISH Credits): A B&C model in which purchases are made from independent oil palm smallholders

addressing social aspects through the monitoring of human rights and environmental risks, with a particular focus on addressing human rights issues and efforts to improve productivity at independent oil palm smallholders.We have set a goal to expand the number of independent oil palm smallholders covered by KGM to 2,000 by the end of 2030.
In 2025, the Kao Group procured a total of 504 thousand tons of palm-derived raw materials. Kao adopts a “dual approach” to palm, consisting of “supporting and expanding RSPO certification” and “ensuring 100% in-house traceability.”

In procuring RSPO-certified oil, Kao promotes a combination of Mass Balance (MB) and Book & Claim (B&C) credits. B&C is an important mechanism that provides incentives to certified producers and promotes market transformation by supporting the expansion of certified oil production. Kao utilizes B&C as a means to support the wider adoption and expansion of RSPO certification.

In addition, Kao places strong emphasis on supporting independent oil palm smallholders, who are key stakeholders in a sustainable palm supply chain. Kao implements progurams aimed at improving productivity and enhancing access to RSPO certification.

Independent Smallholder Credits (ISH Credits) serve as an effective mechanism to directly channel post-certification incentives to independent oil palm smallholders. Through the purchase of ISH Credits, Kao contributes to the wider adoption of RSPO-certified palm oil and to regional development.

P24 Special Feature: Building a Sustainable Palm Oil Supply Chain

Governance

Risk management in relation to responsibly sourced raw materials is carried out by the Internal Control Committee and the ESG Managing Committee, while opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors. 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 the mid- to long-term procurement strategies based on these three policies is reported in detail monthly to Executive Officer responsible for Procurement. 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 Excellence 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.

P62 Our ESG Vision and Strategy > Governance

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 March and April. Identification of key suppliers.

The plan is reviewed during the Procurement meeting and approved by Executive Officer of Procurement.

D (Implementation)

See initiatives (P136–141) 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. Person responsible is Executive Officer of Procurement. Results are reported to the ESG Committee according to the level of significance.

A (Corrective action)

Based on the evaluation results, corrective actions are taken for areas requiring improvement. Targets for the next fiscal year and activity plans for the previous fiscal year are reviewed and adjusted between February to March. The revised plan is reviewed during the Procurement meeting and approved by Executive Officer 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 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 of suppliers	Participation in and the Utilization of the CDP Supply Chain Program	Collaboration with stakeholders
Palm derivatives, 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	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, Kao considers financial condition and environmental, social, and governance (ESG) factors as important decision-making criteria based on the various policies described on P134 (Policies for Procurement, Partnership Requirements for Suppliers, ESG Promotion Activities with Suppliers, and “High-Risk” Supply Chain Management and Sourcing). We conduct ESG assessments using publicly available information and evaluations by other evaluation bodies to make comprehensive judgments based on assessments.

Specifically, we assess supplier risks by considering ESG risks (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-derived raw materials, pulp, and paper)

- **From an ESG perspective**

· Raw materials derived from natural resources
· Suppliers with high human-rights risks: Suppliers that have low ratings from external ratings firms and publicly available information from public institutions
· Suppliers who have committed inappropriate activities or unfair practices

Other Considerations

(1) Considerations in Supplier Selection:

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-derived raw materials, paper, and pulp) on sustainability, human rights, and the environment

Additionally, key suppliers are determined in accordance with the definitions below.

Surveyed suppliers:
Suppliers of consolidated companies that have manufacturing bases are covered (including suppliers of Nivea-Kao).
Tier 1: Suppliers that Kao purchases raw materials directly from
Non-Tier 1: Suppliers that Kao purchases raw materials from via distributors
Percentage of total spending on significant suppliers in Tier 1:
Purchase amount from Tier 1 significant suppliers / Purchased amount from Tier 1 suppliers
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-derived raw materials, 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’s original SAQ, or by other rating agencies (EcoVadis, etc.).
Desktop assessment: Document review and on-site visits

Number of suppliers and actual number of significant suppliers

% of suppliers per country (2025 results)

Region	Percentage
Japan	28%
Asia	35%
Americas	14%
EMEA	23%

% of suppliers by category (2025 results)

Category	Percentage
Raw materials	62%
Packaging	23%
Outsourced production	15%

Number of suppliers and significant suppliers (2025 results)

Category	Number of suppliers
Total number of suppliers Number of suppliers	2,867
Total number of significant suppliers Number of suppliers	427
Total number of significant suppliers in Tier 1*1	336 ☑
% of total spend on significant suppliers in Tier 1	81% ☑
Total number of significant suppliers in non-Tier 1	91 ☑
Total number of significant suppliers subjected to desktop assessment*2	155 ☑

*1 For cases in which direct purchasing (Tier 1) and purchases via distributors (Non-Tier 1) are conducted for the same suppliers, all purchases shall be counted as significant suppliers in Tier 1 from the 2025 results onward.
*2 Regarding the number of suppliers who have received desktop assessments, the 2025 results only reflect suppliers who has been assessed from 2022 and onward.

Education for sustainable procurement

Region: Global
Corresponding strategy: (1)

At Kao, we provide training programs for new graduates, mid-career hires, and others, 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 2025, training on basic procurement principles was provided to 10 newly assigned employees in the Procurement Division.

Additionally, as an initiative to help each member of the Procurement Division recognize their connection to society and the environment and foster behavioral transformation, we encourage the acquisition of relevant certifications. Specifically, we recommended taking the Certification Test for Environmental Specialists conducted by the Tokyo Chamber of Commerce and Industry and the cumulative number of those who have passed among Procurement Division employees for this has reached 113.

Additionally, to further advance global sustainable procurement, ESG training was conducted for Kao employees outside Japan. Approximately 130 employees across a total of eleven countries and regions participated in this ESG training, which covered overviews of Sedex and CDP, along with detailed approaches to improve supplier ESG activities. The content was designed to be directly applicable to daily operations.

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 for major suppliers in Japan and selected regions in Asia from both QCD and ESG perspectives. Based on the results, we provide feedback and request improvements through meetings with suppliers and factory visits, and incorporate these findings into our procurement strategies. The improvement request will have a deadline, and if the violation is not corrected by the deadline, we will suspend transactions until compliance is achieved. ESG-related criteria account for 15% of the overall evaluation.

ESG risk assessment of suppliers

Region: Global
Corresponding strategy: (2)

Kao evaluates human rights, environmental, and other ESG risks of suppliers by utilizing assessment results from Sedex and Kao's original SAQ, as well as information from other evaluation organizations. For suppliers identified as high risk, we request third-party audits (such as 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.

In SMETA audits conducted in 2025, no critical issues were identified. This result indicates a high level of compliance with labor conditions and ethical standards among suppliers. In addition, there were no suppliers whose transactions were suspended due to serious issues. To mitigate the risk of critical issues, we will continue to implement preventive measures and maintain close communication with suppliers.

Overall evaluation of supplier risk assessment based on Sedex (as of the end of December 2025)

The scope of assessment is 1,315 suppliers that responded to the Sedex Self-Assessment Questionnaire (SAQ)

Overall evaluation	SAQ response rate*1	Sedex risk assessment*2	Percentage
S	80% or more	3.0 or more	69%
A	80% or more	2.0 to less than 3.0	21%
B	80% or more	Less than 2.0	7%
C	Less than 80%	–	3%

*1 Sedex SAQ response rate
*2 Management control score values in Sedex assessment tool (Ranging from 0 to 5; the higher the score, the better the management)

SMETA audit results in 2025 (Japan)

Number of SMETA audits	6
Percentage of companies with major issues	0%
Percentage of companies with minor issues	100%
Percentage of companies with minor issues that have submitted corrective plans	100%

Number of significant suppliers*3 that have low ratings by Sedex, Kao's original SAQ, or other rating agencies

Number
17

*3 Definitions of significant suppliers are given above the table of "Number of suppliers and significant suppliers" on P136.

Participation in and the utilization of the CDP Supply Chain Program

Region: Global
Corresponding strategy: (2)

Kao recognizes risks related to human rights issues and environmental issues on the supply chain as key issues, and is committed to procuring sustainable raw materials. To promote these initiatives across the entire supply chain, Kao participates in the CDP Supply Chain Program and requests environmental disclosures regarding "Climate change," "Water," and "Forest." Requests to participate in the CDP Supply Chain Program are extended to companies attending the Partner Summit in Japan, as well as to selected key suppliers of our overseas subsidiaries.

The CDP responses are analyzed based on Kao's proprietary criteria, and individual feedback along with requests for improvement are provided to all companies participating in the Partner Summit in Japan that had submitted these responses.

Going forward, we plan to gradually expand the scope of our feedback initiatives, including outside Japan, based on priority, with the aim of enhancing the effectiveness of our efforts.

Number of suppliers that Kao provided with individual feedback and improvement requests (2025 results)

Response category	Number of companies*1	Number of significant suppliers*2
Climate change	274	88
Water	181	69
Forest	88	53

*1 Number of companies: Companies that submitted CDP responses and received feedback or requests for improvement (development measures) among those that participated in the partner summit in Japan
*2 Number of significant suppliers: The number of companies that Kao designates as significant suppliers out of above applicable companies

Collaboration with stakeholders

Region: Global
Corresponding strategy: (2)



2025 Partner Summit

In order to strengthen communication with suppliers, Kao holds "Partner Summit" and "Quality Improvement Meeting" to exchange opinions with suppliers within and outside Japan. At "Partner Summit", 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." Additionally, the initiatives of recognized 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.

Number of companies that participated in "Partner Summit" (Unit: firms)

	Held inside Japan	Held outside Japan	Total
2022	273	28	301
2023	292	144	436
2024	297	75	372
2025	294	154	448

Procurement of forest raw materials

Region: Global
Corresponding strategy: (3) (4)

Kao has set 2025 as its target year and has been working toward achieving zero deforestation and zero land conversion (DCF: Deforeetation and Conversion Free) as part of responsibly sourced raw materials. Kao requires all of its third-party suppliers, their corporate groups defined by Accountability Framework initiative (AFi), and their investee companies including joint ventures to adopt the No Deforestation, No Peat, No Exploitation (NDPE) policies, to prohibit conversion and degradation of natural ecosystems, to preserve biodiversity, High Conservation Value Forests (HCVF) defined by HCV Network, High Carbon Stock Forests (HCSF) defined by HCSA (High Carbon Stock Approach) and peatlands, to prohibit use of fire for development, and to respect the human rights of all people involved in the supply chain and the rights of workers, indigenous people, and local communities, regarding all their forest-risk commodities' supply chains, including palm oil. We are proceeding to seek and confirm strict compliance with Free Prior and Informed Consent (FPIC) of the communities. We have a zero-tolerance policy in place regarding violence, criminalization or intimidation of Human Rights Defenders (HRDs).

Based on the principles of the RSPO, Kao will work to prevent deforestation, conserve biodiversity, and protect human rights and labor conditions, while promoting the wider adoption of sustainable palm oil. We ensure suppliers and our entire supply chain through its suppliers to comply with the above policies thoroughly, prioritize purchasing from those suppliers who implements them and conducts due diligence. When finding non-compliant suppliers, we request them to make improvements, confirm improvement status, and retain the option to terminate its business contracts with them in accordance with its corporate protocols.

We are advancing the development of new indicators for high-risk supply chains (palm-derived raw materials, paper and pulp) in order to achieve a 100% DCF rate by the end of 2030, while further strengthening engagement with our suppliers.

Sustainable procurement of palm oil

To procure sustainable palm-derived raw materials, Kao continuously works with suppliers to confirm traceability to oil palm mills and oil palm plantations. In addition, as part of assessments covering the entire supply chain, Kao conducts surveys to assess compliance with NDPE policies and advances engagement with suppliers. Specifically, we verify the risk of illegal deforestation and the development of peatlands by means of NDPE survey to suppliers, information from NGOs, etc. When finding risks, we request suppliers to confirm situations, make improvements and confirm improvement status. In addition, we regularly exchange information with our major suppliers to confirm the latest monitoring status of grievances and to strengthen our supply chain's compliance with NDPE. In addition, through NDPE assessments conducted by third-party organizations, Kao continuously monitors progress toward achieving deforestation- and conversion-free (DCF) commitments.As of the end of 2025, the DCF achievement rate reached 87%, and Kao is developing new indicators to achieve a 100% DCF rate by the end of 2030. Furthermore, we implement forest footprint analysis (landscape approach) and utilize satellite data or the Kao grievance mechanism as part of monitoring at the place of origin. This enables the early detection of human rights and environmental risks and makes it possible for us to take action to mitigate these risks.

In addition, Kao directly supports independent oil palm smallholders in improving productivity and gaining access to RSPO certification.

To enhance direct support for independent oil palm smallholders in Indonesia and better understand the status of human rights on the ground, Kao conducted direct dialogue in April 2025 with smallholders supported by Kao in Pangkatan Village, Labuhan Batu, North Sumatra Province, Indonesia, where the support for independent oil palm smallholders (SMILE program*) is being implemented.

We also took advantage of this local visit to conduct a hygiene workshop on handwashing at an elementary school (with 100 pupils) attended by the children of the smallholder farmers, as part of our efforts to raise hygiene awareness in the region.

* SMILE (SMallholders Inclusion for better Livelihood & Empowerment) program

• Policies for Sustainable Palm Oil Sourcing (Palm Oil Dashboard)
https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/



April 2025 in Indonesia

Pulp and paper procurement and forest conservation

For pulp and paper procurement, Kao actively uses certified products under the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) to support responsible forest management, and also pursues procurement practices aimed at achieving zero deforestation and zero land conversion (DCF: Deforestation and Conversion Free).

For supply chain tracking and monitoring, Kao continues to engage in dialogue with companies that own forests and visits production regions. We have also started satellite monitoring to improve the accuracy of understanding the conditions in production regions. Furthermore, we are strengthening our engagement with suppliers and directly confirming forest management systems through support for certification acquisition and the collection of DCF declarations.

We will continue to maintain a high standard of certified paper and pulp procurement, while expanding disclosure on supplier information and the sourcing status of certified materials to enhance transparency throughout the paper and pulp supply chain.

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 and partners 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 and have expanded the use of feedstock derived from chemical recycling to non-food PET applications, such as cosmetic bottles and industrial films, and have become the first in Japan to initiate efforts to recycle it into commercially available cosmetic bottles and beverage PET bottles.

Through such intercompany 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.

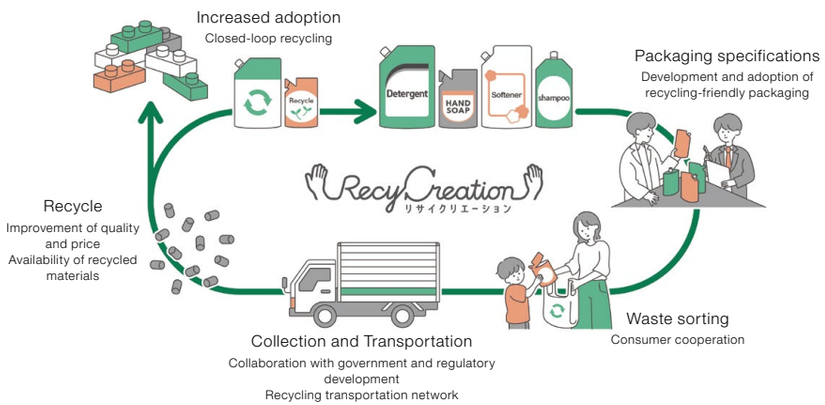


Diagram of recycling of packaging materials

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 sites in Japan in 2023.

We have also promoted the procurement of purchased electricity from renewable energy at overseas sites, reaching a renewable energy rate of 91.8% in 2025.

Additionally, due to the first virtual power purchase agreement (virtual PPA*) incorporated by the Kao Group, we purchase the full amount of environmental value generated by photovoltaic power generation facilities totaling 16.8 MW—the largest scale in Japan.

Through the application of such virtual PPA and other initiatives, Kao is advancing its forward-looking, sustainable business activities and making further contributions 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”.

Employees’ opinions

Sustainable procurement of palm-derived raw materials



Miwa Yamanaka
Strategic Sourcing -Raw Materials, Procurement
Kao Corporation

Palm oil and palm kernel oil are key raw materials that support a wide range of Kao’s businesses. At Kao, efforts to improve palm oil and palm kernel oil sustainability are being led by the Procurement employees who handle the actual sourcing. Within our dialogue with suppliers, we make sure to clearly convey Kao’s vision, including what we want to achieve and the target deadline.

In 2025, I visited North Sumatra Province (Indonesia) and engaged in direct dialogue with independent oil palm smallholders. This became an opportunity for Kao, a downstream user in the palm-derived raw material supply chain, to communicate with producers about which products use palm and why sustainability is so important to us.

Going forward, I will continue to pursue responsible and stable mid-to long-term procurement of sustainable raw materials, while always keeping in mind what Kao should do.



A visit to Indonesia



Stakeholder engagement

The value of creating sustainable forests, realized through the efforts of the entire supply chain

Shunichi Hashimoto
Manager,OMO Oji Forest Value-Creation & Promotion Dept.
Oji Holdings Corporation

The philosophy of the Oji Group is “Those who use wood have an obligation to plant trees.” Under this philosophy, we own approximately 640,000 hectares worldwide of Oji’s Forests, and have continued sustainable forest management for more than a century. Not only are forests a source of timber for our paper and pulp products, but they have diverse functions, such as absorbing and storing CO_2 (carbon dioxide), conserving biodiversity and the atmosphere, nourishing water sources, and preventing disasters such as landslides.

Kao uses our products mainly for paper packaging, such as corrugated boxes. In its approach to raw material procurement, Kao positions forests as precious resources and upholds zero deforestation as one of their goals, while striving to make more fundamental contributions throughout their supply chain. Kao has visited Oji’s Forests and continues to engage with dialogue with us on topics such as forestry operations in the field, current issues, and international situations surrounding forests. This year, Kao visited Sarufutsu Village, the northernmost village in Japan that is famous for its scallops. In this region, we have been collaborating with researchers and startups for the Forest Value Visualization Project, striving to maximize the value of forests. I believe that through this visit, Kao was able to get a firsthand glimpse of the potential of visualization, with the nutrients and water from the Sarufutsu forest travelling to rivers and the sea to nourish delicious scallops. Kao is also collaborating with us on a project at its Sumida Office to collect and recycle used paper cups and hand towels. The project aims to use forest resources to further advance the realization of a circular society.

We believe that there is great significance in advancing these initiatives with Kao, which has a deep relationship with customers, through our connection within the supply chain, because these initiatives are connected both to our product creation and forest management. Kao’s goals of achieving decarbonization, a circular society, and zero deforestation align closely with our own goals of carbon neutrality, nature positivity, and circular economy. Building on these shared visions, we hope to accelerate future efforts through deepener collaboration.

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 CO_2 emissions throughout the value chain in collaboration with stakeholders.



Risks

- 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
- Deteriorated reputation and higher litigation and liability risks due to an insufficient response to climate change

Opportunities

- Cost reduction through more efficient use of resources
- Increased sales of products addressing climate change
- Increased corporate value through activities that solve social issues and improve the lives of consumers

Strategy

Overall	(1) Promote innovative initiatives toward carbon zero by 2040 and carbon negative by 2050
Overall	(2) Decarbonize raw materials and disposal processes
Sites	(3) Decarbonize manufacturing and logistics processes (improve energy efficiency)
Products	(4) Reduce carbon emissions due to use (enhance the lineup of water-saving and energy-efficient products
Products	(5) Provide products and services that contribute to reducing CO_2 emissions in society
Products	(5)Strengthen resilience through climate adaptation-oriented products and technologies

Metrics, targets and results

Metrics	Targets	2025 results
% reduction in absolute lifecycle CO_2 emissions* (Base year: 2017) (2) * Total of Scope 1, Scope 2, and Categories 1, 4, 11, and 12 of Scope 3	22% in 2030	17%
Avoided emissions from products and services (2) (4) (5) (6)	10,000 thousand tons	4,485 thousand tons
% reduction in absolute scope 1 + 2 CO_2 emissions (Base year: 2017) (1) (3)	55% in 2030	47%
% of renewable energy in electricity consumption (3)	100% in 2030	78%

Initiatives

Strengthen collaboration with suppliers Companies with high activity levels: 49%*
* Of the 1-5+ categories, the percentage of companies in the 5 and 5+ categories

Scope 1+2 emissions
561 thousand tons-CO_2

Promotion of electricity procurement from renewable energy sources
Purchase 92%, use 78%

Introduction of high-efficiency equipment, energy-saving manufacturing processes

Scope 3 emissions
10,287 thousand tons-CO_2

Avoided emissions in Global consumer care products: 1,893 thousand tons-CO_2

Avoided emissions in Chemical Business
2,592 thousand tons-CO_2

Financial impact

- Increased sales of water-saving products: 10.6%
- Increased sales of products for the Chemical Business that contribute to CO_2 reduction (avoided emissions)
- Cost reduction through energy saving: 180 million yen
- Increased sales of products for adapting to climate change
- Investment and costs for eco-conscious R&D: 9,069 million yen
- Economic value of Scope 1 emissions reduced, calculated using ICP: approximately 140 million yen

Environmental and social impact

- Avoided emissions in Global consumer care products: 1,893 thousand tons-CO_2
- Avoided emissions in Chemical Business: 2,592 thousand tons-CO_2
- CO_2 reduction in the use stage: 1.3%
- Net CO_2 reduction through TCR: 5,649 t-CO_2 (Only Scope 1 reduction related to plants)

* 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

If climate change results in an average temperature increase of 4°C, the consequences for society are expected to be significant. Therefore, Kao recognizes the importance of making meaningful contributions to limit the rise to 1.5°C and assesses financial impacts under both the 1.5°C and 4°C scenarios.

The financial impacts are calculated as the expected loss under the assumption that no actions, such as passing on costs to customers, are taken. The financial impacts of transition risks in 2050 are projected to be up to 79.1 billion yen from higher palm oil prices, up to 25.4 billion yen from carbon taxes, and up to 7.9 billion yen related to plastic packaging container regulations if no actions are taken. In both scenarios, palm oil procurement risks include higher costs due to supply shortages relative to demand. In response to this risk, Kao is taking a multilayered approach to reduce structural dependency and create business opportunities as part of its response. One example is developing raw materials for high-performance surfactant, such as Bio IOS, to maximize the effective use of palm oil, a finite resource.

For the palm oil it procures, Kao promotes sustainable sourcing to reduce greenhouse gas emissions while continuing to enhance traceability to the plantation level and strengthen supply chain management. In addition, Kao is advancing research and development on alternative feedstocks derived from algae-derived oils, unused biomass, and CO_2.

We believe that by staying ahead of competitors through strategic, innovation-driven differentiation, we can not only reduce risks but also create new business opportunities.

The financial impact of physical risks is projected to range from 0.4 to 4.6 billion yen due to flooding and other factors. Meanwhile, opportunities to contribute to mitigation include increased demand for water- and energy-saving products and products that reduce plastic waste in the Global Consumer Products Care business, and for products that help customers reduce climate change risks in the Chemical Business.

Opportunities for adaptation include increased demand for UV care, self-tanning, and other skin protection products that address global warming, as well as for products that reduce the risk of infectious diseases, such as disinfectants, detergents, and repellents. We will mitigate risks associated with climate change while also creating 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) * Amount of loss if no action is taken,such as price pass-on		Kao's response status
					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 fossilderived packaging materials	-7.9	–	• Reduce innovation: Reduce plastic usage through innovative packaging • Reduce product waste: Enhance e-commerce, inventory refinement through AI forecasting • Recycling innovation: Develop Film-to-Film recycling technology that achieves both quality and cost, and establish a recycling system with stakeholders.
				Cost increases due to mandatory use of recycled plastic	-4.6	–	
		Markets	Energy price increase	Fluctuations in electricity retail prices	-1.1	-1.1	• Sourcing of renewable energy: Adopt corporate PPA to secure longterm stability at fixed prices, etc. • Promote introduction of photovoltaic power generation equipment
			Raw material price increase	Higher prices of fossil-based raw materials	–*1	–*1	• Continue to study reduction of fossil-based raw materials by deepening product design
				Higher procurement costs for palm oil*2	-79.1	-76.1	• Maximize utilization of palm oil, a limited resource: Develop raw materials for high-performance agents (Bio IOS) • Promote research and development of usage of alternative raw materials (algae-derived oils, unused biomass, CO_2, etc.)
	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
Opportunities	Product and Service	<Mitigation> • Global Consumer Care 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, selftanning, repellents, etc.) in 2030: 100 billion yen					• Promote product development in line with the Kao Sustainable Product Development Policy • Promote sales of Sustainable products for Chemical Business

*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

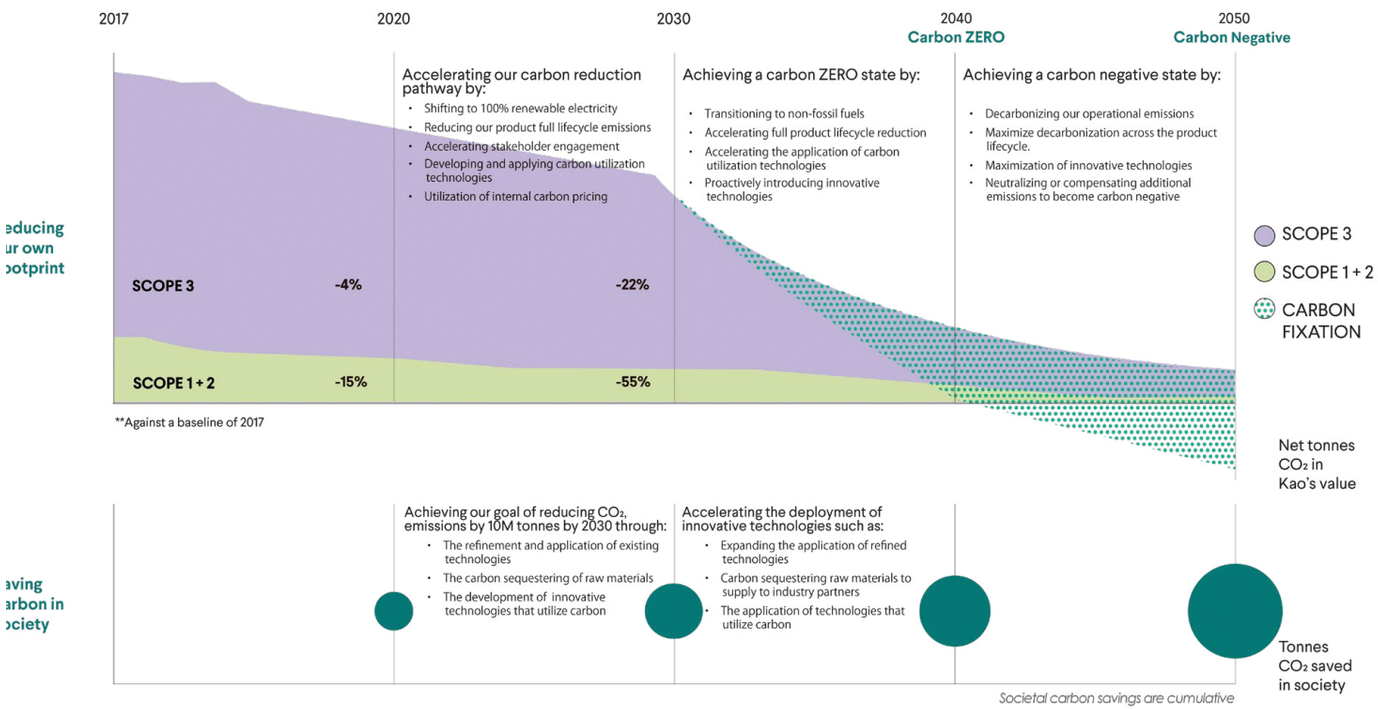
Kao has formulated the following strategies to respond to the identified risks and opportunities. With climate change mitigation as a central focus, Kao aims to help reduce emissions across society and adapt to a changing environment, thereby contributing to a sustainable world while driving business growth. This theme is a core strategy directly aligned with Mid-term Plan K27's basic policy of "becoming an essential company in a sustainable world."

We are committed to thoroughly reducing our GHG emissions, and promoting low-carbon practices through the entire product lifecycle, from raw material procurement to manufacturing, logistics, use, and disposal. By promoting the adoption of renewable energy and expanding energy efficient facilities, we aim to achieve carbon zero by 2040 and carbon negative by 2050.

Kao will thoroughly reduce greenhouse gas emissions throughout its value chain and promote decarbonization across the entire product lifecycle. In raw material procurement, Kao will adopt low-carbon materials through co-creation with suppliers and expand the use of recycled and renewable materials. At its production sites, Kao will promote investment in low-carbon equipment through the operation of internal carbon pricing and improve emissions intensity by expanding the use of renewable energy and advancing comprehensive decarbonization initiatives. In logistics, Kao will enhance transportation efficiency and optimize logistics networks. During the consumer use phase, Kao will reduce energy and water consumption by promoting products equipped with water-saving and energy-efficient features. During the disposal phase by consumer, Kao will reduce CO_2 emissions through the expansion of refill products, product concentration, and the recycling of waste materials.

Under its Carbon Zero goal for 2040, Kao aims to achieve virtually zero greenhouse gas emissions throughout the entire lifecycle, including Scope 1, 2, and 3 emissions. Kao will first maximize emissions reductions within its own operations and value chain and then address residual emissions through the utilization of carbon sequestration and carbon recycling technologies. By 2050, Kao aims to achieve Carbon Negative by scaling up the use of these technologies. Kao recognizes that achieving Carbon Zero and Carbon Negative cannot be accomplished by a single company alone. It requires society-wide efforts, including the

Decarbonization roadmap towards becoming carbon zero by 2040 and carbon negative by 2050



transition of energy systems, the advancement of resource circulation, the transformation of social infrastructure, and the widespread implementation of carbon sequestration and carbon recycling technologies. Accordingly, Kao will continue its own emissions reduction efforts while contributing to the decarbonization of society through collaboration across supply chains and industries.

With regard to the use of carbon removal and offset credits, Kao will prioritize direct emissions reductions within its own operations and value chain. Based on considerations such as credibility, technological maturity, and the level of renewable energy deployment in each region, Kao will evaluate their use as necessary.

We also intend to play a greater role in reducing emissions throughout society through our products and technologies. By providing environmentally friendly products such as water- and energy-saving detergents, recycled plastic containers, and durable asphalt modifiers utilizing waste PET, we will help reduce CO_2 emissions during and after use, thereby driving decarbonization for consumers and industries.

Furthermore, as the impacts of climate change intensify, we will enhance our product development to support people's lives and communities' resilience. Through initiatives such as our Skin Protection Business, which adapts high-temperature environments and UV rays, and our *NEWTLAC* Business, which enhances infrastructure durability, we will translate climate adaptation into new value creation and growth opportunities.

(1) Promotion of 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, we aim to reduce climate change risks through innovative technologies and solutions, while also creating new business opportunities.

Related initiatives: P153 Efforts in raw materials (Mitigation), P153 Efforts in production (Mitigation), P155 Efforts in distribution (Mitigation), P155 Efforts during use (Mitigation and Reduction), P156 Efforts in disposal and recycling (Mitigation)

(2) Decarbonization of raw materials and waste

We will promote an integrated decarbonization approach that encompasses the entire resource circulation process, from raw material production and procurement through post-use disposal and recycling. Among other initiatives, we will adopt low-carbon raw materials, utilize recycled materials, and recycle waste through co-creation with suppliers. Through these measures, we will reduce emissions across the entire value chain to strengthen our foundation for sustainable raw material procurement and enhance our competitiveness.

Related initiatives: P153 Efforts in raw materials (Mitigation), P156 Efforts in disposal and recycling (Mitigation) , P156 Examples of major collaboration projects with stakeholders

(3) Decarbonization in manufacturing and logistics (Enhancing energy efficiency)

We will accelerate the reduction of energy-related emissions across the entire production and supply chain to minimize our environmental impact and strengthen our business foundation. To this end, investment in low-carbon facilities will be promoted through internal carbon pricing, while energy efficiency will be improved by expanding the use of renewable energy and comprehensive decarbonization initiatives. Furthermore, by streamlining distribution and optimizing our logistics network, we will promote decarbonization from manufacturing to supply and build a sustainable and resilient supply chain.

Related initiatives: P153 Efforts to help reduce emissions across society

(4) Decarbonization in product use (Expanding our lineup of water and energy-saving products)

By reducing energy and water use during the product use stage, we aim to lower CO_2 emissions for consumers and throughout society. We will advance the development and adoption of high-efficiency washing and rinsing technologies and products with water- and energy-saving features to continuously reduce environmental impact during product use. In doing so, we will provide a framework that enables consumers to live low-carbon lifestyles, thereby achieving both society-wide emissions reduction and the sustainable enhancement of Kao's brand value.

Related initiatives: P155 Adaptation efforts, P155 Initiatives that help reduce CO_2 emissions throughout society

(5) Helping reduce CO_2 emissions throughout society

Through its products, Kao will help reduce CO_2 emissions throughout society while supporting both low-carbon lifestyles for consumers and emission reductions during business activities for our corporate customers.

We will enhance our lineup of products for the Global consumer care products that reduce emissions in daily life through water and energy-saving, refilling, and reuse, among other features.

For products for Chemical Business, we will continue to develop and supply environmentally friendly raw materials for our corporate customers' products and materials and promote decarbonization across various fields.

Through these initiatives, Kao will continuously help reduce emissions throughout society and continue to create value as we work towards decarbonizing society.

Related initiatives: P155 Efforts in manufacturing (plants, offices, logistics centers),

(6) Strengthening resilience through climate adaptation products and technologies

To address rising temperatures, increasingly frequent natural disasters, and other climate change-induced impacts on living environments and public infrastructure, Kao will develop products and technologies to enhance the resilience of people's lives and local communities.

Through Global consumer care products, we will provide solutions that ensure comfort and safety amid climate change, including skin protection against strong UV rays or high temperatures, as well as hygiene and health products.

We will provide products for Chemical Business that enhance the weather resistance and durability of public infrastructure, including durable asphalt modifiers using waste PET and raw materials that improve performance of infrastructure materials.

Through these initiatives, Kao will address the impacts of climate change while building a resilient business foundation that will help ensure social safety and security and drive sustainable business growth.

Related initiatives: P157 Adaptation efforts

Impact generated by implementing the strategies

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

Financial impact

- Sales increase of water-saving products: 10.6%
- Sales increase of products for Chemical Business that contribute to CO_2 reduction (avoided emissions)
- Cost reduction through energy saving: 180 million yen
- Increased sales of products for adapting to climate change
- Investment and costs for eco-conscious R&D: 9,069 million yen
- Economic value of Scope 1 emissions reduced, calculated using ICP: approximately 140 million yen

Environmental and social impact

- Avoided emissions in Global consumer care products: 1,893 thousand tons-CO_2
- Avoided emissions in products for Chemical Business: 2,592 thousand tons-CO_2
- CO_2 reduction in the use stage: 1.3%
- Net CO_2 reduction through TCR: 5,649 t-CO_2 (Scope 1, production sites)

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. Through this analysis, we verify the validity of our strategies for addressing physical and transition risks, 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 repeatedly making improvements through the PDCA cycle to track progress toward achieving these targets.

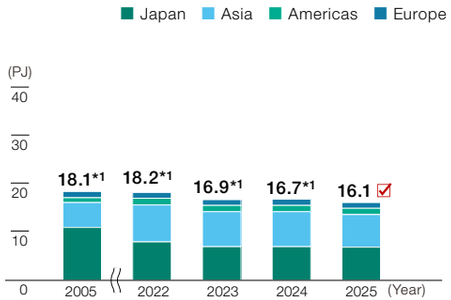
The reduction in lifecycle CO_2 emissions (absolute emissions) from the baseline year reached 17% in 2025. To achieve the 2030 target of 22%, an additional reduction of 5 percentage points is required over the remaining five years, equivalent to approximately 1 percentage point per year on average. The reduction from the baseline year improved by 1 percentage point between 2024 and 2025. The reduction in Scope 1 and 2 CO_2 emissions (absolute emissions) from the baseline year reached 47% in 2025. To achieve the 2030 target of 55%, an additional reduction of 8 percentage points is required over the remaining five years, equivalent to approximately 2 percentage points per year on average. The reduction from the baseline year improved by 6 percentage points between 2024 and 2025. Renewable electricity accounted for 78% of total electricity consumption in 2025, against the 2030 target of 100%. To achieve the target, an additional 22 percentage points are required over the remaining five years, equivalent to approximately 4 percentage points per year on average. The share of renewable electricity increased by 9 percentage points between 2024 and 2025. Avoided emissions from products and services reached 4,485 thousand tonnes of CO_2 in 2025, equivalent to 45% of the 2030 target of 10,000 thousand tonnes of CO_2. To achieve the target, an additional 55 percentage points in achievement rate are required over the remaining five years, equivalent to approximately 11 percentage points per year on average. The achievement rate improved by 2 percentage points between 2024 and 2025. To achieve the avoided emissions target over the remaining five years, Kao will expand the availability of water-saving detergents and resource-efficient packaging across global markets in its Global Consumer Care Business. In its Chemical Business, Kao will expand sales of products contributing to avoided emissions, including asphalt modifiers utilizing waste PET and rust preventive cleaning agents that reduce CO_2 emissions from cleaning processes by preventing corrosion during the transportation of machinery parts. At the same time, Kao will continue to develop new products that contribute to avoided emissions.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2017	2022	2023	2024	2025	Target value	Year
(1) (2) (3) (4) (5)	% reduction in absolute lifecycle CO_2 emissions (Base year: 2017)	0%*1*2	6%*1*2 (6%)	12%*1*2 (12%)	16%*1*2 (15%)	17%	22%	2030
(3)	% reduction in absolute scope 1 + 2 CO_2 emissions (Base year: 2017)	0%*1	26%*1 (26%)	35%*1 (35%)	41%*1 (42%)	47%	55%	2030
	% of renewable energy in electricity consumption	–	48% (49%)	57% (57%)	69% (69%)	78%	100%	2030

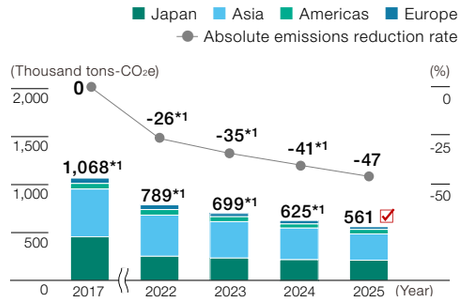
* Kao received certification from the Science Based Targets initiative (SBTi) for its science-based greenhouse gas emissions reduction targets.
* Values in parenthesis are based on former definition.
*1 Due to a review of the scope of calculations, the Scope 1 + 2 CO_2 emissions from Inogami Co., Ltd. (approximately 11 thousand tons/year) in the Kao Group are reflected in the data from 2025 onward. We have also retroactively revised the data from previous fiscal years up to 2017. The impact of these revisions amounts to approximately 1% of the Scope 1 + 2 CO_2 emissions in the base year and does not materially affect the overall trend.
*2 To enhance the accuracy of calculations regarding Scope 3 CO_2 emissions, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. The data on Scope 3 CO_2 emissions in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.

Energy consumption (all sites)



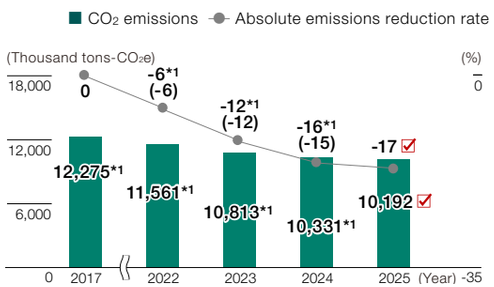
* Boundary: All Kao Group sites excluding Oribe Hair Care, LLC and Washing Systems, LLC, including company cars in Japan
* Assurance provided for energy consumption figures
*1 Energy consumption data have been revised retroactively to the base year of 2005 due to a review of the scope of calculation for Inogami Co., Ltd. in the Kao Group, with reference to the GHG Protocol.

GHG emissions (all sites)



* Boundary: All Kao Group sites excluding Oribe Hair Care, LLC and Washing Systems, LLC, including company cars in Japan
* Gases included: The seven GHGs specified by the Kyoto Protocol (only CO_2 for sites outside Japan)
* Assurance provided for GHG emissions figures
*1 Greenhouse gas emissions data have been revised retroactively to the base year of 2005 due to a review of the scope of calculation for Inogami Co., Ltd. in the Kao Group, with reference to the GHG Protocol.
The impact of this revision is approximately 1% of the combined Scope 1 + 2 base-year emissions.

CO_2 emissions across the entire product lifecycle (Kao Group)



* "CO_2 emissions over the entire product lifecycle" is calculated by multiplying the CO_2 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 CO_2 emissions over the Group's production and logistics processes. However, this amount does not include emissions related to the use and disposal of products for Chemical Business.
* Assurance provided for CO_2 emissions figures and absolute emissions reduction rate
* Values in parenthesis are based on former definition.
*1 To enhance the accuracy of calculations regarding Scope 3 CO_2 emissions, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. Thisrevision increased the Scope 3 base year emissions by approximately 350 thousand tons. The data on Scope 3 CO_2 emissions in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.

Metrics and results

Strategy	Metrics		Results 2017	2022	2023	2024	2025	Unit
(3)	GHG emissions (all sites)*5		1,068 *1	789 *1	699 *1	625 *1	561 ☑	Thousand tons-CO_2e
	Scope 1 GHG emissions*6	Japan	278 *2	246 *2	229 *2	213 *2	207	
		Asia	290	256	237	221	206	
		Americas	43	51	46	41	46	
		Europe	49	48	34	35	28	
		Total	660 *2	602 *2	546 *2	509 *2	486 ☑	
	Scope 2 GHG emissions*7	Japan	178 *3	7 *3	4 *3	4 *3	5	
		Asia	208	173	143	109	69	
		Americas	14	7	5	2	1	
		Europe	8	1	0	1	0	
		Total	408 *3	187 *3	154 *3	116 *3	75 ☑	
(2) (3) (4)	CO_2 emissions across the entire product lifecycle (Kao Group)*8		12,275 *1*4	11,561 *1*4	10,813 *1*4	10,331 *1*4	10,192 ☑	
	Scope 3 GHG emissions	1. Purchased goods and services	4,852 *4	4,434 *4	4,206 *4	4,092 *4	4,053 ☑	
		2. Construction and building of capital goods	239	285	281	281	305	
		3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	29	58	57	56	55	
		4. Upstream transportation and distribution	253	241	234	238	255 ☑	
		5. Waste generated in operations	58	66	58	58	57	
		6. Business travel	4	5	4	4	4	
		7. Employee commuting	18	18	18	17	14	
		8. Upstream leased assets	0	0	0	0	0	
		9. Downstream transportation and distribution	97	109	104	100	79	
		10. Processing of sold products	119	131	128	140	139	
		11. Use of sold products	4,687	4,680	4,349	4,107	4,077 ☑	
		12. End-of-life treatment of sold products	1,415	1,417	1,324	1,268	1,246 ☑	
		13. Downstream leased assets	0	0	0	0	0	
		14. Franchises	0	0	0	0	0	
		15. Investments	8	5	8	8	2	
		Total	11,779 *4	11,449 *4	10,772 *4	10,369 *4	10,287	

*1 Due to a review of the scope of calculations, the Scope 1 + 2 CO_2 emissions from Inogami Co., Ltd. (approximately 11 thousand tons/year) in the Kao Group are reflected in the data from 2025 onward. We have also retroactively revised the data from previous fiscal years up to 2017. The impact of these revisions amounts to approximately 1% of the Scope 1 + 2 CO_2 emissions in the base year and does not materially affect the overall trend.

*2 Due to a review of the scope of calculations, the Scope 1 CO_2 emissions from Inogami Co., Ltd. (approximately 7 thousand tons/year) in the Kao Group are reflected in the data from 2025 onward. We have also retroactively revised the data from previous fiscal years up to 2017. The impact of these revisions amounts to approximately 1% of the Scope 1 CO_2 emissions in the base year and does not materially affect the overall trend.

*3 Due to a review of the scope of calculations, the Scope 2 CO_2 emissions from Inogami Co., Ltd. (approximately 4 thousand tons/year) in the Kao Group are reflected in the data from 2025 onward. We have also retroactively revised the data from previous fiscal years up to 2017. The impact of these revisions amounts to approximately 1% of the Scope 2 CO_2 emissions in the base year and does not materially affect the overall trend.

*4 To enhance the accuracy of calculations regarding Scope 3 CO_2 emissions, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. This revision increased the Scope 3 base year emissions by approximately 350 thousand tons. The data on Scope 3 CO_2 emissions in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.

*5 Boundary: All Kao Group sites excluding Oribe Hair Care, LLC and Washing Systems, LLC, including company cars at Japan Gases included: The seven GHGs specified by the Kyoto Protocol (only CO_2 for sites outside Japan)

*6 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.

*7 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.

*8 "CO_2 emissions over the entire product lifecycle" is calculated by multiplying the CO_2 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 CO_2 emissions over the Group's production and logistics processes. However, this amount does not include emissions related to the use and disposal of chemical for industrial customers.

Category 1: Purchased goods and services This value is calculated by multiplying CO_2 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. CO_2 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 CO_2 emissions associated with transporting products (both within and outside Japan) while Kao Group acts as consignor. 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. International transportation is not included in the calculation.

Category 11: Use of sold products This value is calculated by multiplying CO_2 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. CO_2 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 CO_2 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. CO_2 emissions associated with the disposal or recycling of industrial-use products are excluded. CO_2 emissions associated with disposal or recycling are the sum of CO_2 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 CO_2. 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.
We calculate Scope 3 Categories 1, 11, and 12 based on the Life Cycle Assessment (LCA) approach. Detailed LCA Calculated by multiplying the CO_2 emissions per unit of each SKU sold in Japan by the annual sales volume of the corresponding SKU. Simplified LCA Calculated by multiplying the CO_2 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.

In accordance with the Greenhouse Gas Protocol (The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard), the Scope 1 and Scope 2 emissions and estimated lifecycle CO_2 emissions of Inogami Co., Ltd. in the Kao Group, have been retroactively incorporated into the base year of 2017.

Strategy	Metrics	Results						
		2005	2021	2022	2023	2024	2025	Unit
(3)	Energy consumption (all sites) *9	18.1*10	18.6*10	18.2*10	16.9*10	16.7*10	16.1*10 ☑	PJ

*9 Boundary: All Kao Group sites, including company cars in Japan
*10 Energy consumption data have been revised retroactively to the base year of 2005 due to a review of the scope of calculation for Inogami Co., Ltd. in the Kao Group, with reference to the GHG Protocol.

Strategy	Metrics		Results					
			2021	2022	2023	2024	2025	Unit
(3)	Purchased electricity, steam, etc.*11	Electricity	7,934	7,634	7,062	6,836	6,748	TJ
		Heat	0	0	0	0	0	
		Steam	232	210	201	192	178	
		Cooling	0	0	0	0	0	
	Fuel consumption by fuel type	Natural gas	8,723	8,553	7,847	8,071	7,472	TJ
		Diesel oil	1,095	1,077	938	851	843	
		Gasoline	104	110	109	103	94	
		Other	126	123	116	105	99	
		Waste vegetable oil (heat recovery)	304	346	252	299	321	

*11 Electricity is calculated as the calorific value of the primary energy (at the receiving end in Japan, generating end outside Japan).

Strategy	Metrics		Results					
			2017	2022	2023	2024	2025	Unit
(3)	CO_2 emissions from transportation (Japan) *12 *13		98	102	99	99	98 ☑	Thousand tons-CO_2
		Absolute reduction rate	0	5.8	1.4	0.7	-0.2	%

*12 Boundary: Kao Corporation and Kanebo Cosmetics Inc.
*13 Assurance provided for CO_2 emissions

Strategy	Metrics		Results					
			2021	2022	2023	2024	2025	Unit
(3)	Renewable energy-derived power (Global)	% of renewable energy in purchased electricity	51*14	63*14	71*14	86*14	92	%
		% of renewable energy in electricity used	39*14 (40)	48*14 (49)	57*14 (57)	69*14 (69)	78	

* Values in parenthesis are based on former definition.
*14 Due to a review of the scope of calculations, energy consumption data from Inogami Co., Ltd. in the Kao Group are reflected in the data from 2025 onward. We have also retroactively revised the data from previous fiscal years up to 2021.

Strategy	Metrics		Results					
			2021	2022	2023	2024	2025	Unit
(3)	Renewable energy-derived power (Japan)	% of renewable energy in purchased electricity	84*15	95*15	97*15	97*15	97	%

*15 Kao announced that it achieved 100% renewable electricity for purchased electricity in Japan in 2023. However, this result excluded Inogami Co., Ltd., in the Kao Group, from the scope of calculation. Following the inclusion of Inogami Co., Ltd. in the scope of calculation and the retroactive revision of the renewable electricity ratio for purchased electricity, the ratio was revised to 97% for both 2023 and 2024.

Strategy	Metrics		Results						
			2020	2021	2022	2023	2024	2025	Unit
Overall	CDP evaluation	Climate change	A	A	A	A	A	A	–
		Forest (palm oil/timber)	A / A-	A / A	A / A	A / A	A	A	
		Water conservation	A	A	A	A	A	A	
		Supplier engagement	A	A	A	A	A	A	

Governance

Risk management in relation to climate change issues is carried out by the Internal Control Committee and the ESG Managing Committee, while opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors.

Furthermore, in order to promote the management of progress and strategies for decarbonization targets in an integrated manner, the Decarbonization Steering Committee, has been established as a subordinate organization of the ESG Managing Committee.

This committee reports to the Board of Directors 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.

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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			
Overall	(2) Decarbonize raw materials and disposal processes	Low-carbon raw materials	Use of biomass-derived plastics and raw materials	Partnership with suppliers (Kao Partner Summit/CDP supply chain)	Social implementation of carbon recycling technology
Sites	(3) Decarbonize manufacturing and logistics processes (Improve energy efficiency)	Reduction of energy use	Use of cleaner energy	Switching to renewable energy for purchased electricity (increasing procurement in Asia)	Setting appropriate internal carbon pricing and using it for capital investment
Products	(4) Reduce carbon emissions from use (enhance the lineup of water-saving and energy-efficient products)	Expansion of water-saving products	Expansion of products that require only one rinse in laundry detergents	Expansion of sales of detergents with good foam rinsing properties	
Products	(5) Contribute the realization of a low-carbon society	Expansion of products that contribute to avoided emissions	Collaboration with governments and NGOs	Collaboration with distribution	Communicating the company’s attitude through the company slogan “Wastefulness—Mottainai. Never today, nor tomorrow.”
Products	(6) Strengthen resilience through climate adaptation-oriented products and technologies	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	Addressing physical risks at production and logistics sites

Efforts in raw materials (Mitigation)

Region: Global
Corresponding strategy: (1) (2)

Kao Partner Summit

We hold the Kao Partner 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)

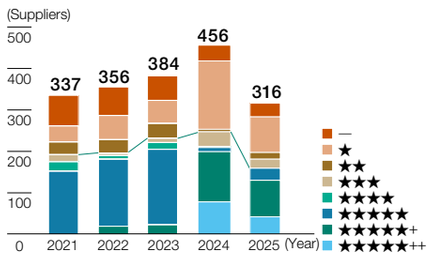
In 2009, we became the first Japanese company to participate in the CDP Supply Chain Program (Climate Change, Forests, Water). Through this program, we encourage suppliers to actively promote CO_2 reduction activities, while we evaluate their efforts and provide feedback. This helps us deepen our collaboration 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 eighth consecutive year.

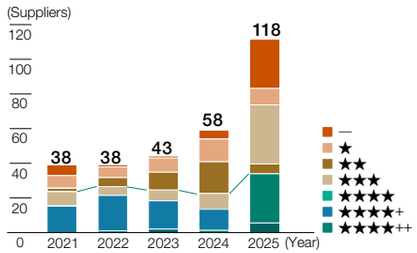
The results of Kao's own supplier survey using the CDP Supply Chain Program in 2025 are as follows.

In 2025, Kao reviewed the suppliers selected for assessment in the areas of Climate Change, Water Security, and Forests. Kao will continue to leverage the CDP Supply Chain Program to engage with suppliers and strengthen collaboration throughout the supply chain.

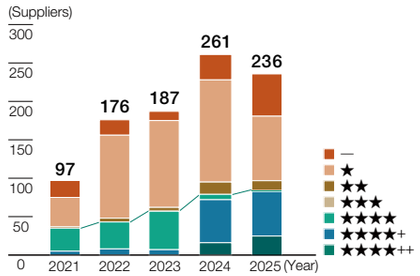
Supplier activity level (Climate Change)



Supplier activity level (Forests)



Supplier activity level (Water Security)



Efforts in manufacturing (plants, offices, logistics centers) (Mitigation)

Region: Global
Corresponding strategy: (1) (3)

Kao promotes initiatives to achieve energy efficiency targets across all its plants and monitors energy consumption trends annually. Under our framework, these initiatives are overseen by the headquarters and implemented by energy managers at each plant.

To enhance the energy efficiency of individual plants, we select optimal methods suited to each site's characteristics. Such measures include the introduction of BPT (Best Practice Technologies) equipment, heat pumps, and other high-efficiency equipment, as well as efficient equipment operation and energy-saving practices.

At our plants in Japan, we conduct not only annual monitoring but also monthly self-inspections. In 2025, a total of 177 energy-saving activities were carried out at our Japanese plants, achieving an annual CO_2 reduction of 3,000 tons and a cost reduction of approximately 180 million yen.

To ensure additionality in introducing renewable energy, we are promoting the adoption of photovoltaic power generation systems. In 2025, newly installed photovoltaic power generation systems came into operation at the Toyohashi Plant automated warehouse, Kao Indonesia's Karawang Plant, Kao Corporation Shanghai, and the Sumida Office.

In addition, to track and analyze energy consumption trends and streamline data collection, administrative department staff and on-site plant personnel serve as citizen developers are expanding system development initiatives as part of on-site DX activities.

As part of our efforts to enhance the energy efficiency at our plants, we have introduced high-efficiency equipment, such as BPT (Best Practice Technologies) and heat pumps, and we are also working to reduce unnecessary energy use by efficiently operating equipment and promoting energy-saving activities. We are currently carrying out TCR (Total Cost Reduction), a company-wide management reform initiative to optimize operations and facility management. Through TCR, we have reduced energy consumption and streamlined processes at our plants, thereby cutting Scope 1 CO_2 emissions by 5,649 tons. When calculated using ICP (Internal Carbon Pricing), this equates to approximately 140 million yen.

We are promoting the purchasing of renewable electricity. Of the electricity we purchased in 2025, 92% was from renewable sources globally, with Japan at 97% and overseas at 87%. In 2025, we placed particular emphasis on sourcing renewable energy in the Philippines and Vietnam. Starting in 2025, the calculations include results from Inogami Co., Ltd. in the Kao Group. Although Kao announced that it had achieved 100% renewable energy sourcing for all purchased electricity in Japan in 2023, that figure did not include Inogami. When retroactively adjusted to include Inogami, the renewable energy share of Kao's purchased electricity in Japan was 97% in 2023 and 97% in 2024. We will continue to actively procure renewable energy and advance efforts toward achieving 100% renewable electricity across the Kao Group.

Of the electricity we consumed, renewable energy accounted for 78% globally in 2025, and the adoption of renewable energy reduced CO_2 emissions by 380 thousand tons. We will continue to promote the use of renewable energy.

Since implementing the internal carbon price system in 2006, Kao has been promoting deployment of energy-saving and low CO_2 facilities, and procurement of renewable energy. This carbon price system is primarily applied to promote the reduction of Scope 1 and 2 emissions. Our current internal carbon price is USD 168 per ton of CO_2. Under this framework, we have approved projects such as the hot water heat pump at the Wakayama Plant (operation commenced in 2024) and the photovoltaic power generation system at Kao Industrial Thailand (operation commenced in January 2025). These initiatives are driving the proactive implementation of energy-efficient production equipment, decarbonization technologies, and the transition to renewable electricity.

In addition, at our Chemical Business plant in Spain, we installed a new facility that uses biomass for thermal energy. This has made it possible to reduce CO_2 emissions from the plant by 95%.

- Kao begins operation of 5.0MW photovoltaic power generating facility, the largest in the Kao Group, at Indonesian Plant (May 2025).
  https://www.kao.com/global/en/newsroom/news/release/2025/20250528-001/
- Kao installs a new biomass thermal energy facility at a plant in Spain (December 2024).
  https://www.kao.com/global/en/newsroom/news/release/2023/20230714-001/

Production (plant, office, logistics center) initiatives (Adaptation)

Region: Global
Corresponding strategy: (6)

As a company with a global value chain, Kao recognizes that the intensification of climate change-related natural disasters—such as typhoons and floods —could cause significant damage to our operations worldwide.

To address this risk, we have conducted flood risk assessments of our plants, offices, and logistics centers in Japan based on hazard maps published by local governments, and are currently considering physical countermeasure options based on the assessment results, with the review process targeted for completion around 2026. Meanwhile, since flood and storm surge risk data for many of our overseas plant locations are not publicly available from local governments, we are voluntarily conducting risk assessments and planning or implementing countermeasures at sites where they are needed. We are currently working to complete flood risk assessments for all overseas plants by 2030 with the goal of completing flood countermeasures during the 2030s.

In 2025, we completed the assessments for 100% of our existing sites in Japan, 60% of our existing sites overseas, and 100% of new sites.

Among our existing sites, PKI in the Philippines—which faces high river flooding and storm surge risks—underwent an assessment of both the flood risk from the uphill side of the site and the storm surge risk from the coastal side caused by typhoons. In 2025, we installed flood barriers at the front gate, cargo gates, and other entrances as flood countermeasures. In 2026, we plan to implement storm surge countermeasures at the pier, which is equipped with docking facilities, including measures to prevent water intrusions. Additionally, for the Cikarang Plant, our household products plant in Indonesia, we assessed the flood risk posed by a nearby river in 2025. The assessment concluded that, as the risk is low due to the site's elevated ground level, no

countermeasures are required at this location.

The 2025 assessment also covered one new site—the tertiary amine production plant in Texas, United States—for which we completed a flood risk assessment in accordance with the state's standards.

Efforts in distribution (Mitigation)

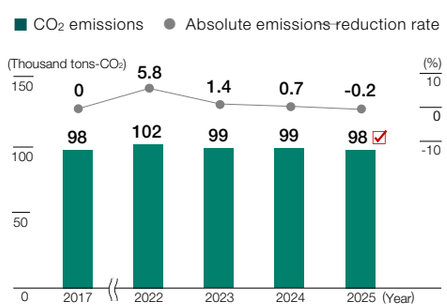
Region: Global
Corresponding strategy: (1) (3)

In 2025, the CO_2 emissions from distribution in Japan was 98 thousand tons-CO_2, an 0.2% decrease compared to 2017. To reduce emissions, we are promoting modal shifts that enable larger shipment volumes per delivery, shorter transport distances, and a switch to cleaner modes of transport.

We are also participating in the Cross-ministerial Strategic Innovation Promotion Program promoted by Japan's Cabinet Office, and, in collaboration with Lion Corporation, began scheduled smart logistics operations in 2020. In addition, we worked with Costco Wholesale Japan to introduce reusable folding containers and implement their collection and reuse, and with Kirin Beverage Company to launch round-trip transportation between our respective logistics centers in February 2025.

- Kao and Kirin Beverage begin collaboration on transportation between operating sites
  https://www.kao.com/jp/newsroom/news/release/2025/20250122-001/
- Kao and Lion launch a smart logistics initiative
  https://www.kao.com/jp/newsroom/news/release/2020/20201222-002/
- Kao and Costco test the introduction of foldable containers as a reusable packing material
  https://www.kao.com/jp/newsroom/news/release/2022/20220719-001/

CO_2 emissions from transportation (Japan)



* Boundary: Kao Corporation and Kanebo Cosmetics Inc.
* Assurance provided for CO_2 emissions

Efforts during use (Mitigation)

Region: Global
Corresponding strategy: (1) (4)

We offer a wide selection of products that contribute to the reduction of CO_2 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 CO_2 emissions per wash across the entire product lifecycle by approximately 22%. In 2019, we further introduced *Attack ZERO*, a concentrated liquid clothing detergent that uses Bio IOS, our most advanced detergent base, as its main ingredient. In Japan, the way consumers do their laundry is changing, with washing machines now coming standard with a button for selecting a single rinse cycle.

Furthermore, we offer products that support low-carbon lifestyles such as *Bioré-u the Body Foaming Type*, a body wash that requires less water during bathing, thereby cutting CO_2 emissions by approximately 10%.

Initiatives that help reduce CO_2 emissions throughout society

Region: Global
Corresponding strategy: (4) (5)

We provide Global consumer care products that save water and electricity to help consumers cut CO_2 emissions in daily life. Avoided emission achieved through Global consumer care products sold in 2025 was 1,893 thousand tons-CO_2.

We also offer a wide range of products for Chemical Business that help our corporate customers reduce CO_2 emissions during use. Examples include a low-temperature toner that lowers photocopier power consumption, agents for washing and rinsing steel plates at low temperatures with less fuel consumption, a semiconductor wafer cleanser that requires less ultra-pure water and chemicals, a coating additive that lightens automotive

wire harnesses to improve fuel economy, a material-dispersing additive that supports the performance of fuel-efficient tires, an asphalt modifier utilizing waste PET and a rust preventive cleaning agent that reduce CO_2 emissions from cleaning processes by preventing corrosion during the transportation of machinery parts. Through these various products, we drive emission reduction throughout society. The reduction achieved through products for Chemical Business sold in 2025 reached 2,592 thousand tons.

Efforts in disposal and recycling (Mitigation)

Region: Global
Corresponding strategy: (1) (2)

To achieve both decarbonization and resource circulation, we are developing and advancing the social implementation of a carbonization recycling technology for recycling used baby diapers without incineration. Through carbonization, the volume of diapers is significantly reduced while new value is created by converting used diapers into a valuable carbon resource.

In January 2021, we installed carbonization units at childcare and other facilities in Saijo City, and began demonstration experiments to process used baby diapers into semi-carbonized material. The results have confirmed that the volume can be reduced to approximately 1/20, and we are currently exploring options to utilize the generated semi-carbonized material as an alternative fuel or carbon material.

On October 1, 2025, we installed a second-generation carbonization unit at Kamikatsu Zero Waste Center, where we began demonstration experiments to process used baby diapers brought by local residents. Compared to the first-generation unit installed in Saijo City, this unit is designed to operate with less energy while increasing processing capacity from approximately 30 kg to 50 kg. We are utilizing the generated semi-carbonized material as an alternative to fossil fuels to help reduce CO_2 emissions.

At the same time, we are also promoting the use of biomass-derived plastics and raw materials, which can neutralize CO_2 emissions generated upon disposal.

Examples of major collaboration projects with stakeholders

Region: Global
Corresponding strategy: (2) (3) (4) (5)

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 avoided emissions contribution of chemical products to society.
- Participation in the Supply Chain Program run by the CDP for 16 consecutive years. We are contributing to the enhancement of suppliers' awareness and promoting a transformation of the types of action taken by suppliers.

Adaptation efforts

Region: Japan
Corresponding strategy: (6)

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.



In addition, we entered the B2B heat care sector to support people working in places with heat-related risks by providing cooling sheets capable of lowering surface skin temperature. These products support comfort and health in everyday life, while also responding to diversifying needs.

We will also expand our UV protection educational initiative for children from Japan and Hong Kong to the rest of Asia. This initiative aims to raise awareness among children, who tend to have greater exposure to UV rays due to more time spent playing and walking outdoors, yet are less likely to use sunscreen. Alongside this effort, we will promote *Bioré Kids Stamp UV,* a product designed to make sun protection fun for children.

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.

- Kao makes full-scale entry into the B2B heat care sector through *Bioré no Hiya Support*
  https://www.kao.com/jp/newsroom/news/release/2025/20251210-004/
- *Bioré UV*, the top-selling sunscreen brand for five years running, to ramp up children's UV protection education by expanding its Fun in the Sun Classroom across Asia
  https://www.kao.com/jp/newsroom/news/release/2026/20260217-001/
- *Sonaeru*
  https://www.kao.co.jp/hisaiji/

Communication with consumers Region: Global

Region: Global
Corresponding strategy: (4) (6)

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.



Employees' opinions

Sustainability at the Forefront of PKI Operations



Maria Wilma Jeanette Tuazon
Vice President for Finance and Administration
Pilipinas Kao, Inc.



Sustainability transcends compliance with local and international laws and regulations. It is more than a statement of our corporate commitment and values. More importantly, for Pilipinas Kao, Inc. (PKI), sustainability is a driver of growth, cost control, risk mitigation, value-creation and long-term competitiveness.

From sourcing sustainable raw materials and renewable energy options, waste management to other notable CO_2 reduction efforts, these have become an integral part of PKI's strategic objectives.

In Y2025, an ESG department of PKI was created, headed by PKI's Vice President – Resident Head for Plant Operations. The group aims to promote ESG awareness across all departments in PKI, encourage employee participation and to sufficiently document and monitor the compliance and progress of the company's initiatives, including but not limited to decarbonization.

Road to Decarbonization

With Kao's aim to achieve carbon zero by Y2040, PKI established an equally ambitious roadmap to reduce carbon emission by 55% by Y2030 and ultimately, achieve carbon zero following Kao's internal timeline.

We have identified the use of diesel fuel and our purchased electricity as two of the major sources of carbon emissions in the plant. We recognize that for PKI to achieve the target reduction by Y2030, the use of diesel fuel in our steam boilers must be reduced substantially or a reduction equivalent to about 50% of our current consumption.

As a chemical manufacturing company, our production process requires a considerable amount of steam and heat generation. While the use of diesel fuel in steam boilers offers high efficiency and rapid steam generation, its substantial carbon dioxide and nitrogen oxide emission leaves a lasting impact to the environment. Thus, we are carefully studying a sustainable and viable substitute for diesel fuel that would address carbon emission and at the same time generate some cost savings. We hope to implement the best alternative source before Y2030.

The Philippines generates electricity from a mix of fossil fuels and renewable energy sources with coal as the biggest source of electricity generation. Although the country is among the world leaders in geothermal energy, it continues to be highly dependent on fossil fuels which account for 77%-79% of its total power sources. Renewable energy is limited and is considered a more expensive option, in general. Under the Retail Competition and Open Access (RCOA), PKI can choose the retail electricity supplier (RES). Despite the said option provided by law, the price of renewable energy is not as competitive as the conventional energy sources. While partnership with a local provider for renewable energy supply is underway, for Y2025, PKI committed to purchase International Renewable Energy Certificate (I-REC) equivalent to 100% of our annual power requirement.

Moreover, PKI has so far installed rooftop solar power system within the plant premises which generates about 500 kw of power. The solar panels are strategically located in different areas in the plant. It partially supports the power requirement of the office/administration building. In the long term, we are targeting further increase in the internally generated solar power.

In the last couple of years, a number of energy saving initiatives which translate to reduction in PKI's carbon emissions have been implemented. These include heat recovery in various production processes, steam usage reduction, use of waste oil recovery as steam boiler fuel, reduction of power consumption through the renewal of lighting system and installation of inverter type equipment, to mention a few.

Our sustainability efforts extend beyond the activities within our plant operations. PKI chose to collaborate with selected shipping line for the use of mix biomethane which effectively reduces the emissions generated by the transport of containers carrying our finished products by 15%. It also contributes to better air quality further reducing the following air pollutants: -99% Sox; -92% NOx, -91% PM10. We are optimistic that emission can further be reduced in the coming years.

While the ground-level implementation of decarbonization initiatives is paramount, we are likewise committed to ensuring that resources are used efficiently, prices are competitive, implementation is carried out in accordance with the applicable laws and standards of Kao and reasonable protection and equality are extended to all stakeholders, not only PKI, among others.

At the end of the day, strong sustainability strategies should not be limited to decarbonization efforts or GHG emission reduction, it should be combined with wider goals such as making thoughtful choices for society, making the world healthier and cleaner and walking the right path particularly in doing business and dealing with people.



Stakeholder engagement

Comment on Kao Corporation's Initiatives [Decarbonization & Adaptation]

Norihiro Itsubo
Professor
Faculty of Science and Engineering
Waseda University

Kao's decarbonization initiatives, driven by a long-term vision to achieve carbon zero by 2040 and carbon negative by 2050, stand out thanks to the company's ability to consistently execute measures such as reducing Scope 1 and 2 emissions and accelerating the adoption of renewable energy. In addition, by disclosing the carbon footprint and the amount of emissions that have been avoided, including during the product use and disposal stages, the company is pioneering efforts to reduce emissions throughout the product lifecycle.

What particularly sets the company apart is that it has positioned environmental action as a source of competitiveness, and true to this philosophy, it is gaining a competitive edge through the evolution of its core technologies centered on surfactants. One-rinse detergents and compact products can be quickly rinsed with small amounts of water, reducing water and energy consumption during the use stage. Refillable and replaceable packaging reduces packaging materials while streamlining logistics, demonstrating lifecycle-conscious product design. These are prime examples of enhancing product performance and reducing environmental impact, thereby achieving market competitiveness and decarbonization in tandem.

In this fiscal year, in addition to these product-centered initiatives, Kao demonstrated growing engagement across the supply chain, including reducing Scope 3 emissions from raw material procurement, exploring negative emission technologies, and aligning with European policies to promote environmental value to the international community. In particular, the company's efforts to sustainably procure raw materials and introduce biomass plants reduce carbon emissions upstream while effectively managing natural capital.

Meanwhile, from an LCA perspective, the company is expected to further refine its approach. First, with regard to the reduction of carbon footprint and the amount of emissions that have been avoided, international standards have been issued for the electrical and electronics sector. Based on these standards, it is important to ensure transparent assessments that are internationally consistent. Second, as the application of biomass raw materials becomes more advanced, materiality should be determined based on integrated assessments covering carbon emissions as well as impacts on biodiversity and water resources. Third, quantitative assessment of the entire lifecycle, including trade-offs with mitigation, is also expected for climate adaptation-oriented products.

Overall, Kao's initiatives represent a pioneering approach centered on product innovation that delivers an impact extending to consumer behavior, the global supply chain, and policies. The company is expected to further advance its quantitative and integrated LCA-based assessment, and elevate its environmental action into a source of competitive advantage, thereby creating new value.

[Comment from Kao]

Kao is promoting decarbonization strategies based on scientific evidence to achieve carbon zero by 2040 and carbon negative by 2050. Based on the professor's suggestions, we will continue to enhance our initiatives.

1. Early implementation of negative emissions

By strengthening collaboration with internal and external research institutes, we aim to establish negative emission technologies that are uniquely Kao, including carbon fixation utilizing biomass by-products derived from production processes.

2. Strengthening the supply chain for raw material procurement

In raw material procurement, a key focus area for reducing Scope 3 emissions, we are advancing efforts to sustainably source palm oil, effectively utilize non-edible parts, and build procurement frameworks that contribute to soil carbon sequestration. In addition to enhancing traceability through dialogue with production sites, we will accelerate emission reduction in the procurement phase through co-creation with suppliers.

3. Strategic communication of environmental value in coordination with policy in EMEA (Europe, the Middle East and Africa)

We are promoting environmental technologies originating from Japan globally, including one rinse cycle, compact products, and refillable and replaceable packaging. Through dialogue on local policies and collaboration with industry groups, we will take an active role in ensuring that Kao's environmental technologies are reflected in global standards.

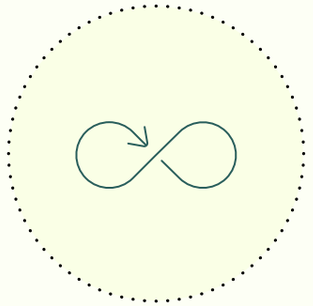
4. Development and promotion of climate adaptation-oriented products and technologies

With a central focus on hygiene, material, and formulation technologies, we are expanding our product lineup to protect people's health and quality of life amid climate change. With a view to expanding into the agriculture, construction, and infrastructure fields, we are considering incorporating adaptation effectiveness as an indicator for LCA. Going forward, we will contribute to social resilience by creating environmental value driven by both mitigation and adaptation.

Zero Waste

GRI 306-1, 306-2

In line with one of the basic policies of the Mid-term Plan K27, “to become an essential company in a sustainable world,” we are aiming to achieve zero waste by reducing the amount of plastic used and increasing plastic recycling by 2040, and to build a resource-circulating society.



Risks

- Increased costs due to stricter regulations on plastic packaging containers and industrial waste, or rising prices of recycled plastic
- Decline in competitiveness due to delays in technology development related to packaging recycling and waste reduction
- Decline in reputation and corporate value if actions taken for plastic and waste issues are insufficient

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 that use less plastic and utilize recycled plastic
- Increase in sales due to consumers being aware of recycling initiatives such as community collection initiatives and recyclable designs
- Increase in revenue from a licensing business that utilizes plastic reduction and recycling technology

Strategy

Overall	(1) Achieving zero waste by 2040 and negative waste by 2050
Packaging	(2) Reducing waste and promoting resource recycling by designing products with the packaging 4Rs and the entire lifecycle in mind
Sites	(3) Promoting waste reduction at sites
Products	(4) Promoting product waste reduction
External collaboration	(5) Contributing to a circular society by raising stakeholder awareness and collaborating with external parties

Metrics, targets and results

Metrics	Targets	2025 results
Quantity of fossil-based plastic in packaging (1) (2)	Will peak and begin to decline in 2030	76 thousand tons
Annual quantity of innovative packaging used (Kao + external companies) (1) (2)	0.3 billion in 2030	0.11 billion items
Recycling rate of plastics involving Kao (1) (2)	50% in 2030	22%
% of recycled plastic used in PET containers (Japan) (1) (2)	100% in 2025	91%
% of waste generated at Kao’s sites* that is not recycled (3) * Beginning with production sites	Zero in 2030 (Less than 1%)	2.5%
% reduction of discarded products and discarded promotional materials (4)	95% in 2030	59%

Initiatives

- Increase the use of recycled plastic (1) (2)
- Expansion of sales of positive recycled products (1)
- Reducing plastic consumption (1) (2)
- Increased amount of plastic collected and used by society (1) (5)
- Promotion of reduce innovation and recycle innovation (technology development) (2)
- Reduction of waste generation (3)
- Promotion of recycling of generated waste (3)
- Initiatives for improving the return rate (4)
- Awareness-raising through products (Popularization of refillable containers such as *eco-Peko bottles*) (5)
- Awareness raising activities at the Kao Eco-Lab Museum (5)
- RecyCreation activities (5)
- Trial for a resource circulating model aimed at horizontal recycling (5)
- Recycling of marine plastic (5)
- Participation in external organizations related to plastic issues organized by the government or NGOs (5)

Financial impact

- Reduction in the burden of complying with plastic regulations
- Reduction in waste disposal costs through waste recycling at sites

Environmental and social impact

- Efficient use of resources and realization of a circular society through the promotion of recycling
- Increase in employment opportunities through the creation of recycling businesses in local communities
- Reducing the negative impact of waste, such as marine plastics, on ecosystems

* 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 promoting strategies based on Kao's business characteristics and technological foundations, aiming to achieve both business growth and solutions to social issues.

Social issues

For Kao to remain a sustainable and competitive company, 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 environment

Risks and opportunities

Kao is facing various risks in this business environment, which 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 initiatives. 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 rising prices of recycled plastic
- Decline in competitiveness due to delays in technology development related to packaging recycling and waste reduction
- Decline in reputation and corporate value if actions taken for plastic and waste issues are insufficient

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 that use less plastic and utilize 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) Achieving zero waste by 2040 and negative waste by 2050

By 2040, we will achieve zero waste, where the amount of plastic packaging we use is equivalent to the amount of plastic recycled through initiatives involving Kao. By 2050, Kao will achieve negative waste, where the amount of plastic recycled through initiatives involving Kao exceeds the amount of plastic packaging used by Kao. 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: P166 Development of asphalt modifier using waste PET materials

(2) Reducing waste and promoting resource recycling by designing products with the packaging 4Rs and the entire lifecycle in mind

We aim to reduce waste from the product design and development stages, and promote the construction of a resource-circulating system. In the packaging field, we will carry out technological development with the 4Rs (Reduce, Replace, Reuse, Recycle) in mind to develop products with less environmental impact.

For "Reduce," we will promote cutting back on plastic by reducing bottle weight, for example by thinning the walls, while maintaining usability and durability through innovative packaging design.

For "Replace," we will overcome technological challenges to transition from fossil-based plastics to more sustainable raw materials, such as low-carbon, renewable plant-derived alternatives.

For “Reuse,” we will actively develop refillable and replaceable products so that original containers, including bottles and pumps, can be used repeatedly.

For “Recycle,” we will actively incorporate recycled plastic into plastic packaging, and will develop recycling technology for multi-layered refill packs composed of diverse materials in our efforts to promote resource circulation for plastic packaging.

Related initiatives: P167 Initiatives for recycling packaging, P168 Initiatives adopted at our business sites

(3) Promoting waste reduction at sites

We further strengthen waste reduction at our sites, building on the TCR activities* we have been working on for many years.

* TCR: Total Cost Reduction. Kao’s company-wide activities to improve and reform operations.

Related initiatives: P168 Initiatives adopted at our business sites

(4) Promoting product waste reduction

We intend to reduce returns by improving demand forecasting accuracy. In addition, we promote the reduction of waste through sales methods that utilize our own platform, My Kao.

Related initiatives: P168 Initiatives adopted at our business sites

(5) Contributing to a circular society by raising stakeholder awareness and collaborating with external parties

By sharing information and carrying out awareness-raising activities through our products, we aim to help realize a resource-circulating society by encouraging changes in consumer awareness and the behavior of stakeholders. In addition, through initiatives such as our “RecyCreation activities,” which involve consumers, local governments, recyclers, and competitors, we collaborate with a wide range of stakeholders to drive transformation throughout society

Related initiatives: P169 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

Environmental and social impact

- Efficient use of resources and realization of a circular society through the promotion of recycling
- Increase in employment opportunities through the creation of recycling businesses in local communities
- Reducing the negative impact of waste, such as marine plastics, on ecosystems

Strategic resilience

Kao is implementing 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 repeatedly making improvements through the PDCA cycle to check progress toward these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1) (2)	Quantity of fossil-based plastic in packaging	91 thousand tons	88 thousand tons	79 thousand tons	77 thousand tons*1	76 thousand tons	Will peak and begin to decline	2030
(1) (2)	Annual quantity of innovative packaging used (Kao + external companies)	0.011 billion items	0.013 billion items	0.046 billion items	0.10 billion items	0.11 billion items	0.3 billion items	2030
(1) (2)	Recycling rate of plastics involving Kao	15%*2 (1%)*3	16%*2 (3%)*3	19%*2 (6%)*3	22%*2 (8%)*3	22%*2	50%	2030
(1) (2)	% of recycled plastic used in PET containers (Japan)	19%	69%	81%	90%	91%	100%	2025
(3)	% of waste generated at Kao's sites*4 that is not recycled	9.1%	4.2%	4.3%	4.6%	2.5%	0 (Less than 1%)	2030
(4)	% reduction of discarded products and discarded promotional materials (Base year: 2020)	14%	20%	43%	35%	59%	95%	2030

*1 Results revised (recalculated by removing duplicate data)
*2 Recalculated based on the revised calculation scope (see below for details)
*3 Value before revision to scope of calculation
*4 Beginning with production sites

Use of recycled plastic in PET containers

In Japan, the percentage of recycled plastic used in PET containers reached 91% in 2025 against the target of 100% by 2025, driven by initiatives promoted across brands such as *Attack*, *CuCute*, *Bioré*, and *Essential*. The use of recycled plastic has steadily progressed. On the other hand, there are still products for which the adoption of recycled plastic has been postponed due to challenges such as ensuring product quality so that customers can use the products with confidence, as well as constraints related to container manufacturing facilities. Going forward, while advancing initiatives toward achieving Kao's target of a 50% plastic recycling rate involving Kao, Kao will continue to collaborate with stakeholders to address these challenges and further expand the use of recycled plastic.

Revision to the calculation scope for the recycling rate of plastics involving Kao*

To help realize a circular society, Kao has long promoted resource circulation not only within its own operations but also in collaboration with society and stakeholders. In recent years, the environment surrounding resource circulation has continued to evolve, driven by growing societal expectations, international discussions including those on Extended Producer Responsibility (EPR), and increasing recognition of the importance of not only horizontal recycling but also cascade use across society. Against this backdrop, Kao has continuously reviewed the methodology for the recycling rate of plastics involving Kao, with the aim of ensuring that the indicator appropriately reflects its resource circulation initiatives and underlying approach. As a result of this review, Kao has revised the calculation scope of the indicator. Previously, the recycling rate was calculated primarily based on the use of recycled plastic in plastic packaging. To more appropriately evaluate Kao's contribution to resource circulation across the value chain, the calculation scope has been expanded to include the quantity of recycled plastic used in products as part of Kao's positive recycling initiatives, as well as the quantity of material recycled in society based on EPR. With regard to EPR, the calculation covers quantities that underwent material recycling in Japan under the Containers and Packaging Recycling Law. As a result of this revision, the recycling rate for 2025 was 22%, compared with 8% under the previous calculation method. The EPR-related recycling quantity used in this calculation is an estimated value allocated to Kao based on material recycling performance data under Japan's Containers and Packaging Recycling Law (information published on the website of the Japan Containers and Packaging Recycling Association). While this estimate is not based on individual traceability, it is intended to evaluate Kao's contribution to resource circulation through the recycling system. Going forward, Kao will continue to review and refine both the calculation scope and target levels, taking into account international discussions and societal developments, so that the indicator can more appropriately reflect effective contributions to resource circulation.

* This indicator is a proprietary metric that emphasizes the circularity of plastic resources across society and evaluates both collection/recycling and the use of recycled materials, which are generally treated as separate metrics.

For details of the calculation formula, see: P317 Kirei Lifestyle Plan KPI definitions > Zero Waste

Metrics and results

Strategy	Metrics	Results		
		2023	2024	2025
(1) (2)	Quantity of plastic used for packaging*5	85 thousand tons	84 thousand tons*6	83 thousand tons
(1) (2)	Quantity of recycled plastic used	5.2 thousand tons	6.4 thousand tons	6.7 thousand tons
(3)	The amount of waste generated at sites*7	196 thousand tons*8	196 thousand tons*8	192 thousand tons ☑
(3)	The amount of recycled waste and other materials*7	176 thousand tons	178 thousand tons	175 thousand tons ☑
(3)	Recycling rate of waste and other materials*7	90%*8	91%*8	91%
–	Amount of food waste generated*9	714 tons	1,642 tons*11	–*12
–	Amount of food waste utilized effectively*9 *10	1 ton	4 tons*11	–*12
–	In-house disposal of food waste*9	712 tons	1,638 tons*11	–*12

*5 Total quantity of fossil-based plastic, recycled plastic, and bio-based plastic
*6 Results revised (recalculated by removing duplicate data)
*7 Boundary: All production sites of the Kao Group, non-production sites in Japan, and selected non-production sites overseas
*8 Results revised (Due to a review of the calculation scope, waste generation data from Inogami Co., Ltd., a Kao Group company (approximately 2 thousand tons/year), have been reflected in the calculation, and historical data have been revised accordingly. The impact of this revision on the recycling rate is approximately 1% and does not materially affect the overall trend.)
*9 Boundary: Kao's food businesses
*10 Contracted disposal: Contracted disposal includes methane fermentation or composting, and also effective utilization of packaging (such as cans or cartons).
*11 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.
*12 No food waste was generated from *Healthya* following its transfer (August 1, 2024). Accordingly, this item will be omitted from future reports.

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 the ESG Managing Committee. 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 packaging and the progress of the 2030 targets, and promotes their steady and swift implementation.

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.

P62 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/
- Kao Sustainable Product Development Policy
  https://www.kao.com/global/en/sustainability/klp/policy/product-development-policy/
- 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 (November–December) and approval of targets (February)

D (Implementation)
Improvement and promotion activities (from February)

C (Evaluation of results)
Reporting results at the Steering Committee (April)

A (Corrective action)
Reflection and identification of areas for improvement (October)

<Zero-Waste Management Process: Sites>

P (Planning)
Design of activities for the following year (November–December) and approval of targets (February)

D (Implementation)
Improvement and promotion activities (from February)

C (Evaluation of results)
Reporting results in the Sustainability Report (June)

A (Corrective action)
Reflection and identification of areas for improvement (October)

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) Achieving zero waste by 2040 and negative waste by 2050	Increase the use of recycled plastic	Expansion of sales of positive recycled products	Increased amount of plastic collected and used by society	Reducing plastic consumption
Packaging	(2) Reducing waste and promoting resource recycling by designing products with the packaging 4Rs and the entire lifecycle in mind	Promotion of reduce innovation	Promotion of recycle innovation	Expansion of refill and replacement products	Shift to paper and plant-based plastics
Sites	(3) Promoting waste reduction at sites	Reduction of waste generation	Promotion of recycling of generated waste		
Products	(4) Promoting product waste reduction	Initiatives for improving the return rate			
External collaboration	(5) Contributing to a circular society by raising stakeholder awareness and collaborating with external parties	Awareness-raising through products (Popularization of refillable containers such as *eco-Peko bottles*)	Awareness-raising activities at the Kao Eco-Lab Museum	RecyCreation activities	Trial for a resource-circulating model aimed at horizontal 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: (1)

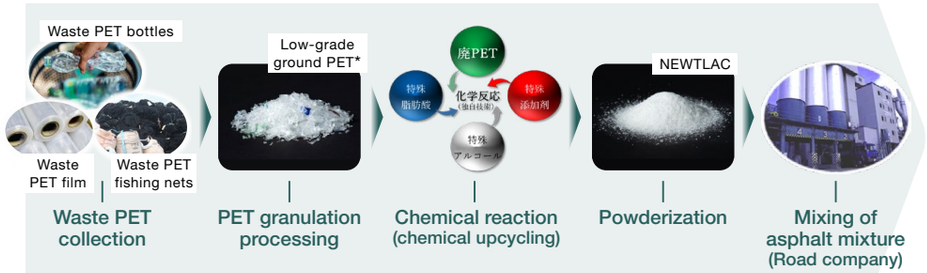
With the aim of achieving plastic packaging net zero waste by 2040, we are pursuing initiatives to recycle plastic waste discharged into society as Kao products and services. We transform discarded PET materials into valuable resources and use them in our *NEWTLAC* series of asphalt modifiers. By converting discarded PET materials into modifiers with our proprietary technology, it is possible to increase the durability of asphalt pavement by up to five times.

Asphalt pavement, which accounts for over 90% of roads in Japan, is prone to ruts (depressions in wheel paths) in areas with heavy traffic. These ruts cause issues such as CO_2 emissions from resurfacing work and traffic congestion. However, by making asphalt pavement more durable, it is possible to reduce damage to the road surface and limit the CO_2 emissions associated with repairs. To date, we have achieved coverage of over 500,000 m^2 in factory premises, parking lots, and public roads.

In addition, we contribute to local communities through various initiatives. For example, we collaborate with Iwata City to recycle PET bottles for use in asphalt modifiers, and provide environmental education 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. Furthermore, in 2025, *NEWTLAC 5500FN* was adopted for some of the pavement work in the venue for EXPO 2025, Osaka, Kansai, Japan. The adoption of this technology for the infrastructure of an international event demonstrates the recognition of our efforts in effectively utilizing waste plastic and creating highly durable pavements, marking significant progress for us. Building on the expanding adoption, we are also working to broaden the range of applicable environments by launching products for cold regions and expanding outside Japan.

Kao will continue to work with consumers, recyclers, road companies, local governments, and businesses to promote green pavements.

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) (5)

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 resource-circulating society. In this activity, we collaborate with local governments and NPOs such as Kitami City, Onagawa Town, Ishinomaki City, Kamakura City, Kamikatsu Town, Odawara City, Wakayama City, and Sakata City 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 2025 (January to December) reached Approx. 12 tons.

*1 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.

The “RecyCreation” Initiative
https://www.kao.com/global/en/sustainability/nature/environment/waste-disposal/recycreation/

Promotion of a resource-circulation model demonstration project

Kao has been participating in the Kobe Plastic Next: Joining Forces to Recycle Refill Packs project since October 2021. This project collects used refill packs for detergents, shampoos, etc., from citizens using collection boxes installed at 74 retail stores and Econoba (recycling stations) in Kobe City. The packs are collected by coordinating with return delivery services of retail stores and existing waste collection companies, thereby increasing transportation efficiency while decreasing environmental impact.

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 packaging. We will continue to work with a diverse range of stakeholders and expand our activities from Kobe to the whole country.

Challenge of recycling marine plastic waste

It is said that about 65% (by number of pieces of waste) 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 packaging 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. This makes it generally difficult to recycle these packs back into film packaging. Kao introduced a pilot plant for recycling film packaging at Wakayama Research Laboratories in June 2021, and is currently developing and verifying recycling technologies for film packaging. Furthermore, we focus on effective sorting and collection processes for consumers and recyclable packaging design, in order to improve the recycling rate and achieve horizontal recycling. As a result, we have commercialized refill packs that use some horizontally recycled materials in collaboration with Lion Corporation, and have released

them in limited quantities at some stores*2. We continue to sell them at select stores, while advancing our initiative to implement and expand horizontal recycling of film packaging.

*2 Kao and Lion products at certain Ito-Yokado stores and Welcia Yakkyoku stores; Kao products only at certain AEON stores.

Kao Group's initiative to utilize recycled plastic

Region: Global

Corresponding strategies: (1) (2)



Kao Taiwan utilizes recycled plastic in packaging for over 100 products across its major brands. Since 2016, the cumulative total of recycled plastic used in Taiwan has exceeded 1,400 tons. One example is *Attack*, whose main bottle is made of 100% recycled high-density polyethylene (HDPE) from PCR (Post-Consumer Recycled) material.

- 花王（台灣）力行源頭減塑 達成再生塑料使用25%目標！
  https://www.kao.com/tw/news/2025/20250813-001/
- 一匙靈制菌/亮彩/淨柔
  https://web.kao.com/tw/attack/basic/

In Europe and the United States, we are promoting the use of recycled plastic to drive resource circulation and reduce environmental impact. For example, *Bioré UV Aqua Rich* has newly adopted recycled plastic for its cap, and the *Jergens* baby care series has also started using recycled plastic in its packaging. We will continue expanding its adoption across countries and regions, while meeting local regulatory and market needs.



Initiatives adopted at our business sites

Region: Global

Corresponding strategies: (3)

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 the sludge.

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.

In FY2025, the amount of hazardous waste generated was 28 thousand tons. In addition, there were no international shipments of hazardous waste subject to control under the Basel Convention.

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.

Reduction of waste plastic products

Kao is committed to reducing the amount of waste plastic discharged. In 2025, the only Kao Group company in Japan that generated 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 4,660 tons, achieving the target of keeping emissions below the 2024 level (5,208 tons). The total amount of waste discharged by the Kao Group in Japan was 5,223 tons, less than the previous year's amount (5,706 tons).

Collaboration with stakeholders based on "eco together"

Region: Global
Corresponding strategies: (1) (2) (5)

"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 Japan 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 by the Ministry of the Environment, the Ministry of Economy, Trade and Industry, and the Japan Business Federation, 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. The 2024 collection of case studies featured our initiative to collect and horizontally recycle refill packs, and highlighted that we had been certified as a manufacturer and retailer that voluntarily collects plastic packaging from consumers in March 2024. Kao introduced these initiatives through presentations and exhibits at the ceremony held in February 2025. In addition, at the deep-dive workshop in July 2025, Kao took the stage as one of the consumer goods companies and promoted collaboration among industry players.

Collection of refill packs and film-to-film recycling
https://j4ce.env.go.jp/en/casestudy/226

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.

Packaging collection initiatives

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, river, and urban litter.

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 2025.

Speaking at a panel discussion at EXPO 2025 Osaka, Kansai, Japan



In September 2025, Kao participated in a joint panel discussion with Mercari and Unicharm at a venue at EXPO 2025 Osaka, Kansai, Japan, where we discussed how changes in purchasing behavior influence the future of circular consumption. The session was open to the general public and covered topics related to eco-conscious products and reused products, including obstacles to building a circular economy and initiatives co-created with consumers. Kao introduced its resource circulation initiatives, including the horizontal recycling of refill packs.

Receiving the Special Award at the European Responsible Care® Awards 2025

Kao received a commendation at the European Responsible Care® Awards 2025, organized by the European Chemical Industry Council (Cefic). The award recognizes initiatives that promote Responsible Care (safety, environmental protection, and responsible chemical management) in the chemical industry, and Kao was selected for its ongoing efforts to reduce plastic use and its pioneering innovations that contribute to a resource-circulating society.

Kao Selected for a Commendation in Cefic's European Responsible Care® Awards 2025
https://www.kao.com/global/en/newsroom/news/release/2025/20251210-001/

Kao certified under the Guideline for Design of Plastic-Containing Products

In February 2026, 11 items from three of our product lines—the laundry detergents *Attack ZERO* and *EMAL,* and *Bioré u Foaming Hand Wash*—were certified under the Guideline for Design of Plastic-Containing Products in line with the Act on Promotion of Resource Circulation for Plastics (Plastic Resource Circulation Act). This makes Kao one of the first companies certified under this program, which is operated by the Ministry of Economy, Trade and Industry together with other government organizations.



Kao Becomes One of the First Companies to Receive Certification Under the "Guideline for Design of Plastic-Containing Products" Design Certification System Based on the Plastic Resource Circulation Act for Three of Its Products Including *Attack ZERO*
https://www.kao.com/global/en/newsroom/news/release/2026/20260227-001/

Employees' opinions

Recycling used disposable diapers



Keisuke Nagashima
Principal Research Scientist,
Sanitary Research Laboratories
(Lab 3rd)

Since joining Kao, I have been involved in the development of hygiene product materials and feminine care products. I currently lead the development of a recycling system for used disposable diapers.

In Japan, used disposable diapers that have absorbed bodily waste have traditionally been incinerated. The increased volume of waste has become a significant social issue, placing a growing burden on local governments and waste-generating businesses. We reframe such waste as “reusable resources” and are addressing this challenge from the perspectives of both recycling technology and operational models.

We are currently working to establish a locally-based resource circulation model, which would allow people to recycle used disposable diapers and utilize the generated materials within their communities. Kao’s ability to engage in the entire lifecycle from materials and products to after-use treatment greatly supports these efforts.

Kao has a culture of embracing bold initiatives. This mindset motivates me, and it’s a value I will continue to uphold. Solving social issues is not something you can do on your own. By cooperating with like-minded colleagues, I would like to create frameworks that will improve people’s lives.

I will continue tackling challenges to ensure that Kao’s proposed recycling systems take root in communities and help create a society where everyone, from children to seniors, can live with peace of mind.



Stakeholder engagement

Taking on the challenge of zero waste and future expectations

Masanobu Ishikawa
Vice President / Dean of the Department of Social System Design / Specially Appointed Professor
Eikei University of Hiroshima

By 2040, Kao aims to achieve “zero waste,” meaning the amount of plastic packaging it produces equals the amount recycled, and by 2050, “negative waste,” where the amount recycled exceeds the amount produced. In FY2025, the company made steady progress toward these ambitious goals, with its achievements gaining broad recognition in society.
Highlights

1. Selected for a commendation in Cefic’s European Responsible Care® Awards 2025
2. Received the Cabinet Office Minister of State for Special Missions Award in the 2024 Commendation in the Good Practices of Consumer-Oriented Management Awards
3. Featured in “Initiatives for environmentally friendly designs based on the Act on Promotion of Resource Circulation for Plastics” (Ministry of the Environment)
4. Featured in “Comprehensive Knowledge Application Case Studies Vol. 3” (Cabinet Office)
5. Recycled non-food PET through cross-industry collaboration and chemical recycling
6. Enhanced RecyCreation and other initiatives to collect and horizontally recycle refill packs
7. Provided the *NEWTLAC 5000* series, a durable asphalt modifier produced by using waste PET

Kao has been highly praised domestically and internationally for its outstanding contributions, including: (1) significantly reducing plastic consumption by creating and normalizing the innovative concept of refillable packaging; (2) successfully reducing plastic consumption by reducing product bottle weight and collecting and horizontally recycling refillable packaging; and (3) developing and distributing additives made from waste PET that extend the lifespan of asphalt pavement by up to five times.

Being selected for a commendation in Cefic’s European Responsible Care® Awards 2025 is significant in that the refillable packaging system developed by Kao and standardized in Japan has earned recognition in Europe as well.

While the horizontal recycling of PET containers has been achieved for beverage bottles, cosmetics containers are more difficult to process with this system due to their limited quantity, greater variety, and hygiene concerns, among other factors. Kao has played a significant role in tackling this challenge by building a system for cross-industry chemical recycling of industrial films, cosmetics bottles, product samples for vending machines, etc.

Regarding the collection and horizontal recycling of refill packs, some stores are already supplying recycled products. In the KOBE PLASTIC NEXT project, participants have produced samples of horizontally recycled products, and several companies are exploring the potential of such products. The challenge lies in increasing collection volume while reducing associated costs.

The asphalt modifiers have been adopted for a total area of 500,000 m^2 in Japan, with the initiative expanding in Europe, the U.S., Thailand, and Taiwan. In addition to using recycled waste PET, the modifiers offer various other benefits, including reducing lifecycle costs by extending asphalt lifespan, reducing dust generated from asphalt by approximately 85%, and enhancing safety by improving the visibility of road markings. Given these benefits, we hope to see even wider adoption.

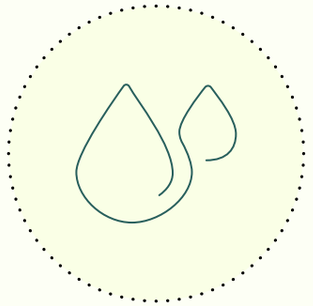
Kao’s response to the views expressed last year

In the last fiscal year, we received multifaceted suggestions on how to take Kao’s activities to the next level, including horizontal recycling of refill packs, defining the boundaries between co-creation and competition, and trying diverse collection models. In particular, we were greatly encouraged by the recognition of our process—from collaboratively collecting used refill packs to producing new ones—as an innovative achievement contributing to a circular economy. We also recognize that the suggestion to batch-process used packages and products from other industries to expand economies of scope and enhance recycling productivity is a crucial perspective for enhancing effectiveness. As a step in line with these views, we advanced a cross-industry initiative to chemically recycle used beverage bottles, industrial films used for non-food applications, cosmetics bottles, and product samples for vending machines, and to use the resulting raw materials for cosmetics bottles. We will continue our steady efforts to refine the collection and recycling processes and expand the scope for horizontal recycling.

Water Conservation

GRI 303-1

Kao regards the sustainable use of water resources as one of the key issues in its management and is promoting company-wide initiatives on the theme of water conservation. To pass on limited water resources to the next generation, we aim to create sustainable value that supports safe, secure and comfortable living while coexisting with all life on Earth.



Risks

- Instability in the supply of raw materials and products and increased supply costs due to worsening water pollution and water shortages, as well as quality issues
- Decreased operating rate of manufacturing sites due to water intake restrictions
- Deteriorated occupational health environment across sites resulting from degraded water quality, water shortages, etc.
- Lawsuits and reputational risk from local residents and NGOs regarding corporate 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 maintenance and reduction through efficient use of water resources and water-saving technology

Strategy, Metrics, targets and results, Initiatives

Strategy		Metrics	Targets	2025 results	Initiatives
Overall	(1) Maintaining water quality and ensuring access to clean water	Water consumption in production (2)	–	20.1 million m³	Address water pollutants (1)
Overall	(2) Efficient Water Use and Circular Water Management	% reduction in water consumption per unit of sales at sites (Base year: 2005) (2)	45% in 2030	51%	Spreading rainwater harvesting systems in Indonesia and improving quality of life (1) (2) 3R activities at sites (2) (5)
Overall	(3) Thorough compliance with laws and regulations within and outside Japan	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal) (2) (5)	100% in 2030	– (KPI established in 2025; progress tracking to begin in 2026)	Establishing and disclosing site-specific water management targets in water-stressed area (2) (5) Regulatory compliance (3)
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 (4) Launch and improvement of new eco-infrastructure products (4)
External collaboration	(5) Sharing Knowledge and Collaborating with Stakeholders	% reduction in full lifecycle water use per unit of sales (Base year: 2017) (2) (5)	10% in 2030	18%	Water conservation education (Let's Save Water Together) (2) (5) Participation in the Water Cycle Company Registration and Certification System and introduction of case studies (5)
External collaboration	(5) Sharing Knowledge and Collaborating with Stakeholders	Number of schools reached by water-saving activities for elementary school through the Let's Save Water Together program (2) (5)	–	459 Schools	Water conservation activities in Indonesia in 2025 by the Kao Life-in-Harmony Foundation (5) Promotion of the corporate advertising series, "Wastefulness —Mottainai. Never today, nor tomorrow." (5)
External collaboration	(5) Sharing Knowledge and Collaborating with Stakeholders	Number of suppliers with activity level (water)*1 above the reference level*2 (5) *1 Self-assessment based on the CDP Supply Chain Program *2 three or more out of five	–	85 Companies	Promoting water conservation activities in the supply chain using the CDP Supply Chain Program (5) Preparing for Situations Where Water Is Unavailable (Hair Washing and Hygiene Support) (5)

Financial impact

- Sales revenue of products with water-saving effects 206.6 billion yen

Environmental and social impact

- Amount of contribution to reducing water consumption through products with water-saving effects 571 million m³

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

Strategy

To address water-related risks and create opportunities, we are implementing Kao-specific strategies that are effective and contribute to both business growth and the resolution of social issues.

Social issues

For Kao to remain a sustainable and competitive company, 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 watershed. 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
- Biodiversity affected by changes in water quality and quantity

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

- Supply instability of raw materials and products, increased procurement costs, and product quality issues resulting from worsening water pollution and water scarcity
- Reduced operating rates at manufacturing sites due to water withdrawal restrictions
- Deterioration of occupational health and hygiene conditions at business sites due to declining water quality and water scarcity
- Litigation and reputational risks arising from local residents' and NGOs' concerns regarding the company's 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 will promote the following strategies to address identified risks and opportunities.

Kao promotes a comprehensive approach to the sustainable use of water resources from three perspectives: reducing water use and managing water quality in its own operations, reducing water impacts across the entire value chain, and contributing to society through products and technologies.

Our mission is conserving water resources so that they remain sustainably available for future generations by reducing impacts on water resources in terms of both quantity and quality of water at every stage, including production, product use, and local communities. This will be achieved by building on initiatives at our own sites, including improving water-use efficiency and enhancing water reuse at our manufacturing sites, combined with designing products that promote efficient and effective water use, including water-saving products, as well as collaboration with stakeholders to address the specific challenges of each watershed.

We will prioritize sites exposed to high water stress, and standardize Kao's knowledge and management standards across the Group to strengthen trust and enhance the effectiveness of our measures across regions. We will also extend the knowledge gained through these initiatives across the value chain and to society as a whole, thereby aiming to pass on sustainable water resources to future generations.

(1) Maintaining water quality and ensuring access to clean water

Maintain water quality in the regions where we conduct business and operate facilities and ensure sustainable access to clean water through initiatives tailored to regional characteristics.

ACTION (1): Address substances of concern for water quality

Promote product design to minimize environmental impact through the entire lifecycle, taking into account the product lifecycle through use and post-disposal stages. Regarding microplastic beads and other ingredients that may be released into the environment during product use, take into account scientific evidence and public concerns, identify risks early, and promote the transition to alternative materials to ensuring consumer safety and peace of mind and conserve the environment.

Microplastic beads
https://www.kao.com/jp/innovation/safety-quality/ingredients-contained/plastic-microbeads-policy/

ACTION (2): Expand access to safe water

Expand communities that can secure clean water regardless of the rainy or dry season by utilizing rainwater. This also enables us to accumulate knowledge tailored to local conditions and explore opportunities to apply that knowledge to product manufacturing, process development, and product development.

Related initiative: P184 Expanding rainwater harvesting systems in Indoneshia and improving QOL

(2) Efficient Water Use and Circular Water Management

Promote the 3Rs (reduce, reuse, recycle) of water resources throughout the entire value chain to achieve sustainable water use across the entire product lifecycle.

ACTION: By implementing the 3Rs throughout the value chain, we will implement robust business continuity measures, maintain or reduce water withdrawal costs, mitigate reputational risks, and strengthen the resilience of our business.

Related initiatives: P177 Our ESG Vision & Strategy > Water Conservation > Metrics and targets > Establishing and Disclosing Site-Specific Water Management Targets in Water-Stressed Areas, P182 Initiatives during product use, P184 Expanding rainwater harvesting systems in Indoneshia and improving QOL

(3) Thorough compliance with laws and regulations within and outside Japan

Comply with international and domestic laws related to water.

ACTION: We will promote measures to address regulations related to water pollution, including those concerning microplastics. By incorporating advanced global harmonization practices, we will ensure business continuity in each market, build trust with local communities, and enhance 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 technologies, we develop and deploy products and technologies that enable the effective and efficient use and management of water across both the consumer and chemical (industrial) domains.

These initiatives help industrial customers reduce water-related risks and environmental impacts.

At the same time, Kao positions the reduction of water use in its own operations, water quality management, and the conservation of water resources within watersheds as priority issues. We position this initiative as complementing these efforts and helping to accelerate the resolution of water-related challenges across society.

ACTION (1): Develop and commercialize water-saving products and technologies to reduce the burden on consumers in their daily lives and improve customer loyalty, while also capturing growth opportunities in new markets.

ACTION (2): Contribute to reducing water risks and environmental impacts for industrial customers by promoting recycling and providing chemical products that help reduce impacts on water quality.

Leverage the knowledge gained through these technology developments to improve water-use efficiency and enhance wastewater management at our own sites, thereby contributing to improvements in the overall level of water management across our business activities.

Related initiative: P182 Initiatives during product use, P183 Initiatives in the Water Infrastucture Sector

(5) Sharing Knowledge and Collaborating with Stakeholders

Promote resilience and behavioral change through collaboration with stakeholders.

ACTION (1): Strengthening the company's and communities' resilience

Strengthen value-chain resilience under normal operating conditions and establish a corporate system for flexible disaster response. Provide products, information, and support to reduce consumer water stress, thereby enhancing community resilience.

ACTION (2): Promoting behavioral change through awareness and sharing

Share the importance of water conservation with consumers and partners and collaborate with NGOs, industry associations, communities, government agencies, and local authorities, and other stakeholders to drive behavioral transformation throughout society.

Related initiative: P182 Initiatives during product use, P183 Initiatives in the Water Infrastucture Sector, P184 Water conservation activities in Indonesia in 2025 by the Kao Life-in-Harmony Foundation (Expanding rainwater harvesting systems in Indoneshia and improving QOL), P186 Promoting efforts to drive the water cycle throughout society —Participation in the Water Cycle Company Registration and Certification System and introduction of case studies—

Impact generated by implementing the strategies

We believe that the aforementioned strategies will generate the following financial as well as environmental and social impacts.

Financial impact

- Strong demand for, and enhanced profitability of, businesses supported by efficient water-use and water-management technologies
- 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 resources and ecosystems in the watersheds where our 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 compliance with water quality 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 improving the efficiency of water use and water 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 business resilience and enabling rapid recovery should risks materialize 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 repeatedly making improvements through the PDCA cycle by regularly reviewing progress toward these targets.

The calculation scope and methodologies have been revised in the 2025 report as follows:

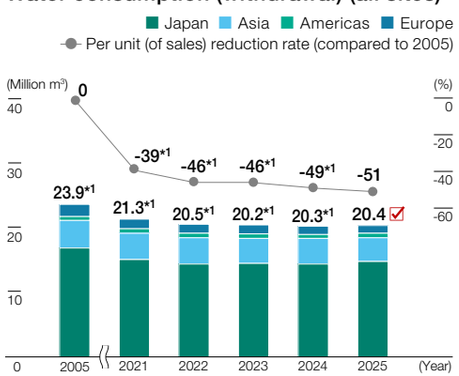
(i) Due to a review of the scope of calculation, water consumption data from Inogami Co., Ltd. in the Kao Group, have been included in the data from 2025 onward. We have also retroactively revised data from previous fiscal years to the base year of 2005. (ii) To enhance the accuracy of calculations regarding lifecycle water consumption, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. The data on lifecycle water consumption in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(2)	% reduction in water consumption per unit of sales at sites (Base year: 2005)*1	39% reduction*1	46% reduction*1	46% reduction*1	49% reduction*1	51% reduction	45% reduction	2030
(2) (5)	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	5%*2 increase	4%*2 reduction	6%*2 reduction	13%*2 reduction	18% reduction	10% reduction	2030
(2) (5)	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal)*1	KPI established in 2025; progress tracking to begin in 2026				-	100%	2030

*1 Actual figures have been revised (see note * in "water consumption (withdrawal) (all sites)" below).
*2 Actual figures have been revised (see note * in "water consumption trends throughout the product Lifecycle" on the next page).

Water consumption (withdrawal) (all sites)

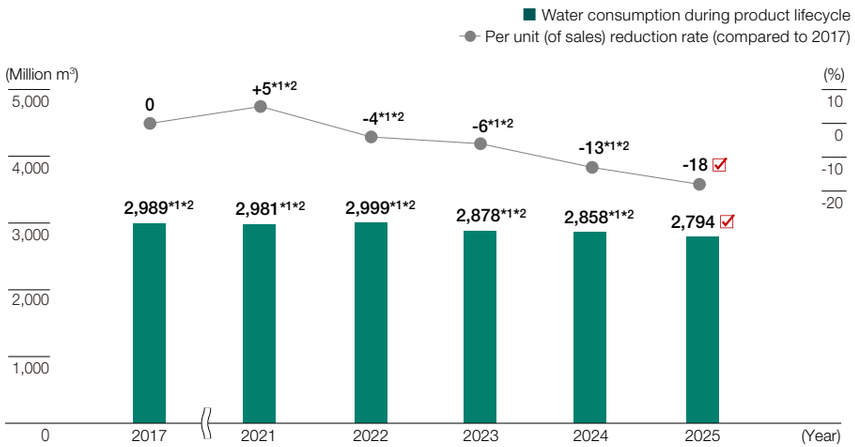


* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. Non-production sites are included from 2016 (excluding Oribe Hair Care, LLC, and Washing Systems).
* Assurance provided for water consumption (withdrawal)
*1 Due to a revision of the reporting boundary, water consumption data for Ino Paper Co., Ltd., a Kao Group company (approximately 4 million m^3 per year), has been included in the calculation boundary from FY2025, and historical data have been retrospectively revised back to the FY2017 baseline year. The impact of this revision on the reduction rate per unit of sales (compared with FY2017) is less than 1%, and the overall trend remains unchanged.

Water consumption throughout the product lifecycle (Kao Group) changed as a result of several factors, including an increase in the sales ratio of products that help reduce water use during the use phase, such as laundry detergents that require only a single rinse, as well as changes in the sales mix of laundry detergents in Asia. In addition, sales revenue increased due to price revisions implemented in response to rising raw material costs, contributing to an improvement in water consumption per unit of sales. As a result of these combined factors, water consumption per unit of sales was reduced by 18 percentage points compared with the FY2017 baseline.

Going forward, while taking into account the effects of changes in product sales mix, we will continue to expand products that contribute to reducing water consumption, with the aim of achieving both reduced environmental impacts and improved profitability.

Water consumption trends throughout the product lifecycle (Kao Group)



* "Water consumption throughout the product lifecycle" 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
*1 To enhance the accuracy of calculations regarding lifecycle water consumption, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. The data on lifecycle water consumption in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.
*2 Due to a review of the scope of calculation, water consumption (withdrawal) data from Inogami Co., Ltd. (approximately 4 million m^3/year) in the Kao Group have been included in the data from 2025 onward. We have also retroactively revised data from previous fiscal years to the base year of 2017. The impact of this revision on the intensity (net sales) reduction rate (compared with fiscal 2017) is less than 1% and does not materially affect the overall trend.

Establishing and Disclosing Site-Specific Water Management Targets in Water-Stressed Areas

In the 2025 report, we disclosed our policy of establishing site-specific targets for production sites located in water-stressed areas, together with a new KPI of achieving a 100% site-level water management target achievement rate by 2030. In this year's report, based on the results of the risk assessment and evaluation process conducted in 2025, we provide additional disclosure on the sites covered by this initiative and the specific actions being implemented.

(1) Company-wide KPI and Approach to Site-specific Water Management

Kao Group has established a company-wide KPI of achieving a 45% reduction in water consumption (water withdrawal) per unit of sales by 2030 compared with the 2005 baseline. In addition, all production sites set annual targets and continuously promote the management and reduction of water withdrawal in a systematic and ongoing manner. Building on these efforts, we are establishing water management targets for production sites located in water-stressed areas. Recognizing that water is a local resource and that its availability and associated challenges vary significantly by watershed, we regard these sites as requiring more focused management and are setting site-specific water management targets while taking into account the circumstances of each site.

(2) Identification of Priority Manufacturing Sites in Water-stressed Areas (14 Sites)

In 2024, we conducted a water risk assessment using the following approaches and identified a total of 14 production sites as priority sites requiring enhanced water management due to high water-stress risk.

- Analysis using the Baseline Water Stress indicator of WRI Aqueduct 4.0 (High or above)
- Watershed assessment results from Context-Based Water Targets (CBWT) studies conducted during 2021–2022
- Supplementary assessment of climate change impacts and policy and regulatory trends

In our water risk assessment, we use screening of all production sites based on WRI Aqueduct 4.0 as the foundation of our evaluation. In addition, for some production sites, we conduct more detailed assessments using CBWT to gain a deeper understanding of watershed characteristics.

This approach enables us to supplement quantitative assessments with a broader understanding of regional water supply-demand balances and water-related risk factors, thereby improving the accuracy of our evaluations.

Based on the results of these assessments, we identified a total of 14 sites as priority sites requiring enhanced water management, consisting of 12 sites identified through WRI Aqueduct screening and two additional sites that were subject to supplementary assessment using CBWT.

This report discloses the names and locations of these 14 sites for the first time.



1st STEP Identify 14 manufacturing sites in water-stressed areas (withdrawal-based).

3. Formulate water management targets by site

For the 14 identified sites, we conducted surveys using third-party assessment tools, performed AI analysis, and engaged with local staff between 2024 and 2025, and developed water withdrawal-related targets based on localized issues and watershed situations identified through these processes. Site-specific targets have been established at 13 sites.

These targets can be broadly categorized into the following four areas:

- Water-saving (enhanced efficiency)
- Reuse (utilizing reclaimed water and treated wastewater)
- Watershed management, including conservation and recharge of local water resources
  In particular, for sites located in areas facing serious groundwater depletion, we have established targets tailored to local issues for collaborative projects with local authorities and neighboring companies (e.g., utilizing reclaimed water).
- Achievement of management targets aimed at reducing operational impacts and future risks

We have established management items covering areas such as monitoring water-withdrawal performance, target management, emergency response preparedness, and assessment of external conditions. In addition to the mandatory common items, each site sets site-specific management targets by incorporating optional items according to its local circumstances.

4. Full-scale operations launched in 2026

In 2026, we began operations based on the targets formulated for the 13 sites. Each site is currently advancing initiatives tailored to local conditions, including reduction of water withdrawal, broader use of recycled water, effective utilization of rainwater, conservation of water resources through watershed management projects, and achievement of management targets to reduce operational impacts and future risks.

Target setting incorporating watershed management (2 sites)

Site No.	Site	Targets
14	Quimi-Kao.S.A de C.V	Aims to achieve an 80% utilization rate of reclaimed water (reclaimed water)
9 10	Kao Corporation S.A. (Mollet, Olesa)	S.A.(Mollet, Olesa) Obtained the AWS international certification

Participation in a reclaimed water pipeline installation project (Collective action)

In Guadalajara, Mexico, home to Quimi-Kao S.A. de C.V., the Kao Group's affiliate (hereinafter "Quimi Kao"), many companies use groundwater. However, its ever-decreasing availability has become a serious social issue.

To address this situation, the government of Jalisco State, where Guadalajara is located, Quimi Kao, and five neighboring companies launched a reclaimed water pipeline installation project, implementing wastewater recycling for the first time in Mexico. Wastewater from Quimi Kao and four other neighboring companies, as well as from households in Guadalajara and nearby areas, are treated to reclaimed water quality (intermediate between potable water and wastewater) at a sewage treatment facility called "El Ahogado." Reusing this reclaimed wastewater helps reduce the volume of industrial water intake.



Quimi Kao was one of the first to join this project, and aims to eventually operate the plant using only reclaimed water.

Water Withdrawal-related Targets for Priority Sites Based on Water Risk Assessment (14 Sites)

Site No.	Region	Site	2030 Goal (Base year: 2025)	Key Action
1	Asia	Kao Corporation Shanghai (China)	Water use 12% reduction*1	Increase the recovery rate of condensate generated from steam and air-conditioning systems.
2		Kao Shanghai Chemical Industries (China)	Water use 10% reduction*1	Recover and reuse cooling tower blowdown water.
3		Kao Huludao Casting Materials (China)	Water use 55% or below*1 Wash-water recovery rate 95% or higher	Increase the recovery rate of condensate from steam systems.
4		PT Kao Indonesia Cikarang Plant (Indonesia)	Achieve 100% of management targets*1	Install flow meters on individual equipment, establish water-use balances, and implement water-saving activities.
5		PT Kao Indonesia Chemicals (Indonesia)	Achieve 100% of management targets*1	Implement water-saving activities based on water consumption by individual equipment.
6		PT Kao Indonesia Karawang Plant (Indonesia)	Achieve 100% of management targets*1	Implement water-saving activities based on water consumption by individual equipment.
7		Kao Taiwan Corporation (Taiwan)	Water use 30% reduction*1	Recover and reuse cooling tower blowdown water.
8		Kao Industrial (Thailand) Co., Ltd. Rayong Plant (Thailand)	Water use 10% reduction*2	Increase the recovery rate of condensate from steam systems.
9 10	Europe	Kao Chemicals Europe, S.L. Möre Plant (Spain) Kao Chemicals Europe, S.L. Olesa Plant (Spain)	Acquire AWS certification*3	Increase the recovery rate of condensate from steam systems and assess opportunities for wastewater reuse.
11		Chemigraphic S.A. Madrid Plant (Spain)	Sanitary water use 10% reduction*2	Install sensor-operated faucets and enhance employee awareness.
12		Molton Brown Limited Elsenham Plant (United Kingdom)	Under consideration; to be set by 2027	
13		Kao Specialties Americas LLC (United States)	Achieve 100% of management targets*	Optimize cooling tower operation to prevent excessive water evaporation.
14	Americas	Kao Chemicals Mexico, S.A. de C.V. (Mexico)	Increase the utilization rate of recycled water to 80% (45% as of 2025)	Increase the wastewater recycling rate in collaboration with a local wastewater treatment facility.

*1 Per unit (of production) reduction rate *2 Absolute volume reduction rate *3 International certification: Alliance for Water Stewardship (AWS)
*4 Target items are selected according to site conditions from Kao's common water risk management items (including mandatory items) to reduce operational impacts and future risks.

4. Disclosing future progress (FY2027 edition and onward)

Starting from the 2027 report, we will annually disclose our progress towards the site-level targets by fiscal year. We will also consider adding or revising applicable sitesin accordance with impacts of climate change and evolving situations across the watersheds.

5. Kao's commitment

Kao will achieve sustainability of water resources and further strengthen co-creation with local communities through detailed water management at the site level and a watershed-based approach.

Metrics and results

Strategy	Metrics	Results			
		2022	2023	2024	2025
(2)	Water consumption in production (Million m³)	20.3*1	19.9*1	20.1*1	20.1
(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	85 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	459 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	206.6 billion yen
(2) (5)	Water conservation: Amount of contribution to reducing water consumption through products with water-saving effects* * Company-specific standards	526 million m³	523 million m³	552 million m³	571 million m³

*1 Actual figures have been revised (see note * in "Water use (withdrawal) (all sites)" on P176).

Water withdrawal amount by source (Million m³)* (all sites)

	2021	2022	2023	2024	2025
Surface water	0	0	0	0	0 ☑
Brackish water / seawater	0	0	0	0	0 ☑
Rainwater	0	0	0	0	0 ☑
Groundwater (renewable)	9.4*2	9.4*2	9.5*2	9.2*2	9.0 ☑
Groundwater (not renewable)	0	0	0	0	0 ☑
Oil-contaminated water /process water	0	0	0	0	0 ☑
City water	11.9	11.1	10.7	11.0	11.3 ☑
Wastewater from other organizations	0.01	0.03	0.05	0.10	0.13 ☑

* Boundary: All Kao Group sites (excluding Oribe Hair Care, LLC, and Washing Systems)
*2 Actual figures have been revised (see note * in "Water use (withdrawal) (all sites)" on P176).

Wastewater discharge by destination (Million m³)* (all sites)

	2021	2022	2023	2024	2025
Rivers / lakes	6.9*3	6.9*3	7.2*3	6.9*3	6.9 ☑
Brackish water / seawater	5.7	5.0	4.9	5.2	5.2 ☑
Groundwater	0	0	0	0	0 ☑
Sewage system	2.9	2.7	2.5	2.7	2.6 ☑
Wastewater to other organizations	0	0	0	0	0 ☑
Total	15.5	14.6	14.5	14.7	14.7 ☑

* Boundary: All Kao Group sites (excluding Oribe Hair Care, LLC, and Washing Systems)
*3 Actual figures have been revised (see note * in "Water use (withdrawal) (all sites)" on P176).

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 progress toward 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 mechanism to incorporate external perspectives into management.

Furthermore, as a specific initiative focused on water conservation, the Responsible Care Promotion Committee, chaired by the Executive Officer (Corporate Planning) meets once a year. This committee formulates policies, develops plans for the following 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 essential knowledge for advancing the Kirei Lifestyle Plan in both English and Japanese, and we have been delivering water conservation-themed content globally in both Japanese and English since 2021.

P62 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	Address substances of concern for water quality	Promoting rainwater harvesting systems in Indonesia and improving quality of life	
	(2) Efficient use and circulation management of water volume	3R initiatives at operational sites (e.g., use of reclaimed water at Quimi-Kao)	Establishing and disclosing site-specific water management targets in water-stressed areas	Expanding the adoption of existing water-saving products through promotional activities and reducing water consumption during product use
	(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	Launching and Improving Products for Water Infrastructure	
External collaboration	(5) Sharing and collaboration with consumers and stakeholders	Water conservation education (Let's Save Water Together)	Promoting efforts to drive the water cycle throughout society —Participation in the Water Cycle Company Registration and Certification System and introduction of case studies—	Water conservation activities in Indonesia in 2025 conducted by the Kao Life-in-Harmony Foundation (promoting rainwater harvesting systems and improving quality of life in Indonesia)
		Promotion of the corporate advertising series, "Wastefulness—Mottainai. Never today, nor tomorrow."		
		Promoting water conservation activities in the supply chain using the CDP Supply Chain Program	Preparing for situations where water is unavailable (hair washing and hygienic support)	

Initiatives during product use

Region: Japan, Asia
Corresponding strategies: (2) (4) (5)

Initiatives in the Product Use Phase

Kao recognizes that reducing water use, particularly in the use stage of the product lifecycle, is crucial for sustainable use of water resources. We continue to promote an approach that reduces water consumption through product design through product design, without placing an excessive burden on consumers in terms of awareness or behavioral changes.

Kao launched Attack Neo, a laundry detergent designed to reduce water consumption during laundry by enabling effective washing with a single rinse cycle, in Japan in 2009. In 2019, Kao introduced Attack ZERO, which delivers high cleaning performance, deodorizing power, and minimal detergent residue while supporting water-efficient laundry practices. The product can be used with a single rinse cycle, including in drum-type washing machines, which typically operate with lower water consumption. In 2024, Attack ZERO was further improved to remove biofilm, one of the causes of odor recurrence, at its source and deliver an exceptionally high level of deodorizing performance. Kao has also expanded the single-rinse concept to powder detergents through Attack ZERO Perfect Stick, a stick-type laundry detergent that can be used with a single rinse cycle. In 2024, Kao launched Attack ZERO Perfect Stick for Indoor Drying, designed to address the unpleasant odors that can develop when laundry is dried indoors, thereby responding to increasingly diverse consumer needs. Laundry detergents designed for use with a single rinse cycle are currently available in Japan, Taiwan, and Hong Kong.

Kao has also succeeded in reducing the amount of water required for rinsing in other product categories through its fundamental research focused on foam. In 2010, Kao launched Merit Shampoo, which reduces the amount of rinse water required by approximately 20% compared with conventional products. This was followed by the launch of CuCute dishwashing detergent in 2014, which reduces rinse water use by approximately 20%, and Bath Magiclin bathroom cleaner in 2015, which reduces rinse water use by approximately 10%.

True to the core principle forming the foundation of Kao's water conservation strategy, all these products are designed to require less water during use without requiring behavioral change in consumers.

Reducing Water Consumption During Product Use Through Changes in Dishwashing Behavior —*CuCute, No-Scrub Foam Pack*—

To curb water use in the product use stage, Kao takes an approach of not only improving the washing performance but also transforming consumers' dishwashing behavior itself.

One such example is *CuCute No-Scrub Foam Pack*, which was launched in 2025.

One feature of this product is that it enables users to remove dirt by simply spraying foam over dishes and rinsing them, without individually rubbing them with a sponge. High cleaning performance powered by enzymes, combined with a spray design that distributes foam over a wide area, reduces the need for rewashing and extended use of running water. It has been confirmed that this curbs water use by approximately 20% during rinsing, compared with our conventional products (Kao's estimate). We position this product as a new option that helps reduce dishwashing time while contributing to lower water consumption during product use.



A new water-saving approach through User Experience Innovation — *Bioré u the Body Foaming Type for Shower Head* —

Kao is also pursuing a new approach to reducing water use by transforming the user experience itself, in addition to improving conventional cleansing formulations. As one example, at the end of 2024, Kao launched the *Bioré-u the Body Foaming Type for Shower Head*. This product dispenses a soft, skin-friendly foam body wash from the shower head, improving cleansing efficiency while reducing rinsing time by an advantage of approximately 25%. By combining foam quality control technology with optimized water flow design, it reduces friction on the skin while reducing rinsing time by an average of approximately 25% and total water use by approximately 30% compared with

conventional washing methods (Kao estimate). User feedback indicates that the product enables water savings without compromising comfort, noting that they can “save water without being conscious of it” and “reduce water use while maintaining a comfortable user experience.” The product has been well received for its design, which enables water conservation without compromising user comfort.

Going forward, Kao will continue to advance the quantitative understanding and technological enhancement of water use reduction during the use phase through foam quality control, water flow analysis, and analysis of actual usage data. Kao will also expand the potential for water reduction through innovation in the user experience by applying the technical knowledge and validation results obtained from new product development to other product categories. Through the development of products and services that balance consumer comfort with environmental considerations, Kao will continue to contribute to the realization of sustainable water use.

In addition to these product design initiatives, Kao continuously promotes water conservation through encourages awareness and action. Through the corporate advertising series “Mottainai. Never today, nor tomorrow.”, which has been running since 2022, this fiscal year we focused on everyday activities such as dishwashing and bathing and communicated products and usage methods that help save water simply by using them through a variety of channels, including social media, videos, and transit advertising. Through these efforts, Kao aims to position environmentally conscious behavior not as a special effort, but as a natural choice in everyday life.



Initiatives in the Water Infrastructure Sector

Region: Japan
Corresponding strategies: (2) (4) (5)

Through its Chemical Business, Kao contributes to the maintenance and renewal of aging water and sewerage infrastructure while conserving water resources and reducing environmental impact. In Japan, the number of water and sewerage pipes that have exceeded their expected service life of 50 years is projected to grow. Left unaddressed, this increases the risk of sinkholes, making timely solutions essential.

One measure to address aging infrastructure is pipeline decommissioning through a “plugging” method, in which unused pipeline closure through a plugging method. Compared with conventional products, filler materials using Kao’s *VISCO TOP* 500K and *VISCO TOP* 500HF offer superior water resistance and fluidity, enabling efficient filling by displacing stagnant water remaining in the pipeline without mixing with it.

Wastewater contaminated with filler material must be treated as industrial waste; however, these properties significantly reduce the volume generated. As a result, both impacts on water quality and the burden on waste treatment processes are reduced, contributing to both water resource conservation and reduced environmental impact.

This technology received the Grand Prize at the Japan Resilience Award 2025 in recognition of its improving infrastructure safety and strengthening resilience.

Technology Contributing to the Eradication of Subsidence Accidents Wins Prize of Excellence at the Japan Resilience Award 2025
https://chemical.kao.com/jp/topics/topics2025/news-160/

Expanding rainwater harvesting systems in Indonesia and improving improve quality of life (QOL)

Region: Indonesia

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

The Kao Life-in-Harmony Foundation, established and funded by Kao Corporation to address serious water issues in Indonesia and achieve Kao's purpose of "realizing a Kirei World in which all life lives in harmony," has partnered with PT. Gama Inovasi Berdikari (Director: Ridha Nurul Azizah; hereinafter "GIB"), which works jointly with local governments to develop and promote the adoption of rainwater harvesting and purification systems. The Foundation is advancing an initiative for sustainable lifestyles called "Program RAIN (an acronym of "Rahmat Allah untuk INdonesia," meaning "God's blessings for Indonesia") by supporting the promotion of GIB's system and providing hygiene knowledge.

The program supports Girimulyo, a village in Panggang City, Gunung Kidul Regency, an area known in Indonesia for water scarcity. In FY2025, the Foundation and GIB first surveyed all households in the village and assessed the living conditions and residential environment by conducting fieldwork and utilizing drones. The results showed that many households and facilities did not have access to sufficient water for daily hygiene activities such as laundry and bathing.

Based on the survey results, we deployed a rainwater harvesting system called "Gama Rain Filter (GRF)" at 18 locations in the village this fiscal year. GRF is a sustainable system developed by the national Gadjah Mada University, equipped with multiple filtration mechanisms that can be maintained by local residents. Thanks to the deployment, approximately 1,000 residents gained access to rainwater for domestic use.

Starting this year, Kao Indonesia has joined the initiative and conducted its hygiene education program for people (#Kao BERGERAK) in the areas where GRF systems were installed in the village. With the participation of the village chief, local hygiene officers, and many residents, we were able to launch infrastructure and educational support this fiscal year. When we visited communities we supported in the previous year, residents gave us encouraging feedback, saying "The money we used to spend on water can now go toward our children's education."

In the next fiscal year and onward, we will continue to provide support focused on households and facilities identified through the latest survey, thereby improving local residents' QOL.



Installation of the GRF system: Transportation and installation carried out with the cooperation of villagers



The installed GRF system





Water supplied through GRF supports daily life, including tasks such as handwashing and laundry

Preparing for Water Scarcity and Emergencies (hair washing and hygienic support)

Region: Japan
Corresponding strategy: (5)

As a company contributing to people's QOL through cleanliness, beauty, and health, Kao is developing solutions for washing hair and maintaining hygiene when adequate access to water is unavailable during disasters and emergencies. Given that restricted access to water resources significantly affects consumers' health and increases their psychological stress, we emphasize preparedness and awareness even during normal times and conduct joint initiatives with public authorities and disaster prevention centers.

Sponsorship of Yokohama City's Hamakko Bosai Project

Kao sponsored Yokohama City's Hamakko Bosai Project to enhance disaster awareness among children. In the Hamakko Bosai Guide, a disaster preparedness guidebook distributed to local junior high school students, we introduce ways to wash hair and keep clean without using water.

For children in their developmental years, maintaining hygiene even during disasters is essential for mental and physical health. Our mission is to help them understand disaster preparedness as a natural extension of everyday life. Specific feedback regarding our sponsorship will be assessed at a later stage.

Educational and sales activities at the Tokyo Rinkai Disaster Prevention Park

Kao conducted educational and sales activities for the Kao Waterless Hygiene Set, which is designed to help maintain hygiene when water is unavailable, at the Tokyo Rinkai Disaster Prevention Park. This initiative was inspired by our commitment based on our approach to addressing hygiene concerns that consumers may experience during disasters.

This facility is known for attracting many visitors who are interested in disaster preparedness. During and after the event, many visitors showed strong interest in the product while considering specific scenarios of life during a disaster. As part of disaster preparedness stockpiling, this is helping promote understanding of options for maintaining cleanliness without water.

The issue of constrained water resources poses significant challenges and stress for people not only during disasters but also in everyday life, due to climate change and regional water stress. Kao will address such issues to help enhance consumer resilience by delivering information and offering products that support clean and comfortable living that is mindful of water use.

Moving forward, we will continue to tackle the challenge of living with water scarcity while ensuring sustainable use of water resources and adequate hygiene conditions across more regions and in a wider range of situations.



The Kao *Waterless Hygiene Sets* contains four items that help people stay clean even without access to water.

Promoting efforts to drive the water cycle throughout society —Participation in the Water Cycle Company Registration and Certification System and introduction of case studies—

Region: Japan

Corresponding strategies: (2) (5)

Kao has joined the Water Cycle Company Registration and Certification System operated by the Ministry of Land, Infrastructure, Transport and Tourism and other organizations to promote sustainable water use and a healthy water cycle. This system aims to foster broader societal momentum to address water-cycle-related challenges by visualizing initiatives that contribute to the water cycle and registering and certifying them based on the results. Depending on the nature of the initiatives, they are evaluated under two categories: Water Quantity & Quality, which focuses on direct contributions to the water cycle, and Human Resources & Funds, which evaluates contributions through human resources, funding, and other support.

In FY2025, a total of 148 companies were registered or certified as water cycle companies, with 145 certified as “Water Cycle ACTIVE Companies,” and three registered as “Water Cycle CHALLENGE Companies.” Among them, 21 were certified in both the Water Quantity & Quality and Human Resources & Funds categories. Meanwhile, 16 companies were certified across the two categories in both FY2024, when the system was launched, and FY2025. Kao is one of those companies.

As in the previous year, Kao applied for renewal in both categories in FY2025 and obtained certification. The certification recognizes our continued efforts to curb water use through business activities and outreach and awareness-raising activities, including the provision of educational materials on water conservation.

At the Corporate Partnership Fair attended by certified companies, Kao introduced our Let’s Save Water Together initiative in the case studies booklet distributed to attendees. This booklet is used to introduce a wide range of corporate initiatives that support the water cycle.

Going forward, Kao will utilize opportunities for information sharing and collaboration provided through this system to support the continued implementation and advancement of water cycle initiatives by registered and certified companies.

水循環認証 ACTIVE

Employees' opinions

Applying core technologies based on interfacial science to deliver value to the civil engineering industry



Shunsuke Moriyasu
Chemical Business
Performance Chemicals
Eco InfrastructureKao Corporation

The Chemical Business addresses issues faced by customers and industries on a global scale by providing innovative solutions. I work in the Eco infrastructure team, which helps tackle issues in the construction industry, including aging public infrastructure, through products based on interfacial science expertise cultivated over many years. In this article, I will introduce one such product called VISCO TOP 1000CP-D.

It is a thickener used when installing piles, one of the key components of structures. Among the various pile foundation methods available, the pre-bored piling method is one of the most widely used. This method involves excavating the ground using heavy machinery, then filling the borehole with a liquid material called cement milk—a mixture of water and cement—before installing a concrete pile. As it generates relatively little noise and vibration, it has a lower environmental impact and is suitable for use in urban areas.

However, some regions are extensively covered with what is known as gravelly soil, characterized by large particle sizes. When using this method in such soil, there is a risk that the cement milk will fluid loss through the gravel and spread into the surrounding ground. This could result in increased costs, and the escaped cement milk may adversely affect nearby rivers and groundwater.

For construction in such soil, we recommend VISCO TOP 1000CP-D. When added to cement milk, this product enhances its viscosity while maintaining fluidity, thereby preventing leakage. Thanks to our efforts to promotion and awareness-building this product, it has been adopted for projects nationwide, from Hokkaido to Kyushu. For example, when pre-bored piling method projects are planned in areas subject to groundwater conservation ordinances etc., our dealers actively propose this product. Recently, in an area where well water is used for daily needs, a contractor concerned about potential leakage into groundwater advocated to local authorities and councils to recommend this product, which ultimately led to its adoption. Through these practical applications, this product has demonstrated not only its economic value achieved by preventing leakage, but also its environmental benefits.

While we rarely think about it in our daily lives, water flows deep beneath the ground we walk on, and in some areas, it is a precious and indispensable resource. The research and business divisions will continue working together to deliver value that only Kao can offer even in such invisible areas.



Stakeholder engagement

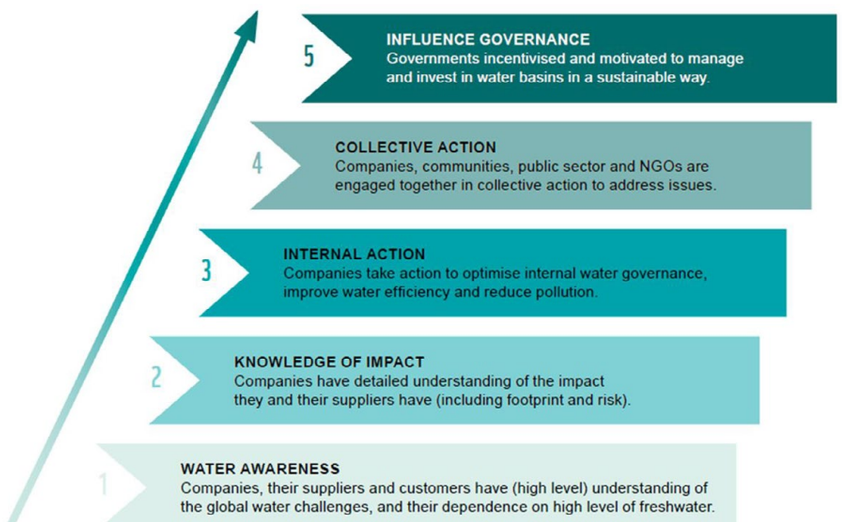
Putting water stewardship into practice

Mei Haneo
Freshwater Group,
Conservation Division,
WWF Japan

In recent years, various water-related issues such as restrictions on water withdrawal, impacts on agriculture due to drought, flood damage across regions, and health concerns caused by PFAS have become increasingly apparent in Japan. To tackle these multi-dimensional water challenges, including quantity, quality, flooding, governance, and WASH (water, sanitation and hygiene), a watershed-level perspective is essential. While corporate initiatives tend to prioritize direct operation sites such as plants, these single site efforts are insufficient to address watershed issues. It is essential to collaborate with diverse stakeholders across the watershed and adopt basin-wide approach that goes beyond individual corporate sites. Globally, companies are increasingly expected to contribute to equitable and sustainable water use and management through such initiatives across social, cultural, environmental, and economic dimensions. Known as “water stewardship,” these efforts serve as the foundation for companies to proactively engage in water conservation and promote sustainable water use and management.

WWF proposes the following water stewardship ladder that was designed to illustrate the journey companies tend to make with water over time. : (1) raising awareness on water; (2) sharing knowledge on environmental impacts and dependencies; (3) internal action including efforts across supply chain; (4) collective action and stakeholder engagement ; and (5) governance engagement. Compared to the previous year, Kao’s water-related initiatives have progressed in areas (1), (2), and (4). Specifically, through communication with individual sites, the company has been identifying watershed-level challenges and setting contextual water targets. Meanwhile, in Indonesia, the rollout of rainwater harvesting systems has begun, along with their

water stewardship into practice



socioeconomic benefits to local communities.

Based on water stewardship, Kao is expected to take the following three steps: 1) extend contextual water target setting beyond its own sites (establish water conservation targets that encompass the entire supply chain); 2) enhance initiatives across the supply chain accordingly; and 3) further strengthen on-the-ground activities and commitments.

Kao's existing targets and initiatives mostly focus on its own operational sites. However, extending the scope across the entire supply chain is crucial. Under its responsible sourcing policy, Kao is already working to reduce environmental impacts across the supply chain. In conjunction with these efforts, reducing water impact at raw material production sites would be an effective approach.

Ideally, such initiatives would be implemented at the watershed level, rather than being limited to production improvement at raw material sourcing farms. Watershed-level initiatives are not something any single company can achieve alone. They require collaboration with suppliers and stakeholders across the watershed, with local authorities fulfilling their respective roles (actively engaging in and influencing governance).

Initiatives such as the WASH activities in Indonesia have the potential to be further developed in this direction. We hope that Kao will strengthen these initiatives by engaging stakeholders such as other companies, organizations, public authorities, and NGOs, addressing on-site challenges, and replicating and expanding these initiatives to other regions.

The water stewardship journey is long, requiring sustained effort over time while navigating back and forth across the ladder. Currently, Kao is steadily progressing along this path. We look forward to its continued efforts to take a leading and pioneering role sustainable water management by extending on-site activities across the supply chain and deepening collaboration with stakeholders.

Kao's response to the views expressed last year

Based on the feedback from Ms. Haneo of WWF Japan, Kao has taken its efforts to address water risks as regional challenges a step further. In 2025, we identified 14 sites with high water-stress risk through assessments using WRI Aqueduct and Context-Based Water Targets (CBWT), and established site-specific water management targets.

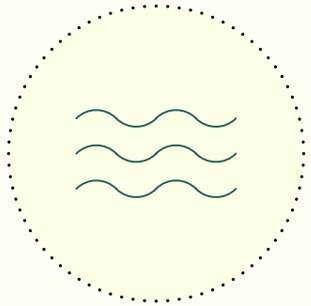
At each site, initiatives are being implemented in accordance with local characteristics and risk conditions. These include reducing water withdrawal, increasing the use of reclaimed water and rainwater, promoting watershed management, and setting management targets aimed at reducing operational impacts and future risks. Concrete activities based on these targets have been underway since 2026.

Across the supply chain, we continue to utilize the CDP Supply Chain Program to monitor suppliers' water conservation efforts and promote ongoing engagement and dialogue.

Going forward, we will continue our efforts to conserve water resources from a watershed perspective and will regularly disclose progress on these initiatives.

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

- 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

Plants	(1) Accurate management to prevent air and water pollution
	(1) Reduce emissions of chemical substances
	(1) Prevent air pollution caused by fuel combustion
	(2) Reduce emissions of volatile organic compounds (VOCs)
	(2) Prevent water pollution caused by wastewater discharge
	(2) Prevent groundwater and soil contamination
Products	(3) Contribute to the prevention of air and water pollution caused by products
	(3) Prevent water pollution caused by wastewater from product use
Logistics	(2) Prevent air pollution in logistics

Metrics, targets and results

Metrics	Targets	2025 results
% of plants which disclose VOC and COD pollution load (1)	100% 2025	VOC 94% COD 80%
Number of deviations from environmental laws and regulations (1) (2)	–	3
Total emissions of chemical substances subject to the PRTR system (2)	–	3.7 tons
NOx emissions (1)	–	333 tons
SOx emissions (1)	–	33 tons
VOC emissions (1)	–	3.8 tons
COD pollution load (2)	–	72 tons
Environmental risk assessment of surfactants (3)	–	Low

Initiatives

- Monitoring and management using self-imposed controls stricter than regulatory values, and compliance
- Management and reduction of emissions of substances subject to the Japanese PRTR system
- Use of fuels with low air pollution
- VOC emission management and reduction
- Management and reduction of pollutants associated with wastewater
- Investigation and prevention of groundwater and soil contamination
- Water based pigmented inkjet ink that contribute to the prevention of air pollution
- High-performance specialty thickener that contributes to the prevention of water pollution
- Environmental risk assessment of surfactants (Participation in industry activities)
- Smart logistics in collaboration with Lion Corporation

Financial impact

- Environmental Conservation Cost – Investment Amount: 3,172 million yen
- Economic effects as a result of environmental conservation measures: 4,820 million yen
- Total fines for environmental law violations: 221 thousand yen

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

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

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 at plants and across supply chain areas and reduced profits due to operational shutdowns caused by regulatory violations
- 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

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: P194 Initiatives to prevent air pollution in plants, P195 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: P195 Initiatives to prevent air pollution in plants, P195 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: P194 Initiatives to prevent air pollution in plants, P196 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 maintaining strict standards that go beyond legal and regulatory requirements, we ensure compliance with global regulations while minimizing 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.

Following a review of the scope of calculation, the calculation scope for the ratio of factories disclosing COD emissions and COD pollution load was changed to include only factories that discharge industrial wastewater directly into public water bodies. As a result, the data, including historical data, have been revised.

Targets and progress

Strategy	Metrics	2021	2022	2023	2024	2025	Mid- to long-term targets: Target value	Mid- to long-term targets: Year
(1)	% of manufacturing sites disclosing VOC air emissions and COD pollution load * Applies to manufacturing sites that directly discharge industrial wastewater into public water bodies.	VOC 65% COD 80%* (100%)	VOC 68% COD 80%* (100%)	VOC 84% COD 80%* (100%)	VOC 94% COD 80%* (100%)	VOC 94% COD 80%*	100%	2025

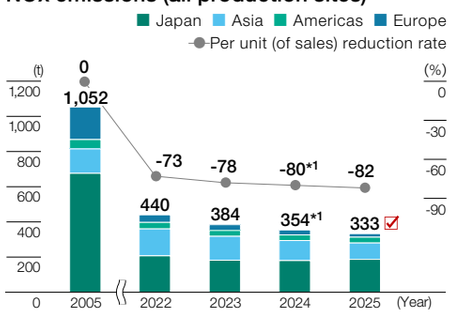
* Following a review of the scope of calculation, the calculation scope was changed to include only factories that discharge industrial wastewater directly into public water bodies. As a result, data have been revised retroactively to 2021. Inogami Co., Ltd. in the Kao Group, is not included in the calculation scope.
Values in parenthesis are based on former definition.

Metrics and results

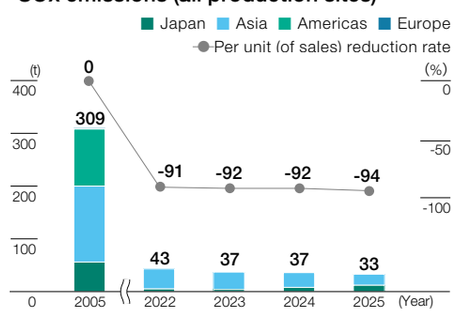
Strategy	Metrics	Results: 2022	2023	2024	2025
(1)	NOx emissions (all production sites)	440 tons	384 tons	354 tons*1	333 tons ☑
(1)	SOx emissions (all production sites)	43 tons	37 tons	37 tons	33 tons
(1) (2)	Total emissions of chemical substances subject to the PRTR system	2.1 tons*2	5.3 tons*2	4.2 tons*2	3.7 tons
(1)	VOC air emissions of chemical substances Boundary: Kao Group production sites in Japan	6.8 tons	5.0 tons	4.1 tons	3.8 tons ☑
(1) (2)	COD pollution load (specific production sites)	80 tons*3	73 tons*3	66 tons*3	72 tons ☑

*1 NOx emissions from ESP cogeneration, which started in 2024, were emitted by the gas turbine service operator and have therefore been excluded from the recalculated figures.
*2 Revised to correct errors in the Sustainability Report 2025, including the omission of certain emission media and incorrect fiscal years.
*3 Following a review of the scope of calculation, the calculation scope for COD pollution load was changed to include only factories that discharge industrial wastewater directly into public water bodies. As a result, the data, including historical data, have been revised. Inogami Co., Ltd. in the Kao Group, is not included in the calculation scope.

NOx emissions (all production sites)

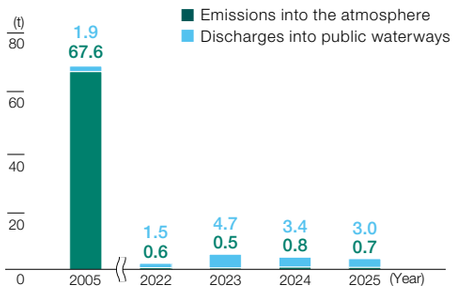


SOx emissions (all production sites)



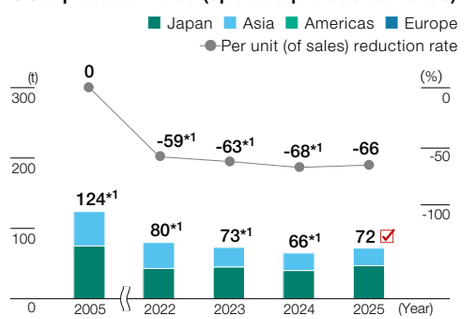
* Assurance provided for NOx emissions
*1 NOx emissions from ESP cogeneration, which started in 2024, were emitted by the gas turbine service operator and have therefore been excluded from the recalculated figures.

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 (specific production sites)



*1 From 2025, the calculation scope for COD load was changed to include only factories that discharge industrial wastewater directly into public water bodies. As a result, COD load data for 2005 and 2022–2024, as well as the reduction rates for 2005 and 2022–2024, have been revised.
* Assurance covers COD load data.
* Inogami Co., Ltd. in the Kao Group, is not included in the calculation scope.

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 32 types of VOCs in quantities over 1 ton in 2025, with total emissions into the atmosphere of 3.8 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 2023, surfactant leaked from a facility of Kao Specialties Americas LLC into a river (fine of 832,000 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. In 2025, KCSA in Berbera, Spain exceeded the regulatory limit for nitrate concentration (resulting in a fine of 221,000 yen), and Kao Specialties Americas in the United States reported two surfactant leak incidents (no fines imposed). Environmental laws and regulations include permits, standards, and regulations for water quality.

Compliance with environmental laws and regulations

Classification	Unit	2021	2022	2023	2024	2025
Number of deviations*1	Cases	3	0	1*3	3	3
Of which, number of leaks	Cases	0	0	1*3	0	2
Of which, water quality	Cases	0	0	0	0	1
Total fines*2	1,000 yen	3,178	–	–	35,010	221
Of which, number of leaks	1,000 yen	0	–	–	–	–
Of which, water quality	1,000 yen	0	0	–	0	221

*1 All incidents detected by authorities during the reporting period
*2 Fines paid during the reporting period
*3 Revised actual measurements (Recalculated due to omission in calculations)

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 the ESG Managing 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). 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.

P62 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 (P194-196).

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 products for Chemical Business 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 2025, 129 target chemicals were handled in quantities of 1 ton or more, with a total emissions into the atmosphere and public waters of 3.7 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, we have established necessary management metrics for ongoing monitoring at each site.

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.

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.

*1 VOC-free: VOC emissions (carbon equivalent) in the printing process are 700 ppmC or less.

LUNAJET®
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/m^3 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.

*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.

Visco Top UT
https://chemical.kao.com/content/dam/sites/kao/chemical-kao-com/en/products/catalog_glen_B0089661.pdf

LUNABIND H-100, an environment-friendly, biomass-derived soil conditioner

Clay paving is widely used in school grounds and parks. However, when soil deteriorates due to extreme weather and similar factors, rainwater may not be properly drained, resulting in muddy conditions. Furthermore, the surface of dried soil is prone to releasing fine particles. When blown by wind, these particles may adversely affect the health of local residents and the environment. For this reason, ongoing improvements in clay paving performance are needed.

Building on the soil aggregation technology Kao has cultivated in the agriculture field, we developed *LUNABIND H-100* through extensive observation of soil particle interfaces and research into interaction energy. *LUNABIND H-100* aggregates soil particles into larger, heavier clumps, thereby preventing them from being lifted and scattered by wind. As a granular soil conditioner, *LUNABIND H-100* helps minimize dust dispersion when applied to the ground.

- Development of *LUNABIND H-100*, an Environment-Friendly, Biomass-Derived Soil Conditioner
  https://chemical.kao.com/jp/infrastructure/topics/news-037/
- *LUNABIND*, an Environment-Friendly, Biomass-Derived Soil Conditioner
  https://chemical.kao.com/jp/infrastructure/product/lunabind/

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.

Alkali-free professional-use detergent *SMASH*
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.



Stakeholder engagement

Evaluation and expectations for Kao's initiatives in air & water pollution prevention

Kenji Furukawa
Professor Emeritus, Kumamoto University

The Kao Sustainability Report 2025 highlights the company's unwavering commitment to contributing to a circular society. In 2025, Kao once again received the highest rating of Triple A from CDP, an international NGO, across three categories: Climate Change, Forests, and Water Security. Only two companies in the world have been rated CDP Triple A for six or more consecutive years, indicating that Kao's corporate commitment to building a sustainable world as a consumer goods company has earned exceptionally high global recognition.

The following are my observations on Kao's FY2025 initiatives to prevent air and water pollution, as presented in its sustainability report and environmental data book.

1. Initiatives to prevent air pollution

Kao's NOx emissions across all production sites have shown a consistent downward trend, which is commendable. While SOx emissions, mostly from its production sites in Asia, have remained limited since 2021, I encourage the company to take prompt action. The total release of chemical substances subject to PRTR has been drastically reduced compared to 2005 levels. Although the recent increase is attributable to changes in the scope of regulated substances that took effect in April 2023, the releases should be further reduced.

In 2025, 3 cases of non-compliance with environmental regulations occurred at overseas sites, which resulted in fines. To prevent recurrence, governance across these sites should be further strengthened.

2. Initiatives to prevent water pollution

The COD emission loads from all of Kao's production sites had been steadily decreasing before finally rising in 2024. The COD emission loads from production sites in Japan remain low thanks to well-maintained plant wastewater treatment facilities. In contrast, the emissions from production sites in Europe and Asia increased in 2024. Since the wastewater treatment performance is affected by both qualitative and quantitative changes in manufactured products, effective localized measures are required to reduce COD emission loads.

For many years, Kao has been trying to reduce the volume of sludge generated from wastewater treatment facilities. In June 2025, at the Toyohashi Plant, Kao introduced a wastewater treatment method that places tubifex worms at the top of the food chain. Data collection is currently underway, and I look forward to learning about the method's impact. The key to this treatment method is creating a suitable culture environment for tubifex worms. I hope that the data will reveal the environmental conditions suitable to the species' survival and demonstrate the system's cost-effectiveness. The findings should be utilized to support the broader application of this eco-friendly treatment method at suitable facilities across Kao's plants in the world.

3. Expectations for Kao

I'd like to commend Kao for developing environmentally friendly products, including: eco-Peko Bottles, which reduce plastic use by as much as 40%; fire-extinguishing agents free of PFAS; LUNAJET, a VOC-free, water-based pigmented inkjet ink; Visco Top, an additive used in grout and concrete to prevent watershed pollution; Smash, an alkali-free industrial detergent; and CuCute, a dishwashing detergent that requires less water for rinsing. I encourage Kao to continue developing such products.

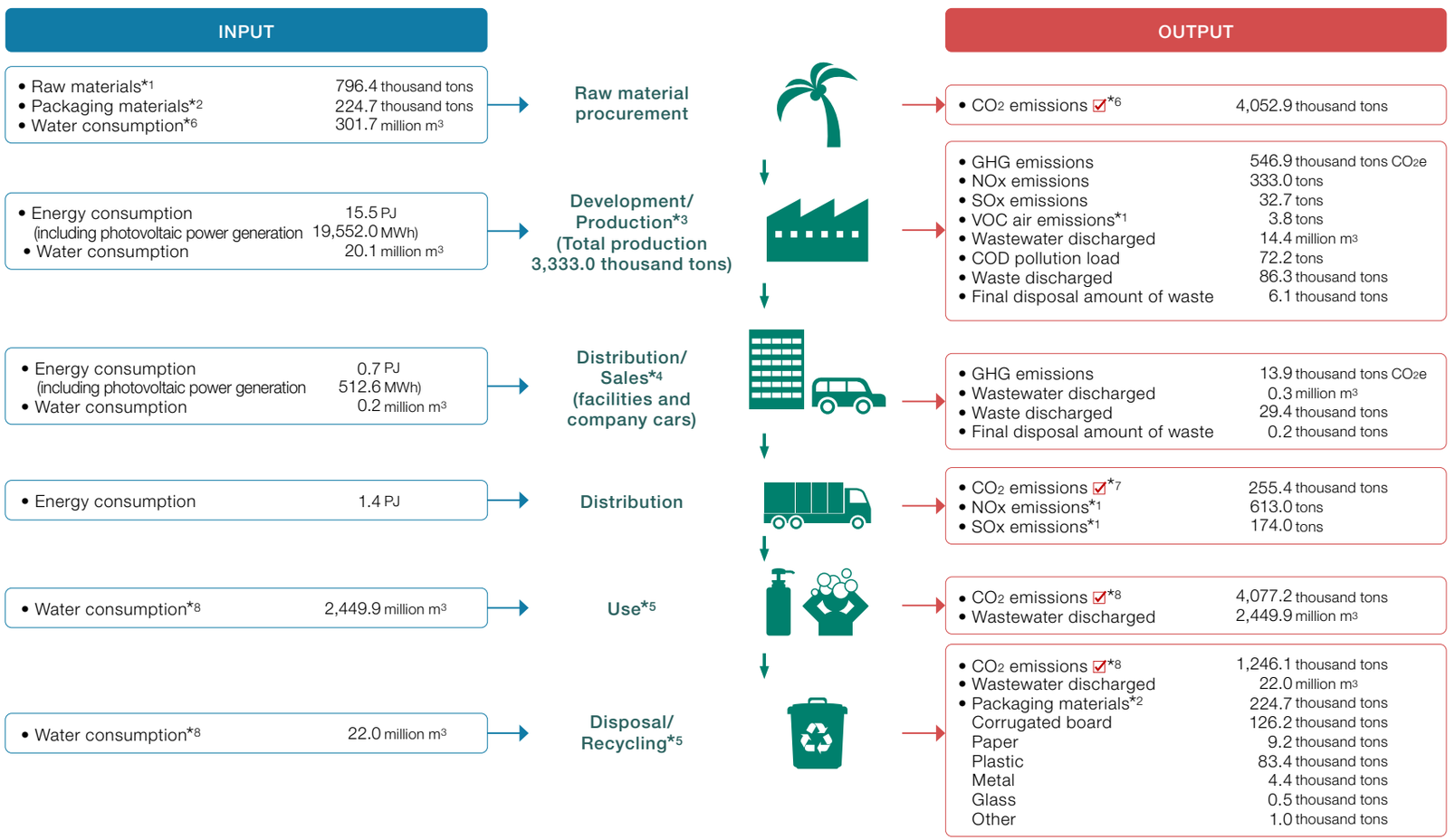
In the summer of 2025, we saw extreme heat waves around the world. Although Japan is traditionally known for having four distinct seasons, spring and fall are becoming less pronounced, raising concerns that the country may be shifting toward a two-season climate characterized by prolonged summer and winter. Global warming is an urgent issue that cannot wait and requires a global response, but it is deeply regrettable that the United States, the world's second-largest emitter of greenhouse gases, withdrew from the Paris Agreement in February 2026. In particular, developed countries are planning to use fossil fuels to generate power to meet the enormous electricity demand for AI technologies, which will certainly accelerate global warming and air pollution. Under these circumstances, I expect Kao, as a proponent of ESG-oriented manufacturing, to serve as a global leader in advancing a circular society.

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.

2025 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 CO_2 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 CO_2 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 CO_2 emissions and water usage during use or per-unit CO_2 emissions and water usage during disposal by the annual sales number of consumer products

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

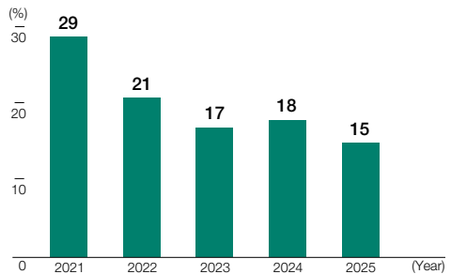
- **GHG emissions**
  Total amount of greenhouse gas emissions from sites (seven GHGs defined in the Kyoto Protocol) (in CO_2 equivalent, Scope 1+2)
- **CO_2 emissions**
  The amount of CO_2 emitted from manufacturing raw materials, consuming energy and decomposition of ingredients
- **NOx emissions**
  Total amount of NOx emissions from smoke-and soot-emitting facilities and transportation
- **SOx emissions**
  Total amount of SOx 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.

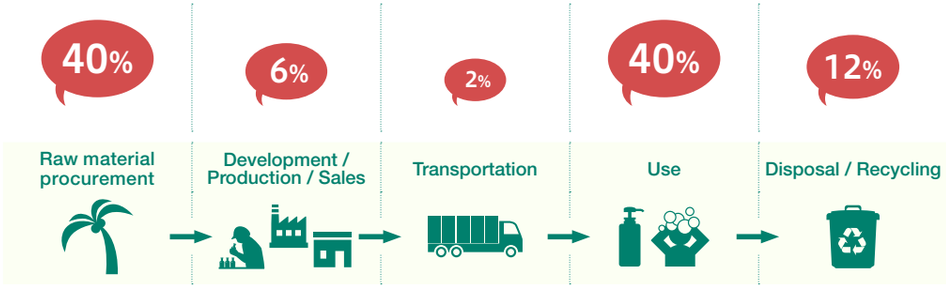
In 2025, the sales ratio of products (consumer products in Japan) displaying the “eco together” logo was 15%, which represented an decrease compared to the previous year.

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/

Share of CO_2 emissions accounted for by each state of the product lifecycle for Kao products



Shares of overall water use held by each stage in Kao’s product lifecycle



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.

2025 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, 2025 to December 31, 2025

Related initiative: P198 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.

Environmental conservation costs (categories corresponding to business activities)

(Unit: millions of yen)

Categories		Key activities	Japan		Asia, the Americas, Europe	
			Investment	Cost*3	Investment	Cost*3
(1) Business area costs			664	4,534	1,630	11,356
Breakdown	(i) Pollution prevention	Air pollution prevention, water contamination prevention	171	1,873	826	1,961
	(ii) Global environmental conservation	Energy conservation	318	651	424	2,265
	(iii) Resource circulation	Resource conservation, waste processing and disposal	175	2,010	381	7,130
(2) Upstream/downstream costs		Plant and equipment for eco-conscious products, packaging recycling	0	2,577	0	2,047
(3) Administration costs		Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites	0	1,156	84	454
(4) R&D costs		Eco-conscious R&D	794	7,010	0	1,265
(5) Social activity costs		Nature and environmental conservation and tree-planting activities outside worksites, donations	0	21	0	29
(6) Environmental remediation costs			0	0	0	55
Total			1,458	15,297	1,714	15,206

Environmental conservation costs (categories corresponding to areas of environmental conservation measures)

(Unit: millions of yen)

Categories	Key activities	Japan		Asia, the Americas, Europe	
		Investment	Cost*3	Investment	Cost*3
(i) Cost related to global warming measures	Energy conservation	318	651	415	1,336
(ii) Cost related to ozone layer protection measures	Switch to CFC alternatives	0	0	9	880
(iii) Cost related to air quality conservation measures	Air pollution prevention, dust pollution prevention, malodor prevention	4	405	173	624
(iv) Cost related to noise and vibration measures	Noise prevention	0	7	130	76
(v) Cost related to environmental conservation measures for aquatic, ground, and geologic environments	Water contamination prevention	168	1,461	497	1,246
(vi) Cost related to waste and recycling measures	Resource conservation, industrial waste reductions, recycling	175	4,587	381	7,331
(vii) Cost related to measures to reduce chemical risks and emissions	R&D on products and production	794	7,010	0	1,262
(viii) Cost related to nature and environmental conservation	Nature and environmental conservation and tree-planting activities outside worksites, donations	0	15	22	150
(ix) Other costs	Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites	0	1,162	84	2,300
Total		1,458	15,297	1,710	15,206

Economic effect associated with environmental conservation activities*4

(Unit: millions of yen)

Details of benefits		Japan	Asia, the Americas, Europe
		Amount	Amount
Revenue	Sales value of valuable resources and fixed assets	285	474
Cost reductions*5	Reduction in costs through energy conservation	296	300
	Reduction in costs through resource conservation	819	1,633
	Reduction in operation costs (maintenance costs, etc. of eco-conscious equipment)	31	983
Total		1,430	3,390

*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.

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

- 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 personnel 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, Metrics, targets and results, Initiatives

Strategy	Metrics	Targets	2025 results	Initiatives
Overall: (1) Building and operating a company-wide, autonomous compliance system	Number of serious compliance violations* (1) (3) (4) (5) (6) (7)	0 annually	0	Revision of the Kao Business Conduct Guidelines Compliance risk mitigation activities —Verification of the effectiveness of measures to prevent recurrence— (1) (4)
Overall: (2) Improving the level of activities by utilizing external evaluations	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	Annual confirmation of anti-bribery and conflict of interest avoidance (1) Selected as one of the World's Most Ethical Companies® for 20th consecutive years (2)
Risk reduction: (3) Establishing and accurately operating a reporting and consultation hotline	Number of compliance reports and consultations (3)	–	474	Compliance hotline and re-notification (3)
	Number of cases where a fact-finding investigation was conducted due to concerns about a violation (3)	–	339	
Risk reduction: (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)	–	133	Centralized management of compliance hotline case records (3)
	Number of disciplinary actions (dismissals, voluntary resignations) (3)	–	22	
	Number of legal proceedings related to anti-competitive behavior and bribery (1) (4) (7)	–	0	
Employee training: (5) Raising awareness of compliance through employee education				Education and promotion of the Kao Business Conduct Guidelines (1) (5) Promotion and establishment of employee compliance awareness (5) Kao Group initiatives to prevent harassment (5) BCG refresher test and compliance awareness survey (5)
External collaboration: (6) Promoting compliance and respect for human rights with business partners	Expenditure on industry organizations (7)	–	562 million yen	Collaboration with stakeholders (6) Advocacy activities (7)
External collaboration: (7) Anti-bribery and conflict of interest avoidance	Expenditure on lobbying activities and political contributions (7)	–	0 yen	Sharing our insights on compliance with outside groups (7)

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

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
- 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)

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

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: P209 Revision of the Kao Business Conduct Guidelines, P209 Compliance risk mitigation activities—Verification of measures to prevent recurrence, P209 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: P213 20 consecutive years on the World's Most Ethical Companies® 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: P209 Compliance hotline and re-notification, P210 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 determine appropriate responses. The Compliance Committee reviews the appropriateness and effectiveness of these measures and then follows up on their implementation to ensure thorough enforcement.

(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: P210 Education and promotion of the Kao Business Conduct Guidelines, P211 Promotion and establishment of employee compliance awareness, P212 BCG refresher test and compliance awareness survey, P212 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: P212 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: P213 Advocacy activities, P214 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
- 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)

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 drive continuous improvement.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1) (3) (4) (5) (6) (7)	Number of serious compliance violations*	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	2025
(3)	a. Number of compliance reports and consultations	488	647	434	474
(3)	b. Number of cases where a fact-finding investigation was conducted due to concerns about a violation	264	322	243	339
(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	133
(3)	d. Number of disciplinary actions (dismissals, voluntary resignations)	15	30	18	22
(1) (4) (7)	e. Number of legal proceedings related to anti-competitive behavior and bribery	0	0	0	0
(4)	f. Fines and settlements related to anti-competitive behavior and bribery	0 yen	0 yen	0 yen	0 yen
(7)	g. Expenditure on industry organizations	436 million yen	535 million yen	573 million yen	562 million yen
(7)	h. Expenditure on lobbying activities	0 yen	0 yen	0 yen	0 yen
(7)	i. Political contributions	0 yen	0 yen	0 yen	0 yen

a. Trends in the content of reports

We received 474 reports and consultations (including from group companies outside Japan). While the number of reports and consultations had slightly stabilized in 2024, it increased again in 2025, reaching a level comparable to that of 2022.

The breakdown of the reports and consultations (excluding inquiries about personnel and accounting, compliance procedures, feedback, and cases of violations by other companies) in 2025 is as follows: about 29% are related to harassment, such as power harassment; about 28% are related to fraud and violations; about 16% are related to human relations; and about 16% are reports and consultations related to work and work attitudes in the workplace. These four categories account for about 89% of the total. More than 90% of 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 474 reports and consultations, 339 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, 133 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 23 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 22 cases of misconduct, such as embezzlement, theft, and conflicts of interest, 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 FY2025, 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

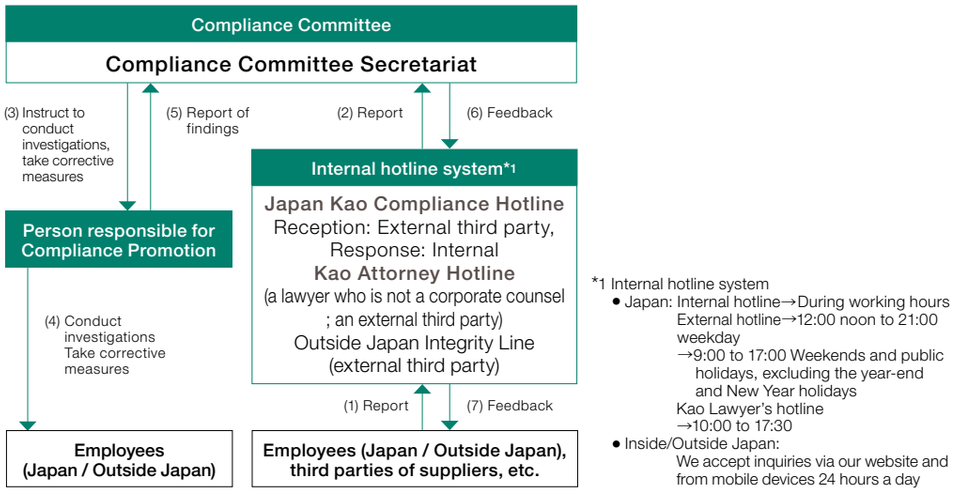
	Expenditures
Verband der Chemischen Industrie	40
Japan Soap and Detergent Association	35
Personal Care Products Council	34

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.

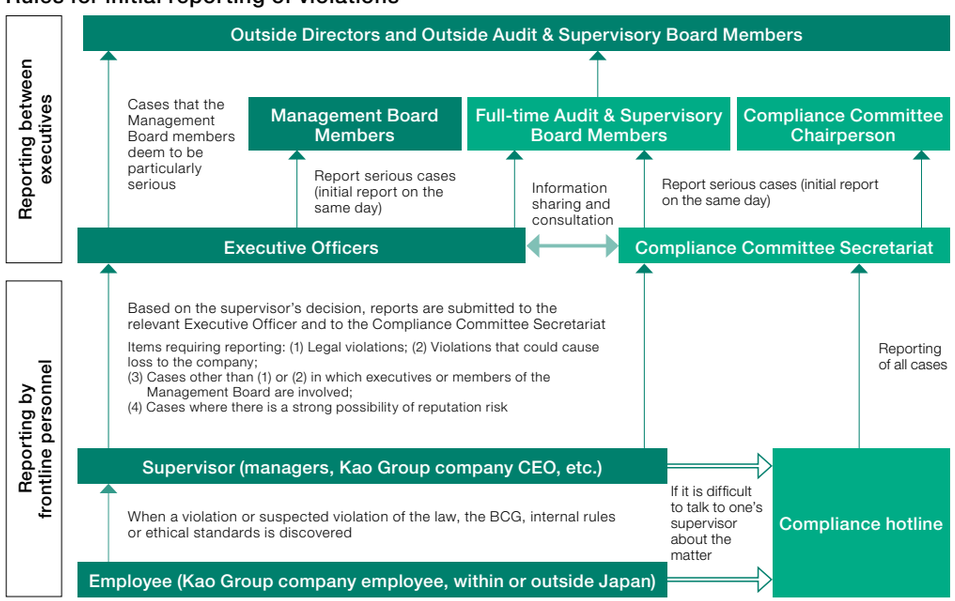
P62 Our ESG Vision and Strategy > Governance

Compliance hotline response system



*1 Internal hotline system
- Japan: Internal hotline→During working hours
  External hotline→12:00 noon to 21:00 weekday
  →9:00 to 17:00 Weekends and public holidays, excluding the year-end and New Year holidays
  Kao Lawyer's hotline
  →10:00 to 17:30
- Inside/Outside Japan:
  We accept inquiries via our website and from mobile devices 24 hours a day

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. (1) Early detection and resolution of legal and ethical violations, etc., through reporting and consultation, and (2) Identification of company issues, etc.
2. Promoting understanding of the Kao Business Conduct Guidelines (BCG) through educational activities for employees, and promoting continuous growth and change
3. 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 unchanged since the most recent revision in April 2019, the content was reviewed in 2025 based on social expectations and the Company's circumstances. The revised guidelines came into effect in January 2026 (see below).

- 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. In addition, Kao has established the Guidelines for Activities with External Organizations to ensure that such activities are conducted appropriately while confirming public benefit, compliance with social norms, and potential risks.
- In marketing and advertising, we ensure fair content and appropriate expressions based on facts, refrain from making exaggerated statements about our impact on society and the environment, and take into consideration a wide range of people, including those who may be considered socially vulnerable. In addition, we stipulate that information about competitors or their 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 to explain the details of the BCG items.

- **"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, Anti-Bribery Guidelines also stipulate that "we will not engage in any form of bribery or other corrupt practices, including dishonest business practices and 'facilitation payments,' in any region of the world." They also clearly state that "no political contributions shall be made, and donations shall be made in accordance with the 'Kao Global Donation Guidelines.'" Furthermore, in the event of a violation, an investigation will be conducted and, as necessary, appropriate disciplinary action will be taken.

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, the implementation status is summarized every six months and posted on the company intranet to share it with the *Genba* divisions, where it is also confirmed that the number of cases implemented and applications submitted are consistent with actual practices. In addition, the guidelines stipulate operational measures to prevent bribery, including the assessment of 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"**

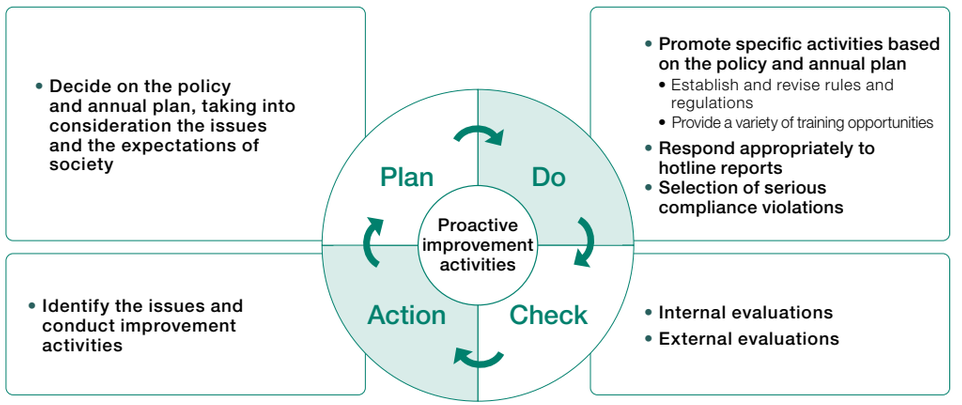
The policy was established in 2015 as the policy for respecting human rights within Kao Group.

- **"DE&I Policy"**

This policy, which was formulated in 2023, is a policy that advocates respect for diversity.

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, and improvement.



Plan (Planning)

Formulation of activity policies and annual activity plans, the Executive Officers' Meeting reporting to the Board of Directors as appropriate. Approval by the Compliance Committee chair.

Do

Promoting activities (establishing and revising regulations, providing training opportunities), and responding to reports.

- **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. The identity of the whistleblower and details such as the specific reported matter will be handled as confidential information only by personnel involved in the compliance hotline and will not be shared with any third parties. 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.

• Selection process for serious compliance violations

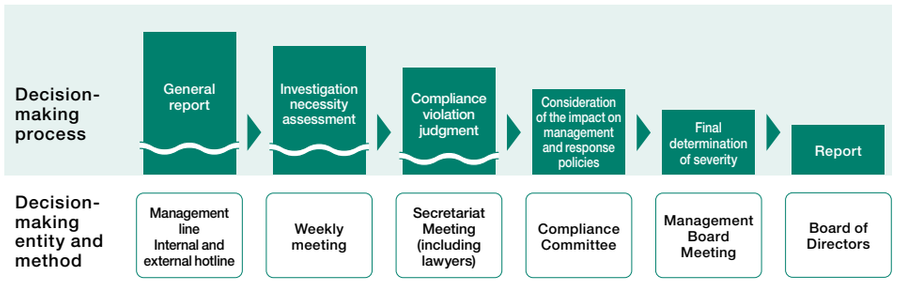
The serious compliance violations refer to compliance violations that have a significant impact on management and significantly damage corporate value. Based on the egregiousness of the violations (materiality / significance of the violations of laws and ordinances, intentionality, continuity and organizational 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 Exective Officer's Meeting 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 investigation results and the discussions at the monthly Compliance Committee Secretariat Meeting, the the Secretariat Meeting 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.

* Please see the initiatives (P209-214).

KLP KPI Decision-making process for determining the applicability of serious compliance violations

For all reports and consultations, a final decision regarding the applicability of serious compliance violations is made, after investigating the need for an investigation and determining whether or not there has been a compliance violation, and considering the impact on the company and the response policy.



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

To assess the health of the workplace environment, 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 susupension from work, 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

Based on the action principles of the Kao Way (“We care for people & the planet,” “We think from the *Genba*” “We trust, respect & need each other,” and “We act with courage”), employees are evaluated based on whether they demonstrate the expected behaviors in their daily work. In addition, OKR, which is used to evaluate employee performance, is expected to set 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. Based on this advice, Kao identifies issues arising from reports and consultations and develops measures to prevent recurrence, thereby working to prevent serious violations before they occur.

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 identify and incorporate items on which we have not yet taken action into next year’s activities as appropriate.

Action (Improvement)

Identification of issues and improvement activities based on the evaluation results above.

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	Revision of the Kao Business Conduct Guidelines Compliance risk mitigation activities —Verification of the effectiveness 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® for 20th consecutive years	
Risk reduction	(3) Establishing and accurately operating a reporting and consultation hotline	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
		Kao Group initiatives to prevent harassment	BCG refresher test and compliance awareness survey
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 divisions 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 the departments in charge 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. For the cases identified, we 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 address and improve the issues identified.

In 2025, approximately six months after the implementation of measures to prevent a recurrence of the “serious potential compliance violations” case selected in 2024, the Compliance Committee reviewed the implementation status of the measures and verified whether they were functioning effectively, based on information including the results of employee questionnaires.

Revision of the Kao Business Conduct Guidelines

Region: Global
Corresponding strategy: (1)

Since their establishment in 2003, the Kao Business Conduct Guidelines (BCG) have been revised periodically in response to changes in the business environment surrounding the company and developments within the Kao Group.

In this latest revision, taking into account the Charter of Corporate Behavior Implementation Guidance issued by Keidanren, the Guidelines aim to promote mutual prosperity with the supply chain while clarifying the company’s stance and reaffirming its commitment to respect for human rights. In addition, to further deepen employees’ understanding of the BCG, the structure has been designed to make the expected behaviors easier to understand by linking them to specific cases from the Kao Business Conduct Guidelines Casebook.

Furthermore, comments were solicited not only from the divisions responsible for each chapter but also from group companies outside Japan, and their input has been reflected in the revision.

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. The status of reporting of relevant matters to the Compliance Committee Secretariat is then confirmed.

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.

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 access to the reporting and consultation hotline, a system is in place that allows employees to contact the company from their personal smartphones by scanning the two-dimensional barcode on posters displayed at worksites. In addition, on company-issued smartphones, an icon for compliance-related content is displayed on the home screen by default so that compliance information can be accessed at any time.

Centralized management of compliance hotline case records

Region: Global
Corresponding strategies: (3)

The Kao Group records and stores reports and consultations related to compliance in a database and strives to understand the compliance status of the entire group. In 2025, a future vision was formulated with the aim of leveraging AI to support the management of case-handling progress. Going forward, we will continue to enhance and refine the system in collaboration with the Digital Strategy Division, we will identify signs of compliance issues and take actions at an early stage.

Education and promotion of the Kao Business Conduct Guidelines

Region: Global
Corresponding strategies: (5)

We will strive to maintain open workplace environments in which each employee is strongly committed to preventing compliance violations, and in which any identified issues are promptly reported and appropriately addressed. We will also continue to foster employee-friendly workplaces where employees respect and consider one another's perspectives.

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 continuously 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.

Based on this approach, Kao provides education as appropriate in accordance with the systematic training programs shown below. Through this education, we provide opportunities for employees to enhance their awareness and encourage them to 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. Regarding the compliance hotline, we ensure that employees are aware of and able to use the internal whistleblowing system by providing training and intranet communications on BCG's principles of Corporate ethics, the content of the rules for operating compliance hotlines, and how to use the hotline. We also address it as a topic in compliance case studies on our intranet when sharing feedback from the compliance awareness survey.

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 such as prevention of corruption, prevention of bribery, prevention of harassment, and compliance with competition laws including appropriate payments, in formats and content tailored to the needs of the organization in response to requests from divisions.

Furthermore, we regularly provide opportunities for all employees to reflect on compliance, and conduct BCG refresher tests and compliance awareness surveys every year. Education related to laws and ordinances 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 actual incidents that have occurred, so that employees can develop a sense of crisis and awareness of issues.

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	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) ; monthly from 2026
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	In a timely manner
	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

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 2025, through the Chairperson of the Compliance Committee's message, "Don't take it for granted. Express your 'Thank you' to one another, and together, let's create 'A World of Thank You!'," we conveyed the importance of expressing gratitude and showing mutual respect.

Along with this message from the Chairperson of the Compliance Committee on posters, compliance messages and other communications were shared across the group 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 deepen their understanding of issues and challenges, and 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. (From 2026, this program will be rolled out globally.)

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 the BCG refresher test in 2025 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 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).

With regard to these results, 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. Through these efforts, we ensure that employees do not have to face issues alone, and we can engage sincerely with the other party and take the necessary steps toward resolution.

In 2025, the President once again delivered a video message on the prevention of harassment, emphasizing that Kao does not tolerate harassment under any circumstances and that the company is committed to protecting employees who have experienced harassment.

Collaboration with stakeholders

Region: Global
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 manufacturing 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 a compliance perspective when asking them to respond to human rights risk surveys by Sedex and when giving feedback.

P138 Responsibly Sourced Raw Materials > Collaboration with stakeholders, P232 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," which applies to the entire Kao Group.

The responsibility department, which leads each activity, regularly assesses, reviews, and monitors participation according to the guidelines, and reports the status of these confirmations to the Corporate Planning Division.

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 P204 for the results)

Twenty consecutive years on the World's Most Ethical Companies® list

Region: Global

Corresponding strategy: (2)

In March 2026, 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 20 consecutive years since it was established in 2007. In 2026, 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 Division gives lectures at universities and university law schools on corporate legal affairs and corporate governance. In 2025, a total of seven lectures on general corporate law, compliance, and corporate governance were delivered at the faculties or law schools of five universities.

The person in charge of compliance also visited another company at its request and delivered a lecture on compliance in January.

Employees' opinions

Promoting Compliance in the EMEA Region



Heiko Maile
Vice President, REO, Legal & Governance EMEA Region

In my view, effective governance is governance that:

- Prevents misconduct and reduces operational and legal risks
- Enhances the quality of decision-making through clear processes and controls
- Builds trust with employees, customers, authorities, and investors
- Supports sustainable growth rather than short-term gains

A strong governance model strikes a balance between speed and control, enabling sound business decisions while ensuring that actions remain ethical, well documented, and subject to review.

Effective corporate governance is the framework through which a company is directed and controlled to ensure responsible decision-making, transparency, and long-term value creation. It is not only about complying with laws and policies, but also about fostering a culture of integrity that enables management to make decisions while remaining accountable to stakeholders.

Governance must be globally consistent while remaining workable at the local level. With regulatory frameworks, enforcement intensity, and business practices differing across regions, effective governance means adapting implementation to local realities while aligning the organization with common standards without lowering expectations.

To further strengthen this objective, we have developed an online Business Conduct Guidelines training program designed for employees' on-demand use and linked it to the One Kao site. At the same time, we also offer in-person training sessions in a classroom setting.

Based on internal needs, we continue to strengthen our training portfolio across a wide range of topics, including BCG refresher tests, competition law training, dawn raid response training, personal data protection, trademarks/IP, social media law, product claims and labeling, copyright and intellectual property protection, anti-bribery, and confidential information protection.

Going forward, we will continue to update and deliver the latest training programs while incorporating new topics as needed.

We will also further deepen our understanding of the company's policies, rules, and related guidelines to ensure appropriate decision-making and proper documentation.

Our goal is to remain the most ethical company beyond 2026.



Stakeholder engagement

Renewed attention to the elimination of traditional forms of sexual harassment

Naotaka Kawamata
Attorney-at-Law,
Marunouchi Sogo Law Office

Kao's response to the views expressed last year

The Kao Group does not position compliance activities as initiatives limited to internal operations. In addition to making the "Kao Way" and the "Kao Business Conduct Guidelines" publicly available, the Group has been promoting broader compliance efforts by encouraging business partners to understand and support the transaction-related provisions of these guidelines, thereby advancing initiatives across the entire supply chain. In light of discussions on the amendment to the Act on Comprehensive Promotion of Labor Policies, which is scheduled to come into effect during the year and will mandate measures against customer harassment, a message from top management was also communicated to employees last April, reaffirming that harassment constitutes a violation of human rights and declaring that "harassment will not be tolerated under any circumstances and employees will be protected." Awareness-raising activities were subsequently carried out based on this message. Furthermore, as part of our commitment to promoting initiatives across the entire supply chain, we have also proactively informed partner companies of our compliance reporting hotline.

Against the backdrop of a social environment in which a number of incidents and accidents have occurred that have significantly changed public awareness of harassment, reports from outside the company increased by eight year on year to a total of 72 cases. We regard this as a result of the increased awareness of the reporting hotline. Of these, 12 reports were related to compliance violations within partner companies or business partners that were reported to Kao. While we cannot directly intervene in the internal affairs of our business partners, we have worked with them to address and respond to the matters reported.

At the end of last year, the Kao Business Conduct Guidelines were revised in response to changes in the social environment. Beyond merely revising the Guidelines, Kao will continue to work to ensure that employees once again understand their underlying principles, recognizing that respecting colleagues and treating one another with courtesy and consideration are essential to eliminating harassment-like behavior throughout the organization, including across the supply chain.

- Japanese
https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/sustainability2025-all.pdf
- English
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2025-e-all.pdf

At Kao, a secretariat has been established as a subordinate body of the Compliance Committee. A secretariat meeting is held once a month, with members including representatives from various departments, such as the Compliance Department. I attend these secretariat meetings as an external advisor.

As a result of ongoing efforts by companies to eliminate harassment, what may be described as "classical" or textbook examples of sexual harassment and power harassment have, at least on the surface, largely disappeared in recent years. Accordingly, it appears that many companies have shifted their focus toward more advanced measures, such as awareness-raising initiatives addressing insensitive remarks stemming from a lack of gender awareness.

At Kao's Compliance Committee (Secretariat), various awareness-raising initiatives have been undertaken to eliminate harassment. In addition, efforts have been made to promote changes in employee awareness through the concept of "civility" (courtesy and consideration), and to encourage employees to "speak up." Through these proactive activities, employee awareness has gradually improved, and trust in the Compliance Committee (Secretariat) appears to be increasing.

However, amid increased media attention on traditional forms of sexual harassment, I

have the impression that such conduct is once again surfacing within companies. It is unlikely that these classical forms of sexual harassment had been eradicated; rather, they had merely remained latent beneath the surface. It is conceivable that they have re-emerged, triggered in part by media coverage. For example, in closed environments where personnel transfers are rare, employees in vulnerable positions may have coped with inappropriate remarks or conduct by those in senior or managerial roles, lacking in civility, by becoming desensitized and resorting to silently accepting and enduring the harassment as a means of self-protection. Against this backdrop, media coverage may have encouraged individuals to muster the courage to “speak up.” In addition, increased workforce mobility in recent years has brought in new members, which may have led to a renewed recognition that practices previously taken for granted are, in fact, inappropriate.

At Kao as well, as in many other companies, there appears to be a tendency for traditional forms of sexual harassment to surface. From the perspective of the Compliance Committee (Secretariat), it is necessary, now more than ever, to promote changes in employee awareness through the concept of “civility” (courtesy and consideration), and to continue encouraging employees to “speak up.” In the previous sustainability report, reference was made to the establishment of compliance throughout the supply chain. It is reported that there were 13 reports from subcontractors in 2024 and 12 in 2025. Given their position, subcontractors might find it hard to speak up to Kao (and its employees), just as Kao employees may feel hesitant to voice concerns to senior or managerial staff. Accordingly, it is important that Kao employees engage with supply chain partners with a sense of civility, and that an environment be further developed in which subcontractors can more easily “speak up.”

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

- Deterioration of reputation and decline in sales due to the inability to reflect the needs and requests of consumers, customers and society in products and services, as well as insufficient or delayed 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 information infrastructure, as well as an increased burden on human resources for information dissemination activities
- 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 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

Strategy

Disclosure of Information	(1) Disclosure of information on ingredients and themes of high social interest
	(4) Action for sustainability information disclosure
Information Infrastructure	(2) Improve communication and internal activities through the development of information infrastructure
Information Control	(3) Maintain and control information quality based on international standards and scientific knowledge

Metrics, targets and results

Metrics	Targets	2025 results
Percentage of consumer product brands for which people can easily access complete ingredients information (1)	100% In 2030	22%

Initiatives

- Disclosure of information on ingredients and themes of high social interest that anticipate social needs (1)
- TCFD (The Task Force on Climate-related Financial Disclosures) (4)
  P143 Our Progress > Decarbonization
- TNFD(The Task Force on Nature-related Financial Disclosure) (4)
  Kao TNFD Report
  https://www.kao.com/global/en/sustainability/nature/biodiversity/tnfd-report/
- Promotion of the Kao ESG Data Platform Project to support full transparency (2)

Financial impact

- Higher sales by strengthening ties with customers through information disclosure
- Cost reduction through improved operational efficiency and accuracy by building information tecnology infrastructure (reducing working time to approximately one-tenth to one-hundredth of previous levels and equivalent to a reduction of 9,000 working hours per year (Calculated based on the time saved per case.))
- 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
- Enhanced transition to a sustainable society through strengthened collaboration with business partners via sustainability-related information

* 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 accessibility to information regarding evaluations of products, brands, and companies, along with a heightened risk of the spread of false information 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 (ISSB, 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 the inability to reflect the needs and requests of consumers, customers and society in products and services, as well as insufficient or delayed 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 information infrastructure. Increased burden on human resources for information dissemination activities
- 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 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.

Strengthening mutual trust through proactive and transparent 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. That policy is: to become an essential company in a sustainable world. Kao's information dissemination is backed by accurate and honest data, grounded in a steadfast pursuit of scientific truth. 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, 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: P223 Disclosure of information on ingredients and themes of high social interest that anticipate 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, through the development of an information infrastructure related to ESG data, we quickly and accurately identify and share information across the entire Kao Group, as well as at the business and product levels, and leverage this information for *Yoki-Monozukuri* and communication with consumers and customers. The resources generated through the significant efficiency improvements in these operations are then utilized to create higher added value.

Related initiative: P223 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 while conducting manufacturing based on international standards and the latest scientific knowledge. In addition, we maintain and manage 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 disclose information to people, society, and the planet. In addition to information subject to disclosure obligations under laws and regulations, we actively respond to inquiries related to ESG from various organizations, including information on chemical substance management, as well as CDP, S&P, TCFD*1, and TNFD*2.

P143 Our Progress > Decarbonization

Initiatives for Biodiversity, Kao TNFD Report
https://www.kao.com/global/en/sustainability/nature/biodiversity/tnfd-report/

*1 TCFD: The Taskforce on Climate-related Financial Disclosures
*2 TNFD: The Taskforce 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 (for example, reducing the time required for the same task to between one-tenth and one-hundredth)
- 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
- Enhanced transition to a sustainable society through strengthened collaboration with business partners via sustainability-related information

Strategic resilience

Two-way communication that accurately captures external interests and proactive information disclosure have become essential for earning social trust. In addition, by developing advanced information infrastructure, we can globally grasp the current situation more quickly and accurately and anticipate future trends to support decision-making. Through these efforts, we also contribute to improving the quality of internal activities, thereby helping to realize sustainable development for people, society, and the planet.

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 by continuously making improvements 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						Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	Percentage of consumer product brands for which people can easily access complete ingredients information	12%	18%	22%	22%	22%	100%	2030

Metrics and results

With regard to the disclosure of fragrance ingredient names, there were no disclosures for new brands. However, in the hygiene living care business field, we disclosed fragrance ingredient names for 16 products, including seven new products within brands that have already begun disclosing such information. In the cosmetics business field, disclosures were made for 23 products.

Strategy	Metrics	Results		
		2023	2024	2025
(4)	Number of products for which complete targeted ingredient information was newly disclosed or updated (annual results and cumulative total since the start of disclosure)	55 (cumulative total: 388)	94 (cumulative total: 482)	39 (cumulative total: 521)

Five years have passed since we began initiatives to disclose fragrance ingredient names. However, in Japan, consumer interest in fragrance ingredient names remains limited to certain product groups and has not expanded widely across many products. Going forward, we plan to continue disclosing the latest fragrance information, focusing on high-priority products, including brands marketed globally.

At the same time, it is necessary to redefine what information consumers currently expect and to review our transparent brands strategy.

For disclosure of ingredients that are attracting public attention, please refer to Safer Healthier Products.

P100 Our Progress > Safer Healthier Products

In building the platform for ESG-related information, we established the underlying global IT environment and launched the application. Following the launch of the application, significant improvements in operational efficiency have been achieved.

From April 2025, a team responsible for aggregating and analyzing CO_2 emissions data, which forms the basis of environmental-related data, joined the project, and progress toward completing the themes set at the project's launch is on schedule.

In addition, the IT infrastructure environment established last year is increasingly being utilized outside the project as well.

Governance

Under the supervision of the Board of Directors, ESG Division is in charge of promoting activities, and the head of ESG Global Action Promotion supervises these activities. At the ESG management committee, we report on fragrance ingredient name disclosure progress and the progress status of projects related to system development and infrastructure construction.

P62 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Policies

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, we disclose and update information with a focus on fields and product groups with particularly high disclosure demand. Once a year, progress is compiled and KPI performance is reported to the ESG Managing Committee. 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 (P223).

C (Evaluation of results)
Core leader meeting: Held at phase transition points according to the progress of each development theme (seven meetings were held in FY2025). Progress reports are provided to the core leaders and proposals for transition to the next phase are presented.

Project manager meeting: Held weekly. The leaders responsible for promoting each working group report the progress to the project managers and raise issues requiring action.

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 positions the disclosure of fragrance ingredient names contained in its products as an important theme and is promoting initiatives as part of its information disclosure efforts to enhance consumer confidence and trust. Since introducing a system in 2022 that automatically links the function for creating lists of fragrance ingredient names with the web-based Product Catalog, we have been promoting the disclosure and updates of information, focusing primarily on new brands and new products.

In 2025, we steadily disclosed and updated fragrance ingredient names when we introduced new products and updated information within existing brands, covering 16 products in the hygiene living care business field and 23 products in the cosmetics business field. On the other hand, the current KPI uses the “number of brands subject to disclosure” as its calculation indicator. This makes it difficult for the figure to change unless disclosures are made for new brands, and the KPI achievement rate stood at 22% as of the end of 2025.

In addition, in light of changes in the market environment, we recognize the need to review our strategy regarding the disclosure of fragrance ingredient names. In the market in Japan, at present, requests for such disclosures remain limited to certain product groups and have not expanded widely. Meanwhile, for globally developed brands and brands sold in the Americas and EMEA markets, the disclosure of fragrance ingredient names became a common expectation. These differences in regional expectations represent an important point to consider when determining our future disclosure policies and priorities.

Kao believes that acting in anticipation of social expectations, rather than waiting for rising public interest or regulatory trends, is part of its responsibility as a company contributing to the realization of a sustainable world. Going forward, based on the achievements and challenges identified to date, we will further examine our disclosure strategy, including the appropriate design of KPIs. At the same time, we will continue to effectively promote the disclosure of information on ingredients and themes of high social interest, including fragrance ingredient names, while setting priorities that reflect our business plans and market characteristics.

* For details on ingredients other than fragrances that are of high social concern, please refer to Safer Healthier Products (P100).

P100 Our Progress > Safer Healthier Products

Promotion of the Kao ESG Data Platform Project to support full transparency

Region: Global
Corresponding strategy: (2)

Kao is promoting the Kao ESG Data Platform Project with the aim of strategically utilizing ESG information and further improving transparency. This project adopts a company-wide structure in which the head of ESG Division and the head of Digital Strategy Division, serve as the owners and representatives from the business, sales, R&D, and Enterprise Information Systems serve 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 top management through the ESG Managing Committee and the ESG Promotion Meeting.

Through this project, we have developed a cloud-based data infrastructure and built applications for searching and aggregating the necessary information, with the aim of centrally managing and utilizing ESG-related data on a global basis. These systems have already been incorporated into practical operations and contribute to improving the speed and accuracy of responding to regulatory requirements and handling inquiries from research organizations, as well as in aggregating performance data for activities under the KLP (such as CO_2 emissions and packaging usage). In addition, the cloud-based data infrastructure that has been developed is being increasingly utilized not only within this project but also in other areas of operations.

Verification of the application’s implementation effects shows that working time has been reduced to approximately one-tenth to one-hundredth of previous levels, Approximately 9,000 hours of work were reduced annually. This has significantly reduced the workload associated with aggregating and managing ESG information, while enabling human resources to be redirected toward higher value-added activities, such as analysis and decision-making support.

In FY2025, a CO_2 emission aggregation function, which forms the basis for collecting environmental-related data, was newly added, further expanding the functionality of the ESG Data Platform. At present, the development of three additional applications is also underway in parallel, and all the projects are progressing smoothly as planned.

Kao will continue to enhance the utilization of ESG data through this project, thus improving the reliability of disclosures and the quality of decision-making. Through these efforts, we aim to fulfill our social responsibilities while strengthening our sustainable business competitiveness.

Employees' opinions

Improving transparency and strengthening disclosure capabilities through enhancement of the ESG data platform



Risa Arinaga
PLM Group, Enterprise Business Excellence,
Enterprise Information Systems,
Digital Strategy
Kao Corporation

The Kao ESG Data Platform Project was launched to enable accurate and timely responses to diverse ESG disclosure requests from around the world. To provide comprehensive ESG information, it is necessary to integrate a wide range of data, including formulations, packaging , sales, and production information. Previously, it was necessary to contact the responsible departments individually for each area, which placed a heavy burden on many departments.

In this project, we reconstructed it into a usable format rather than simply consolidating data that had been managed separately by each region and business area, we reconstructed data into usable and standardized format based on a unified data model. By doing so, we established a common platform that enables anyone to access highly reliable data.

In Step 1 in 2024, we developed two new applications, enabling us to respond to ESG-related inquiries more quickly and consistently.

We are currently developing three additional applications in Step 2 and building a system that will enable us to respond to a broader range of disclosure needs.

The ESG information infrastructure developed through this project is increasingly being utilized in various other operations and has begun to contribute as a foundation supporting data-driven management across the entire Kao Group.

Bringing together knowledge and technologies across divisions and regions to establish a common platform for Kao on a global scale is a significant achievement. I also feel that this platform is being extended to areas beyond the project and is contributing to more advanced use of data.

I am very pleased to have been involved in building the foundation to further accelerate ESG-driven management, and that the results are already being utilized in many operations. We will continue to work toward further enhancing transparency and strive to respond appropriately to the increasingly diverse needs for ESG information disclosure.

Respecting Human Rights

GRI 2-23

Kao promotes initiatives to respect human rights in line with international standards by listening to the voices of employees and other stakeholders, based on the fundamental value of "Walking the right path," as set forth in the Kao Way, the corporate philosophy that guides its business activities.

Risks

- Penalties for legal violations
- Damage to corporate value due to initiatives that do not meet international standards
- Delays or suspension of raw material procurement and production due to human rights violations
- Damage to brand value due to inappropriate advertising expressions
- Decline in competitiveness due to the loss of talented employees
- Deterioration of product quality
- Health hazards to workers and consumers, and environmental pollution

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, Metrics, targets and results, Initiatives

Strategy	Metrics	Targets	2025 results	Initiatives
(1) Regular review of the Kao Human Rights Policy				
(2) Human rights due diligence	Response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively) (2)	100% 2030	Internal: 100%, suppliers: 99.9%, contractors: 27%	Identifying and assessing human rights risks (2) Conducting human rights risk surveys internally and for suppliers and contractors (2) Conducting Human Rights Due Diligence Digital Survey (2) (5) Initiatives addressing important human rights themes: working environment for people who we work with / handling of personal information (2) (4) (5) Disclosure of information in an appropriate manner and in response to social demands (2)
(3) Remediation	Number of compliance reports and consultations (3)	–	474 reports	Deployment of grievance mechanisms (3)
	Number of inquiries received through the grievance mechanism (independent oil palm smallholders) (3)	–	291 reports	
	Number of inquiries received through the grievance mechanism (foreign workers) (3)	–	0 reports	
(4) Enhancing employee awareness				Initiatives to enhance employee awareness of human rights (4)
(5) Engaging in dialogue and consultations with stakeholders				Improving activities through dialogue with diverse stakeholders (5)
(6) Advertising expressions that gain consumer empathy				Human rights considerations in advertising content (4)(6)

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

Financial impact

- Avoiding litigation costs and penalties
- Avoiding costs arising from unforeseen circumstances, such as reputational damage and supply chain disruptions
- Reducing raw material procurement costs by building a sustainable supply chain
- Improving productivity and promoting the retention of human capital through enhanced employee loyalty

Environmental and social impact

- Preventing and remedying forced labor and child labor
- Preventing human rights violations caused by increased environmental impacts through greater transparency in raw material procurement
- Establishing an environment where consumers can confidently choose and use products and services that respect human rights

Strategy

Kao supports and respects international norms on human rights and fulfills its responsibility to respect human rights 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.

- Issues of forced labor among suppliers, poor working conditions for foreign workers, and forced labor and child labor on independent oil palm smallholders 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

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 fulfill its responsibility to respect human rights across all of its corporate activities, Kao identifies and evaluates human rights risks throughout the entire value chain, defines important human rights themes to advance initiatives based on priority, and works to prevent and mitigate adverse impacts on human rights in the value chain. Specifically, comprehensive risk assessments are conducted through a range of approaches, including human rights risk workshops, human rights risk surveys, and audits, while also advancing targeted and carefully tailored initiatives focused on high-risk groups within key human rights themes. In addition, a wide range of initiatives are implemented to raise awareness among employees who support these activities. These efforts contribute to ensuring business stability and sustainability. Respect for human rights is essential for advancing Basic Policy 3, Maximize the power and potential of our employees, of the Mid-term Plan K27, and for fulfilling Kao's purpose—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 human rights risk assessments (surveys, workshops, audits, etc.) 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: P231 Identifying and evaluating human rights risks, P232 Conducting human rights risk surveys internally and for suppliers and contractors, P232 Conducting Human Rights Due Diligence Digital Survey, P232 Initiatives addressing important human rights themes: working environment for people who we work with/ handling of personal information, P233 Disclosure of information in an appropriate manner and in response to social demands

(3) Remediation

Kao takes prompt and appropriate remediations against human rights violations based on reports received through the compliance hotline, 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: P234 Deployment of grievance mechanisms, P201 Effective Corporate Governance > Risk and Oppotunity Management, P130 Responsibly Sourced Raw Materials > Procurement of forest raw materials

(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 initiatives: P234 Initiatives to enhance employee awareness of human rights

(5) Engaging in dialogue and consultations with stakeholders

By engaging in dialogue and consultations with stakeholders, Kao builds trust-based relationships, identifies human rights risks and adverse human rights impacts, and implements appropriate countermeasures.

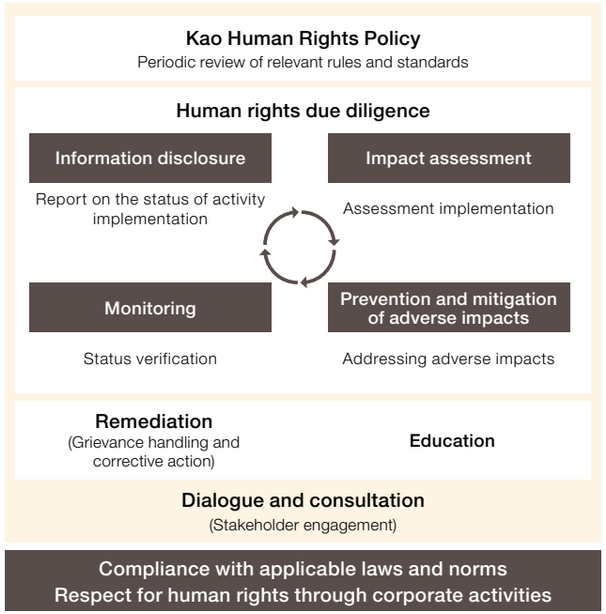
Related initiatives: P232 Conducting Human Rights Due Diligence Digital Survey, P232 Initiatives addressing important human rights themes: working environment for people who we work with/ handling of personal information, P234 Improving activities through dialogue with diverse stakeholders

(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. In addition, Kao recognizes risks in digital advertising, including impersonation, fraudulent ad delivery, and placement alongside inappropriate content. From the perspectives of brand safety and ad fraud prevention, the company utilizes various verification and monitoring tools. Through appropriate media selection and a continuous monitoring framework, Kao works to mitigate the risk of contributing to human rights violations.

Related initiative: P235 Human rights considerations in advertising expressions

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 and penalties through the prevention of human rights violations
- Avoiding unforeseen costs and loss of sales due to reputational damage
- Avoiding operational disruptions, delivery delays, and associated unforeseen costs through the mitigation of human rights risks in the supply chain
- Reducing raw material procurement costs by building a sustainable supply chain
- Improving productivity and promoting the retention of human capital through enhanced employee loyalty

Environmental and social impact

- Preventing and remedying forced labor and child labor
- Reducing environmental impacts through enhanced transparency in raw material procurement and preventing human rights violations that occur as a result of environmental impacts
- Establishing an environment where consumers can confidently choose and use products and services made with consideration for human rights

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 fulfill our responsibility to respect human rights across all of our corporate activities. 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	
		2021	2022	2023	2024	2025	Target value	Year
(2)	Response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100%, suppliers: 60%, contractors: 3%	Internal: 100%, suppliers: 62%, contractors: 15%	Internal: 100%, suppliers: 81%, contractors: 19%	Internal: 100%, suppliers: 90%, contractors: 26%	Internal: 100%, suppliers: 99.9%, contractors: 27%	100%	2030

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-level owner. This committee discusses the promotion of both human rights and DE&I initiatives with the aim of mitigating risks and maximizing opportunities.

Main agenda items related to human rights at the Human Rights and DE&I Steering Committee

This committee discusses human rights risks throughout the value chain and priority areas for action and strives to prevent and mitigate adverse human rights impacts in the value chain.

For example, Kao recognizes the existence of human rights risks among people who we work with, including long working hours, poor working conditions, and inadequate wage levels. 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 Kao Group invests in human capital to ensure equity in roles and compensation for employees and 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.

In addition, initiatives to uphold human rights are led by Senior Vice President of ESG (Executive Officer). The ESG Division consolidates all related efforts and reports at least annually to the ESG Managing Committee, which operates under the supervision of the Board of Directors.

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/
- Kao Group Privacy Policy
  https://www.kao.com/global/en/privacy/
- Web Accessibility Policy
  https://www.kao.com/global/en/web-accessibility/policy/
- Kao Universal Design Guidelines
  https://www.kao.com/global/en/sustainability/me/universal-design/guidelines/

* 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

- Human rights risks raised in the human rights risk workshops are evaluated based on severity and likelihood. In 2025, this evaluation was conducted as an assessment of salient human rights issues with the support of external experts.
- 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

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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 compliance hotlines 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 access to 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.

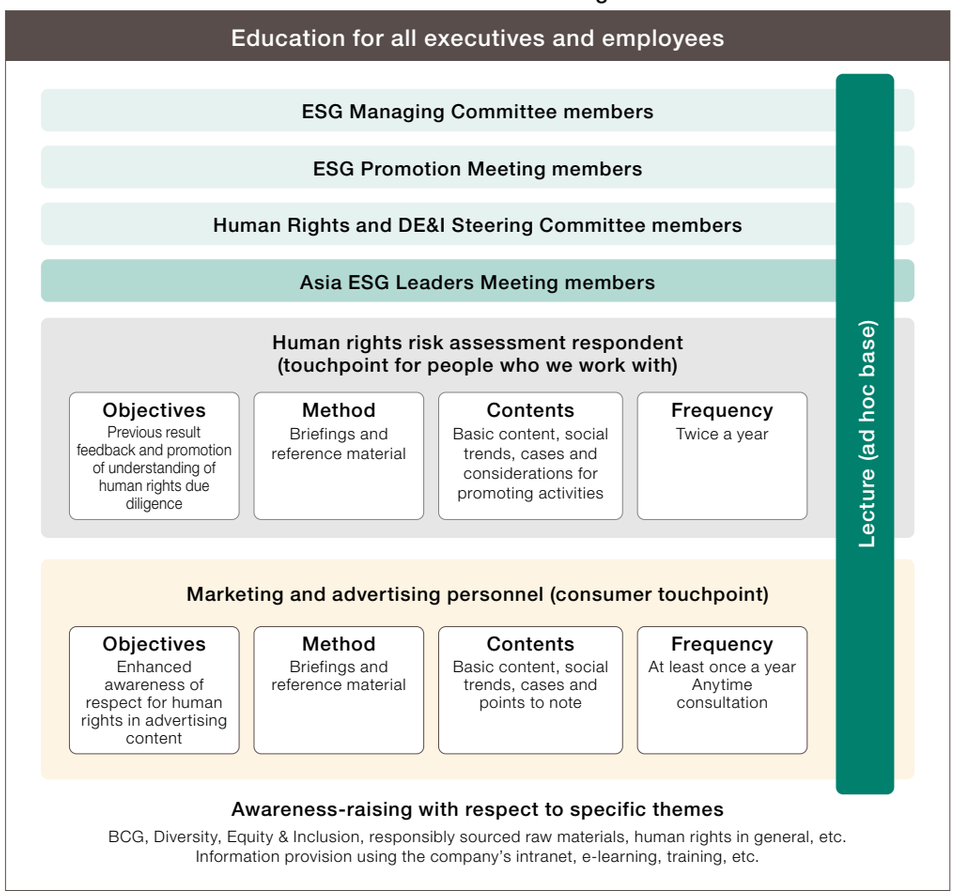
Suppliers

Communicating the importance of human rights initiatives and Kao's stance through partner 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	Identifying and evaluating human rights risks	Conducting human rights risk surveys internally and for suppliers and contractors	Conducting Human Rights Due Diligence Digital Survey	Initiatives addressing important human rights themes: working environment for people who we work with/ handling of personal information	Disclosure of information in an appropriate manner and in response to social demands
(3) Remediation	Deployment of grievance mechanisms				
(4) Enhancing employee awareness	Initiatives addressing important human rights themes: working environment for people who we work with/ handling of personal information	Initiatives to enhance employee awareness of human rights	Human rights considerations in advertising expressions		
(5) Engaging in dialogue and consultations with stakeholders	Conducting Human Rights Due Diligence Digital Survey	Initiatives addressing important human rights themes: working environment for people who we work with/ handling of personal information	Improving activities through dialogue with diverse stakeholders		
(6) Advertising expressions that gain consumer empathy	Human rights considerations in advertising expressions				

Identifying and evaluating human rights risks

Region: Global
Corresponding strategy: (2)

Kao periodically reviews human rights risks within the Kao Group and advances initiatives to prevent and mitigate such risks. Each year, the Human Rights and DE&I Steering Committee leads the human rights risk workshop; however, in 2025, Kao advanced an assessment of salient human rights issues within the Kao Group under the guidance of external experts.

- Identification of human rights risks through desktop research and interviews with internal Kao Group stakeholders as well as external NGOs and benchmarking organizations conducted by an external expert
- Evaluation of human rights risks based on severity and likelihood, with analysis conducted by an external expert and validated through internal Kao Group workshops

In this process, we conduct assessments while also taking into account impacts on people who may be particularly vulnerable, such as migrant workers, women, and children. Based on these results, Kao plans to identify salient human rights issues within the Kao Group and accelerate initiatives aimed at preventing and mitigating human rights risks.

A compilation of human rights risks raised by participants at the Human Rights Risk Workshop (held in 2024)

Impacted stakeholders	Research and Development	Procurement	Manufacturing / Sales	Marketing	Logistics	Disposal
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, assess, prevent, and mitigate human rights risks within the value chain. In addition, Kao raises awareness among internal survey personnel and explains its commitment to respecting human rights to suppliers and subcontractors at its plants to promote the understanding of its human rights initiatives. These human rights risk surveys are conducted on a broad basis, with the status of internal operations, suppliers, and contractors reviewed annually.

In FY2025, 39 plants and 53 group companies and sites within the Kao Group participated in the survey, achieving a 100% response rate. For suppliers, Kao assesses human rights risks through responses to Sedex, the Kao SAQ, or other third-party assessment platforms. In 2025, 99.9% of direct material suppliers were covered by these surveys. Additionally, the human rights risk surveys implementation rate for contractors was 27%.

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. In supplier surveys, response rates improved following a review of processes, including enhanced coordination among group companies. However, to further strengthen dialogue and improvement support for lower-rated suppliers, Kao plans to prioritize certain suppliers for engagement and remediation verification. As the pace of improvement in response rates for contractor surveys fell short of targets, Kao plans to review the related processes.

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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*. As one of the targeted initiatives, Kao is conducting a Human Rights Due Diligence Digital Survey administered by a third party at the Sakata Plant, which targets the employees of three on-site subcontractors, to better understand the working conditions of the subcontracted employees at its domestic plants.

To date, Kao has conducted further analysis of the data obtained through the survey and has been identifying related issues. At the same time, Kao has engaged in dialogue with the senior management of the on-site subcontractors to gain a more detailed understanding of the issues identified through the survey results. In addition, based on discussions between the survey administrators and Kao, as well as dialogue with the senior management of the on-site subcontractors, Kao is advancing consideration of measures to address the identified issues and sharing related information with its own senior management.

Kao is currently examining specific actions to resolve the issues identified through these initiatives.

Initiatives addressing important human rights themes: working environment for people who we work with / handling of personal information

Region: Global
Corresponding strategies: (2)(4)(5)

Through risk assessments, Kao has identified “the working environment for the people who we work with” and “handling of personal information” as important human rights themes handling of personal information. 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 targeted areas to address these issues.

(1) Supporting independent oil palm smallholders (SMILE program)

Palm oil, an important form of natural capital for Kao, has been associated with adverse environmental and human rights impacts in areas such as plantation development and working conditions. Therefore, through the SMILE Program, Kao supports efforts to obtain certification and promotes sustainable palm oil production to improve the livelihoods of independent oil palm smallholders, who are often among the most vulnerable stakeholders, and encourage sustainable plantation management.

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(2) Conducting interviews and assessments of foreign workers

As foreign workers may find themselves in vulnerable positions due to differences in language, culture, and lifestyle customs, we conduct interviews to better understand their working conditions and the status of respect for their human rights. In FY2025, interviews were conducted by an external expert with extensive knowledge of foreign employment, with 30 technical intern trainees employed by an on-site subcontractor at the Wakayama Plant, as well as instructors and responsible personnel.

The interviews confirmed that the working and living environments were being properly maintained and that proactive communication with trainees was being carried out. Overall, employment management was evaluated as being conducted at a high standard. The results were reported to the employer, and opportunities for dialogue with the external expert were established to exchange views on further improving the working environment for technical intern trainees.

In addition, since 2023, we have annually confirmed the employment status of foreign workers at all plants. The largest number of foreign workers is employed at plants in Japan, and based on interview results obtained domestically to date, the number of workers requiring language support is currently limited. Meanwhile, some overseas plants provide language support, and it has been confirmed that workers receiving such support demonstrate high motivation in their work.

(3) Handling of personal information

Improper handling or leakage of personal information may cause serious adverse impacts on privacy rights. In recent years, human rights risks associated with the use of technologies such as AI have also been identified. We have established a Privacy Policy and clearly states in the corporate code of conduct, the Kao Business Conduct Guidelines (BCG), that personal information must be strictly managed. We implement initiatives to ensure the appropriate management and protection of personal information.

Privacy Policy
https://www.kao.com/jp/privacy/privacy-en/

Within the domestic Kao Group, Guidelines on Handling Personal Information have been established, and each division appoints a person responsible for personal information management to promote related initiatives, including employee awareness activities. An emergency response flow has also been published on the intranet to ensure that employees are informed and that response systems are in place.

In 2023, we introduced a system to identify, analyze, evaluate, and visualize risks related to personal information, and deployment to overseas sites is progressing. The management status of contractors that handle personal information obtained by Kao is confirmed through this system.

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.

- Disclosure based on applicable laws and regulations*
- Disclosure of human rights initiatives through the Sustainability Report and the website
- Public disclosure via the Palm Oil Dashboard of progress on traceability and grievances received through the Kao Grievance Mechanism regarding palm oil, which Kao positions as an important natural resource

* United Kingdom: Modern Slavery Act etc.

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- Palm Oil Dashboard
  https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/
- 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 strategy: (3)

We have established compliance hotlines for Kao Group members, which is also available to external individuals, including employees of business partners. In FY2025, we handled 474 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 2025, we had received a total of 291 reports, including 16 inquiries related to human rights, and all cases have been closed.
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. The services are operated across three companies, and no consultations were received in 2025. Through exchanges of views with employing companies, we understand that issues have been addressed through the companies' own initiatives before escalating to the consultation desk. We will continue to monitor the situation through ongoing communication with employing companies.

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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. 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. As part of its foundational awareness-raising efforts on human rights, we continue to offer the Human Rights section of the Kirei Lifestyle Plan Lecture to all employees. In FY2025, short videos highlighting key content from the KLP Lecture and a message video from the President and Executive Officer on the prevention of harassment were made available on the intranet.

We also disseminate information to promote the active participation of diverse employees and enhance understanding of diverse customer needs. Human rights awareness is also incorporated into the DE&I Empowerment Program launched in FY2025.

In addition, as part of role-specific awareness initiatives, we provided information on human rights risks in marketing activities at meetings of the Global Consumer Care. Additionally, we introduced a chapter on respecting human rights in advertising expressions as part of the e-learning program for new marketing personnel.

On World Human Rights Day, we held a lecture by an external expert addressing human rights in connection with familiar themes such as AI and the environment. A recording with Japanese and English subtitles was also made available for employees who were unable to attend. Employees shared comments such as, "I gained a better understanding of how various activities are connected to human rights," and "I realized that human rights risks are becoming increasingly complex with the times."

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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 partner summits with key suppliers to explain our initiatives, request cooperation, and exchange opinions. We provided opportunities for direct dialogue with on-site subcontractors, and in 2025, conducted exchanges of views on human rights and DE&I in Japan, Indonesia, the United Kingdom, and Germany. At the UN Global Compact Hub event held in New York

in September, the Senior Vice President of the ESG Division spoke in a session on business and human rights. Through the session, Kao shared its initiatives, exchanged views with participating companies and other attendees, and gained valuable insights.

Three members from the ESG Division participated in the Stakeholder Engagement Program organized by CRT Japan. Through engagement with NGOs and NPOs, we deepened our understanding of social issues and, through cross-industry discussions, reviewed human rights issues by sector. 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.

Human rights considerations in advertising expressions

Region: Japan

Corresponding strategies: (4)(6)

Kao implements initiatives to enhance human rights literacy among the employees of the Global Consumer Care (GC) Division to ensure that human rights are given sufficient consideration in advertising, packaging, and promotional expressions. To support these efforts, we have published on the intranet a checklist outlining key human rights considerations in advertising expressions and have continuously communicated its use through GC Division meetings and other channels. We also place importance on reviewing actual expressions from multiple perspectives. After the person in charge of advertising communication and their supervisor review the content from the standpoint of respect for human rights, consultation is available with a Human Rights Meister* within the Creative Center or with the ESG Division when concerns arise.

* Human Rights Meister: These are personnel who strive to enhance human rights literacy within Creative Center, and to lead the department efforts in this area.

Employees' opinions

Initiatives to improve the living environment in subcontractor employee dormitories



Kiyotaka Nakai
Kao Penang Group

At the Kao Penang Group, foreign employees of subcontractors also support operations such as filling work at the plant. These employees reside in dormitories provided by subcontractors near the plant. Following issues identified in past audits regarding dormitory conditions, we have been working continuously with subcontractors to improve living environments. As a result, in recent audits, on-site assessments were conducted to evaluate potential human rights risks related to dormitory management, and it was confirmed that significant improvements have been made to the living environment and services in the dormitories. As members of one team working together, we have once again recognized the importance of understanding each other, treating one another with dignity and respect, and taking responsible actions as a plant. We will continue to maintain regular communication with subcontractors and promote the continuous improvement of employee welfare.



Stakeholder engagement

Extending human rights due diligence to the outer edges of the supply chain: Kao's approach to domestic human rights risks

Shoichiro Ikebe
Executive Officer,
worlding Inc.

In many companies, human rights initiatives are positioned as efforts to minimize risks, while DE&I initiatives are framed as efforts to maximize opportunities, and these measures are often implemented by separate departments. In this context, Kao's establishment of a steering committee that integrates human rights and DE&I and discusses both risks and opportunities across these themes, can be regarded as an extremely pioneering initiative. I believe this approach is made possible precisely because Kao has long shared "We trust, respect & need each other" as an action principle, and it reflects the company's corporate culture in practice.

With regard to human rights due diligence, it is often narrowly understood as being limited to the supply chain from raw material procurement to product manufacturing. However, Kao has identified foreign workers employed by on-site subcontractors, both inside and outside Japan, as well as producers and farmers in its supply chain, as groups with relatively high human rights risks, and has conducted third-party interviews and on-site inspections of living conditions. Even globally, it is extremely rare for companies to carry out in-depth assessments that extend to foreign workers employed by subcontractors.

In human rights initiatives, companies are expected to prioritize areas where potential adverse impacts are greatest. In this regard, Kao's approach of addressing human rights risks without limiting the scope of risk identification deserves high recognition.

On the other hand, when considering the situation surrounding foreign workers in Japan, it is generally assumed that foreign workers in dispatched or part-time positions in operational roles are also exposed to high human rights risks. While attention in Japan often focuses on the vulnerabilities of technical intern trainees and specified skilled workers, the reality is that foreign workers with other residence statuses and their families also face numerous challenges, including the existence of irregular recruitment channels, a lack of consultation and remedy mechanisms, and insufficient support in daily life.

Going forward, in addition to expanding the scope of on-site subcontractors subject to risk assessments, it is expected that Kao will further enhance its efforts to understand the actual conditions of foreign workers and provide support, regardless of their residence status or employment type.

I sincerely hope that Kao's human rights initiatives, including its human rights due diligence, will contribute to the realization of a society in which all stakeholders connected to Kao can continue to experience a sense of wellbeing and comfort in both their lives and work.

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

- 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

- 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.

Strategy

Human capital	(1) Sharpen the skills and unlock the potential of highly motivated employees
Organization	(2) Withdrawal from matrix management in organizations
Environment	(3) Create an environment that focuses on challenges and results
Foundation	(4) Create equitable opportunities for all employees

Metrics, targets and results

Metrics	Targets	2025 results
Employee engagement: Kao Engagement Survey (KES) total score	75 2027	68
KES score: Workplace satisfaction	70 2027	64
Challenge-oriented human capital	80% 2027	77%
KES score: Organizational culture that encourages taking on challenges	70 2027	64
KES score: Degree of promotion of Scrum-type operation	70 2027	60
KES score: Inclusive organizational culture	70 2027	65

Initiatives

- Advanced training (Human capital development and capacity building programs, Yukei, DX adventure program, Self-development programs) (1) (2) (3)
- Optimal assignment (Role-based grading system, Self Education & Development Scheme, Career coordinator system and Internal recruitment) (1) (2) (3)
- Delegation of authority (implement Scrum, selection and appointment of challenge-driven human capital) (1) (2) (3)
- 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)
- More transparency in evaluation (Absolute assessment that prioritizes the process, Feedback focused on dialogue, Managing human performance program) (1) (2) (3)
- Recognition/Compensation & benefits (Awards, integration of HR systems across domestic Group companies) (1) (2) (3)
- 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)
- Wellbeing (4)

Financial impact

- *Global Sharp Top* Enhancement of profits through *Yoki-Monozukuri* 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.

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.

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

Strategy

To expand our *Global Sharp Top* businesses, we are working to maximize the power and potential of employees and build a workforce and organization that embrace challenges.

Social issues

Kao recognizes the following social challenges related to this theme and aims to contribute to the sustainability of society by leveraging its unique technologies as a strength.

- Intensifying competition for talent and rising personnel costs
- The need for transformative business capabilities that promote innovation and enable continued profitability while responding to change
- 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 expand our *Global Sharp Top* businesses and achieve the goals of K27, we aim to maximize the power and potential of employees. To realize this, we are establishing HR systems aligned with Kao's values and business objectives and implementing 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.

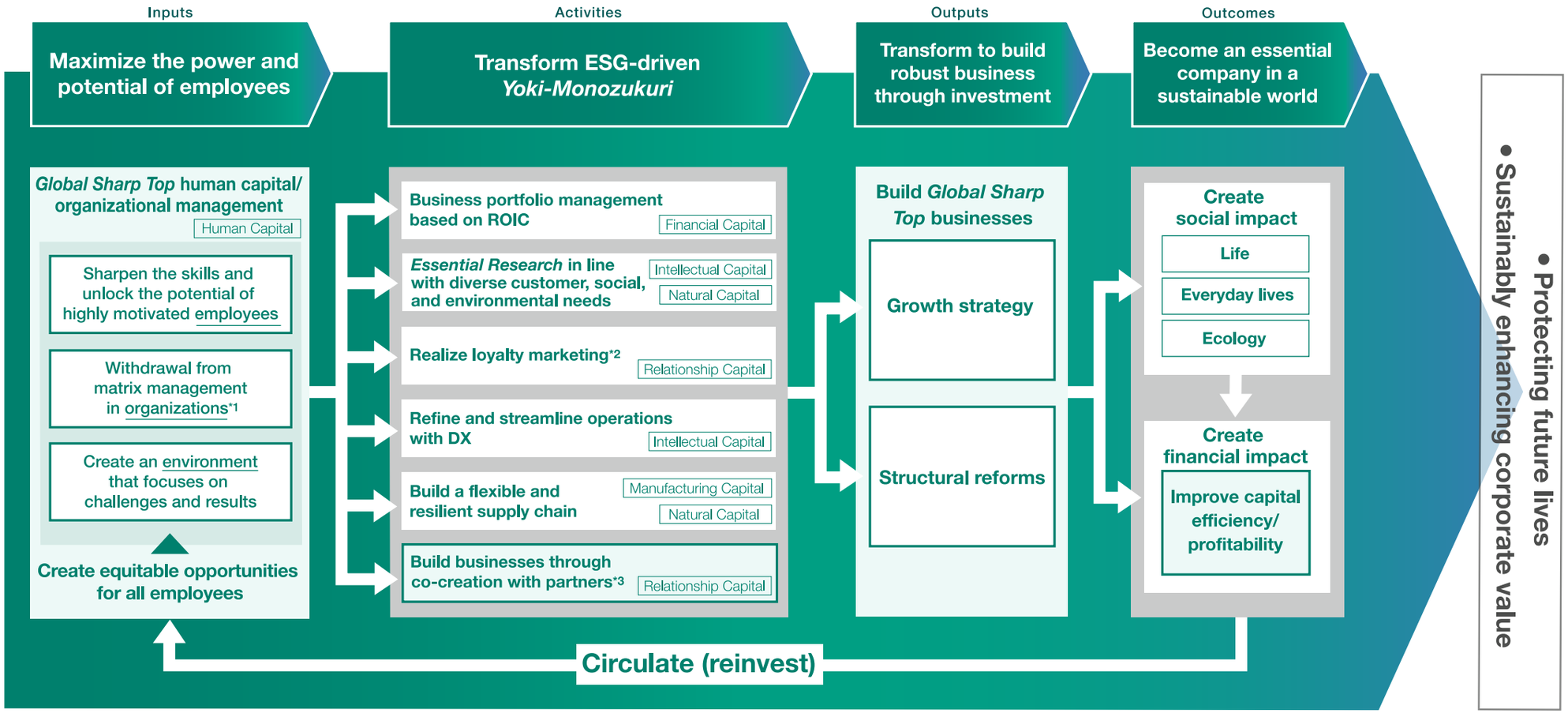
Upon this, we have established action guidelines to fulfill the basic policy.

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

K27 Strategic Framework

Human Capital Strategy Towards Achieving K27



(1) Sharpen the skills and unlock the potential of highly motivated employees

Kao welcomes motivated human capital to develop their strengths—that is, to further enhance their unique capabilities. We support and increase the number of such employees who actively take on challenges in problem-solving and value creation. We will nurture *Global Sharp Top* human capital through optimal placement according to the career plans of employees and company policies while providing opportunities for skill development.

Related initiatives: P245 Human capital development/capability-building programs, P247 DX adventure program, P248 Grading systems based on roles, P248 Self Education & Development Scheme, P249 Internal recruitment, P249 Scrum-type management, P249 Selection of human capital who will become global leaders, P250 360-degree leadership assessment, P250 More transparency in evaluation, P250 Managing human performance program, P251 Awards: CEO award selection and Group-wide commendations, P251 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: P245 Human capital development/capability-building programs, P247 DX adventure program, P248 Grading systems based on roles, P248 Self Education & Development Scheme, P249 Internal recruitment, P249 Scrum-type management, P249 Selection of human capital who will become global leaders, P250 360-degree leadership assessment, P250 More transparency in evaluation, P250 Managing human performance program, P251 Awards: CEO award selection and Group-wide commendations, P251 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: P245 Human capital development/capability-building programs, P247 DX adventure program, P248 Grading systems based on roles, P248 Self Education & Development Scheme, P249 Internal recruitment, P249 Scrum-type management, P249 Selection of human capital who will become global leaders, P250 360-degree leadership assessment, P250 More transparency in evaluation, P250 Managing human performance program, P251 Awards: CEO award selection and Group-wide commendations, P251 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.

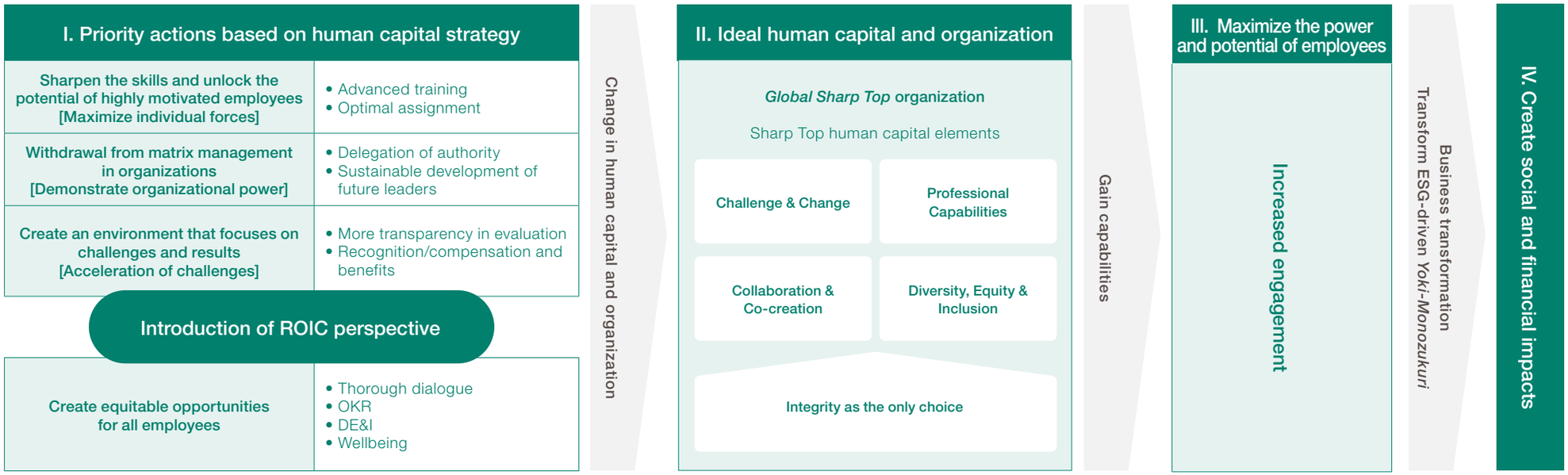
Related initiatives: P251 Revitalization of dialogue between senior management and employees, P252 Dialogue Festival, P252 Deepening understanding of Psychological safety and unconscious bias, P253 Development of ROIC perspectives for individual OKRs, P253 DE&I, P253 Realization of flexible work, P253 Wellbeing

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 continuously improve and 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	2025	Target value 2027
Investment in employee training (compared to 2020)				
1.42x	1.53x	2.02x	2.03x	2.5x
DX human capital (compared to 2020)*2				
1.5x	6x	10x	15x	20x*6
Personnel transferred through internal recruitment (compared to 2020)*2				
	4x	16x	14x	20x
Ratio of mid-career recruitment in total recruitment*2				
48%	56%	60%	51%	50%
KES score: Fair evaluation				
	60*1	61	63	70
KES score: Dialogue				
	63*1	64	66	70
KES score: Work style satisfaction				
	60*1	63	65	65
% of female managers related to that of female employees*4				
75.9%	76.2%	78.1%	79.4%	90%
KES score: Vitality				
	59*1	61	62	65

II. Ideal human capital and organization *Global Sharp Top* human capital / organization

2022	2023	2024	2025	Target value 2027
Challenge-oriented human capital*2 *3				
26%	58%	71%	77%	80%*5
KES score: Organizational culture that encourages challenges				
	61*1	63	64	70
KES score: Degree of promotion of Scrum-type management				
	57*1	58	60	70
KES score: Inclusive organizational culture				
	62*1	63	65	70

III. Maximize the power and potential of employees

2022	2023	2024	2025	Target value 2027
Employees engagement (Total score in KES)				
	63*1	65	68	75
KES score: Workplace satisfaction				
	61*1	62	64	70

IV. Create social and financial impacts

2022	2023	2024	2025	Target value 2027
Efficient impact creation (compared to 2022)				
100%	92%	120%	131%	150%

$$\text{Efficient impact creation} = \frac{\text{Added value}}{\text{Total annual hours workload}}$$

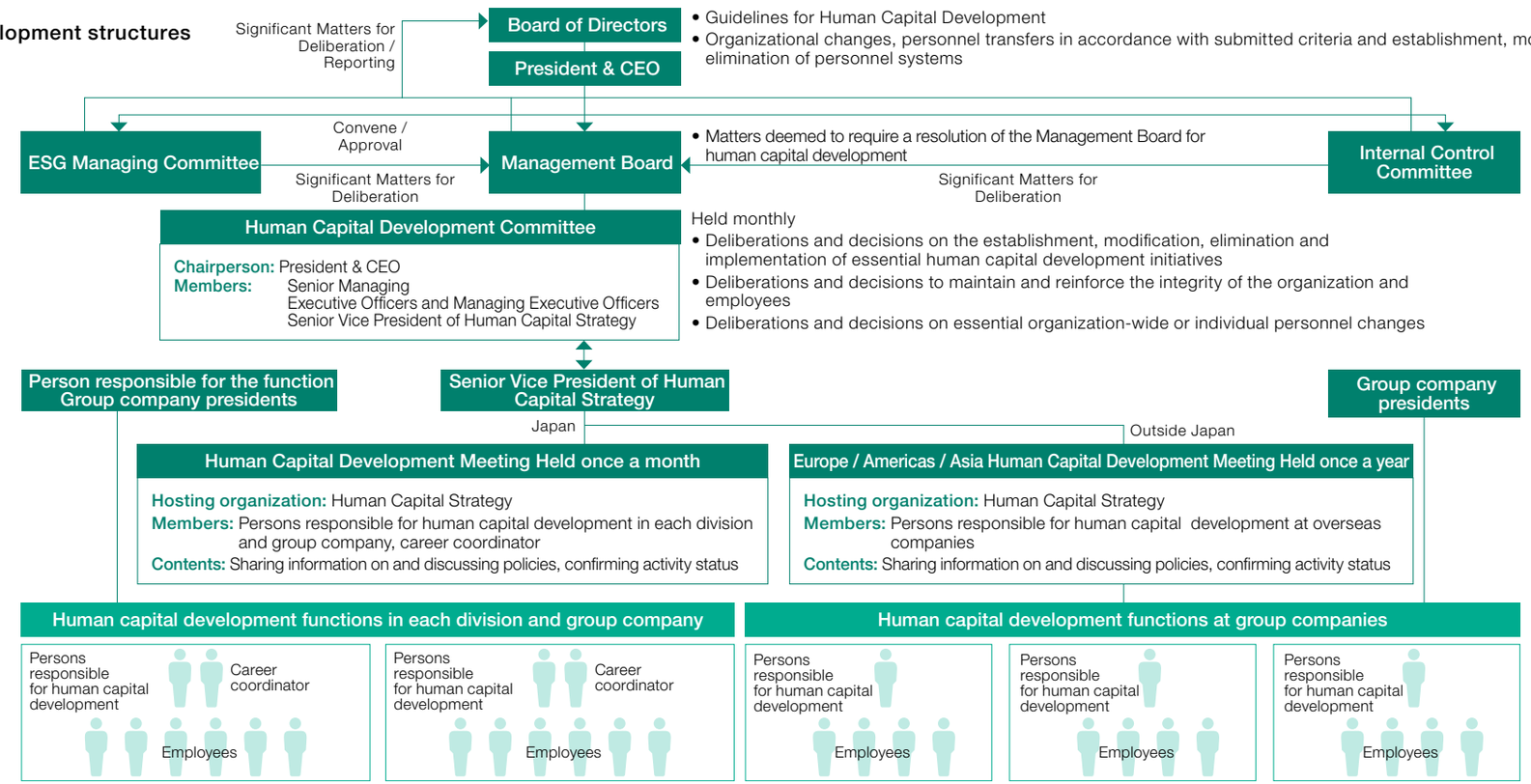
* Counted in a group-wide basis, unless otherwise stated.
* Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees.
* KES refers to the Kao Engagement Survey
*1 Conducted excluding certain companies
*2 Only consolidated subsidiaries in Japan
*3 Employee awareness survey
*4 An indicator showing the degree of achievement of the ratio of female managers relative to the ratio of female employees, calculated as a weighted average based on the number of management positions at each Kao Group company in each region.
*5 Numerical target was revised upward from 75% to 80%
*6 Numerical target was revised upward from 15x to 20x

Governance

Under the supervision of the Board of Directors, Human Capital Strategy division, 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.

Human capital development structures



Key Matters Deliberated in 2025 (Human Capital Planning Committee)

Establishment and reorganization of organizational units, appointments to and removals from positions, workforce and personnel expense plans, integration of systems among domestic Group companies, selection and development of leadership talent, internal job postings, and other matters

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: Operational targets/activities for the next fiscal year (3) Meeting body: Human Capital Development Committee, Human Capital Development Meeting (4) Approval: Committee members, Senior Vice President of Human Capital Strategy

D (Implementation)

Please see the initiatives (P245-253).

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) Approval: 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) Approval: Committee members, Senior Vice President of Human Capital Strategy

Initiatives

To realize our *Global Sharp Top* strategy, Kao is advancing its human capital strategy in tandem with its overall business strategy. Based on this strategy, employees in key areas are collaborating to deliver results, honing their individual strengths while enhancing the organization's ability to execute.

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
	Wellbeing	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)

Kao's talent development goes beyond simply expanding training programs. To cultivate talent equipped with the qualities we value—transformational ability, expertise, acceptance of diversity, collaborative ability, and integrity—we provide motivated employees with opportunities to take on challenges and support their growth through role-based assignments, promotions, and dialogue. Through these initiatives, we translate individual growth into organizational results and strengthen the talent foundation necessary to succeed in our priority areas.

In particular, in areas that serve as sources of Kao's competitive advantage, such as business functions (marketing and development), R&D, and production technology, we contribute to business growth and improved profitability by developing talent with enhanced expertise.

Five fundamentals for global / sustainable human capital development

私たちが大切にしたいこと

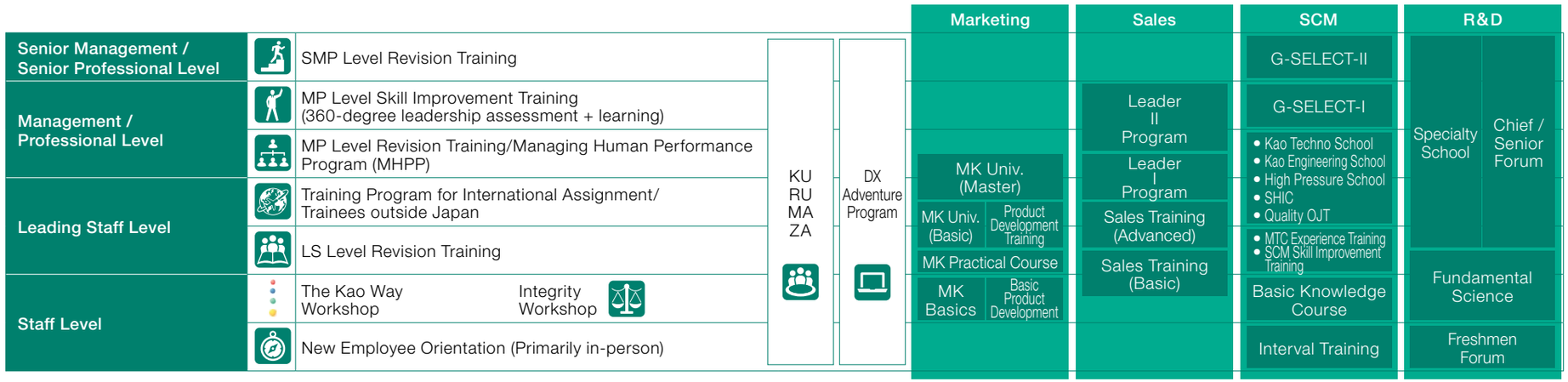
01 Challenge & Change
Set ambitious goals and take on difficult challenges that enable us to stay higher standard of change for continuous innovation.

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.

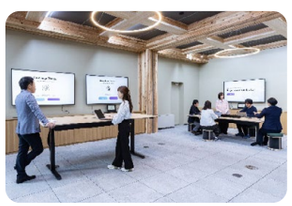
05 Integrity as the only choice
Behave with integrity in alignment with the Kao Way.



* Excerpt from main categories

Yukei

Opened in November 2025, “Yukei” is a hub for co-creation where we learn about Kao’s Yoki-Monozukuri philosophy and translate it into new value creation. Embodying the concept of “self-directed learning and collaboration”—where employees learn and think independently while working together with colleagues—we enhance the creativity and co-creation capabilities of every employee through AI-powered dialogues with our predecessors and interactive experiences that allow them to engage their five senses in learning about Yoki-Monozukuri. In addition to employees, we will foster dialogue and co-creation with diverse stakeholders—including consumers, business partners, shareholders, and academic institutions—and continue to evolve this space into a learning environment that supports Kao’s “Creation and Innovation,” thereby strengthening the talent foundation that underpins medium- to long-term value creation.


Learning in action at Yukei

(1) Common programs in Japan

At Kao, new employees learn the “Kao Way”—our shared philosophy—upon joining the company, and we build our talent development foundation on the ability to walk the right path. Through coaching, consultations with industrial counselors, a mentoring program, and cross-functional training during career transitions, we provide support tailored to each individual’s role and career milestones. This approach facilitates smooth onboarding, enables employees to become productive quickly, and broadens their perspective from departmental optimization to organizational optimization. Furthermore, through more than 9,000 self-development programs, as well as life-career seminars for employees aged 35 and older and life-planning seminars for those in their mid-50s, we support autonomous learning and career development with a focus on future roles and life goals. In particular, the life-planning seminars provide opportunities for employees to consider their own careers and necessary retraining with an eye toward working styles after retirement or re-employment, thereby encouraging proactive career planning even before re-employment. More than 70% of participants have taken concrete action, contributing to the creation of a foundation for employee engagement that supports extended careers. These shared foundations promote employees’ autonomous growth and early contribution, thereby strengthening organizational capabilities to respond to a rapidly changing business environment.

Specialized learning

Each department proactively delivers specialized training tailored to business strategies and on-the-ground challenges, further honing the strengths of every employee to cultivate a workforce of professionals. This specialized learning drives organizational growth and sustainable enhancement of corporate value by improving on-the-ground capabilities, brand strength, and the ability to drive business transformation.

(2) Specialized learning (SCM): Kao Techno School

Since 1989, the Production Engineering Division has operated the “Kao Techno School” to enhance specialized knowledge and skills tailored to specific roles, thereby cultivating future on-site leaders. Young and mid-career employees selected from both Japan and overseas spend six months intensively studying not only the latest specialized knowledge and skills relevant to the current era but also personal qualities such as mindfulness. To date, 1,071 individuals have completed the program. Over the past three years, 40% of participants have been selected from overseas, demonstrating the program’s role as a global learning environment. More than half of the graduates are active as frontline leaders on a global scale. Their effectiveness is highly regarded both within and outside the company; for example, at sites handling high-pressure gases—where safety management is particularly critical—many managerial positions are held by graduates of the program. The Kao Techno School is a core program that cultivates talent possessing both the “craftsmanship” of excellent character and insight and the “skill” of specialized knowledge and technical expertise, thereby supporting the competitiveness of production sites and organizational growth. In particular, it contributes to stable global supply and enhanced cost competitiveness through improvements in safety, quality, and productivity.




A learning session at Kao Techno School

(3) Specialized learning (Global Consumer Care): Marketing University

Since 2003, the Global Consumer Care Division has been running the "Marketing University" program to develop core talent capable of driving brand growth and business transformation in response to changing consumer behaviors and increasingly complex market conditions. Mid-level employees selected from across the business divisions study brand growth strategies, business strategies, and the application of digital technologies. After engaging in extensive discussions with fellow participants, they ultimately present their proposed brand growth and business strategies to senior management. Through this hands-on learning experience, we cultivate talent capable of building strong brands from a consumer-centric, global perspective and leading the entire business. In fact, among program participants over the past eight years, 46% have received company-wide awards, significantly exceeding the overall employee average of 1.4%. This demonstrates that the program contributes to developing talent that drives business results. This, in turn, contributes to strengthening brand competitiveness in the global market and achieving sustainable sales growth.



Minds at work at Marketing University

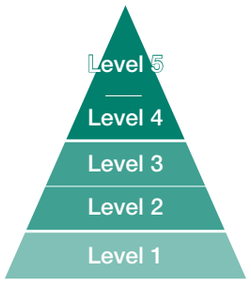
DX Adventure Program

Region: Global
Corresponding strategies: (1) (2) (3)

As part of its transformation from a manufacturing company to a "UX-creating enterprise," Kao is building a digital infrastructure to connect directly with consumers and co-create a "Kirei-Life" for each individual. To support this initiative, the company introduced the "DX Adventure Program" in 2023 to cultivate DX talent capable of driving new value creation and business process transformation. This, in turn, contributes to improving profitability and accelerating business transformation through the transformation of business processes and enhanced productivity. The program offers learning opportunities tailored to each employee’s skill level: the “Beginner” track focuses on building a foundational understanding of DX, while the “Intermediate” track enhances on-the-job implementation skills through learning tailored to departmental characteristics and needs. By 2025, we aim to have approximately 14,000 employees in Japan complete the Beginner level and approximately 11,000 complete the Intermediate level. Starting in 2024, we are expanding the program overseas, beginning with China. Additionally, we are promoting self-directed learning through the use of open badges,

which visualize learning histories and skills. In Japan, approximately 4,700 citizen developers are active as of 2025. This initiative promotes self-directed learning and supports the development of DX talent, contributing to the execution of business transformation and improved productivity.

Program overview



Target group	Program
Company-wide DX leader	Project-based OJT utilizing external resources
Division DX promoter	Customized programs for each division
All employees	Personalized programs for all employees

Open Badges for each skill level



Grading systems based on roles

Region: Global
Corresponding strategies: (1) (2) (3)

Kao group has adopted a role-based grading system that determines employee grades based on the significance of the roles they perform, rather than on seniority. By clearly defining roles and expectations, we help each employee better understand their path for growth and the challenges they should take on, thereby supporting proactive development and enhancing employee engagement. Furthermore, by placing and promoting employees according to their roles to ensure the right people are in the right positions, we enable the swift utilization of talent and strengthen the organization's execution capabilities. This, in turn, enables the swift deployment of talent aligned with our strategies, strengthening our ability to respond to changes in the business environment and enhancing competitiveness.

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
Global common	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)

Support for Learning and Career Development (Region: Japan / Relevant strategies: (1) (2) (3))

To place the right talent in the right roles, we assign employees based on the company's strategy and organizational needs while, at the same time, supporting each employee in reflecting on their own experience, capabilities, and skills so that they can proactively envision the career they wish to pursue and the roles they wish to take on. Under our Support for Learning and Career Development program (SeEDS: Self Education & Development Scheme), we draw on the experience, capabilities, and skills employees have cultivated through their daily work and, through dialogue with their supervisors and HR representatives, organize their future initiatives, leading to placement and development that advance both individual growth and organizational growth. In addition, we have established a system through which each employee can declare, together with their business unit, their transfer requests and the duties they wish to take on in the future, and

we have assigned Career Coordinators and Career Partners to create an environment where employees can also consult someone other than their line supervisor. Furthermore, for newly transferred employees, through a mentoring system led by senior colleagues within the company, we support not only their work but also their adaptation to Kao's corporate culture. Through these initiatives, we design even company-led placements as growth opportunities that reflect the individual's aspirations and strengths, supporting strategic talent deployment toward the realization of K27. In 2025, we carried out 454 cross-functional rotations and, including secondments to public institutions and private companies, we are advancing company-wide optimal talent utilization that leverages the skills and expertise cultivated at Kao.

Internal recruitment

Region: Japan
Corresponding strategies: (1) (2) (3)

In 2024, we introduced an internal job posting system across the Kao Group in Japan as a mechanism to flexibly deploy the talent needed to address management challenges while supporting employees in proactively shaping their own careers. Over the past two years, approximately 600 employees have applied, resulting in about 130 transfers. By promptly bringing together motivated individuals who share a commitment to addressing management challenges and are eager to tackle them, the company is strengthening its strategic execution capabilities. Furthermore, this system not only promotes employee career development but also contributes to fostering a culture where employees proactively seize opportunities to take on new roles. In an applicant survey, 95% responded that the program is “useful for their future career development,” and the employee engagement survey also revealed positive feedback regarding the expansion of opportunities for new challenges and the sense of growth gained through these experiences. Furthermore, by combining this with internal internships and short-term programs offering exposure to other departments’ operations, we have created an environment where employees can acquire new perspectives and skills, thereby expanding their opportunities for personal growth. Through these initiatives, Kao encourages employees to take on challenges independently while advancing the management of a talent portfolio that optimally utilizes human resources from a company-wide perspective.

Scrum-type management

Region: Global
Corresponding strategies: (1) (2) (3)

To accelerate decision-making and maximize execution in our key business areas, we are deepening our matrix structure—which leverages the expertise of both business and functional divisions—and promoting “Scrum-type management.” Through the "Business Steering Board," composed of key personnel from each business and functional unit, we are actively discussing and deciding on priority issues based on our overall strategy, thereby accelerating initiatives aimed at business expansion. This approach enables us to make decisions and take action at a level close to the front lines while minimizing organizational silos, thereby achieving an organizational structure capable of responding to a rapidly changing business environment.

Selection of human capital who will become global leaders

Region: Global
Corresponding strategies: (1) (2) (3)

To realize our vision of *Global Sharp Top*, we are systematically developing global talent who will drive future management and business growth. We identify potential successors for senior management, specialist roles, and key positions, strategically assigning and appointing them at an early stage. By assigning them challenges and expanding their opportunities for experience, we are strengthening the talent pool responsible for creating value on a global scale. In particular, for next-generation leadership candidates, we provide cross-functional, selective learning opportunities such as liberal arts training, the co-creative leadership development program “Jammin’,” and the personal development program “Kagayaki Juku.” Additionally, to build a foundation for global success, we implement selective short- and medium-term overseas assignment programs. In particular, the “Kagayaki Juku” program combines insights from HR departments across different industries to enhance participants’ business acumen. Additionally, instructors share their convictions and sense of mission as leaders and

engage in dialogue with participants, thereby fostering a mindset befitting next-generation leaders. As a result of these development efforts, 6% of participants have been promoted to executive officers and 52% to senior management, contributing to the cultivation of leadership talent that will underpin our future management foundation.

360-degree leadership assessment

Region: Japan
Corresponding strategies: (1) (2) (3)

At Kao, we conduct 360-degree leadership assessments for all members of the management layer to enable them to objectively understand their strengths and challenges in leadership and management. Based on the assessment results, we provide group training to reflect on individual behaviors, along with elective learning opportunities related to taking up challenges and co-creation. Through these initiatives, we promote behavioral change and enhance practical leadership capabilities. This, in turn, strengthens management capabilities to generate results while leveraging diverse talent in a rapidly changing business environment, and contributes to enhancing organizational management capabilities that enable the creation of value by bringing out the strengths of diverse talent.

More transparency in evaluation

Region: Global
Corresponding strategies: (1) (2) (3)

Objectives and Key Results (OKR) targets, which are also linked to evaluations, are set across three categories, Business Contribution, ESG, and One Team & My Dream. These targets are established after considering the medium- to long-term time horizon, as well as the direction of the organization to which the employee belongs. 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. (In the FY2025 employee engagement survey, the group-wide score for fair evaluation was 63, a two-point improvement from the previous year, while the score for feedback was 66, which was also a two-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 harness the strengths of our diverse human capital and foster a more agile and resilient organizational structure, we conduct an introductory training program for managers who are supervising subordinates for the first time. Based on our fundamental human capital development policy, participants systematically learn the basics of management—including goal setting, performance evaluation, and communication with team members. We also provide follow-up training and case studies to help them internalize and enhance their practical management skills. Through these initiatives, we are strengthening our organizational capabilities to develop talent on the front lines and drive results, while ensuring that performance evaluations are perceived as fair and transparent.

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, ESG, 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 FY2025 CEO Award recognized two initiatives (a total of 37 recipients): strengthening the domestic sales foundation through a collaborative structure between the Cosmetics Business and Sales, and enhancing stakeholder engagement through the strategic integration of IR, SR, and PR activities. Furthermore, the initiatives of "*Quickle* Wash Basin Cleaner: Creating a New Cleaning Habit" and "*Pureora* Carbonated Toothpaste: Value Creation Based on Consumers' True Voices" were each selected for special recognition as the Excellence Award. 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 reviewed the systems for standard compensation* and living-related allowances across the domestic group companies, increasing the proportion of standard compensation in consideration of future social structural changes, and we standardized the scheme. We have also standardized support for relocated employees, which was previously inconsistent across group companies. As a result, across the Kao Group companies in Japan, an environment has been established in which diverse human capital can play active roles regardless of their employing company. Furthermore, from 2026, a cafeteria plan will be introduced as a new form of employee benefits common to all domestic group companies. This initiative aims to create an environment in which employees with diverse backgrounds and life circumstances can work with greater motivation and engagement. This initiative will cover 10 domestic group companies and approximately 20,000 regular employees.

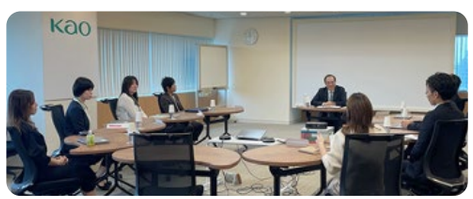
* The base salary set by each domestic Group company will be maintained at the respective company's level.

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 issues related to organizational management and working conditions, 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 continue to be 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. The FY2025 Kao Forum was designed to further enhance the level of dialogue between management and employee representatives, with the aim of helping employees internalize corporate strategies and company initiatives and translate them into concrete actions at their respective workplaces. As a result, the FY2025 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, "Being able to engage in direct dialogue with the senior management increased my sense of trust," 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*. In addition to the Kao Forum, we hold employee roundtable discussions several times a year, where HR managers engage in direct dialogue and exchange views with employee representatives from each business site regarding HR policies and working conditions.



Dialogue between senior management and mid-level employees

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 deepen and broaden connections vertically, horizontally, and diagonally!" was established for the FY2025 Dialogue Festival held throughout September. During the festival, a self-reflection seminar was held to learn techniques of self-reflection and dialogue for building strong teams, and a line care training for building connections and expanding networks through dialogue was also conducted. In addition, a Global Career Roundtable was organized in which employees active on the global stage introduced their real work experiences. We also distributed short videos designed to succinctly convey key points for keeping the dialogue lively, along with a variety of content on topics such as psychological safety. Furthermore, following the previous year, employee cafeterias at our worksites were used as venues for cross-division networking opportunities. Approximately 600 employees participated in the self-reflection seminar and 950 employees in the line care training, 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 2025, in Japan, the mandatory e-learning program Basic Knowledge of Unconscious Bias was held for non-management employees. As a result, all employees have completed the e-learning programs on psychological safety and unconscious bias launched in 2023. In the Americas, training on unconscious bias and microaggressions is conducted as part of fundamental DE&I training, while in Australia, unconscious bias workshops continue to be provided for all employees. 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 2025 showed that the proportion of employees setting targets and taking actions that contribute to both individual and organizational growth is approaching 80%, reflecting the steady 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 continuously aligning and progressing in the same direction. A detailed ROIC Reverse Tree has been created to illustrate how each division’s activities enhance ROIC. By utilizing this tree in dialogues with superiors, individual targets are connected to organizational contributions. In addition, video content is distributed to clearly communicate the purpose and significance of these initiatives. 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.

P261 Our Progress > Inclusive & Diverse Workplaces

Realization of flexible work

Region: Japan
Corresponding strategy: (4)

Kao has long implemented a flextime system to enhance flexibility in working hours. In addition, the diversification of work locations and environments, such as remote work using telecommuting systems, has become established. 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. Recently, as creativity and work productivity have improved, office attendance rates have also increased as a result. In promoting flexible work styles, we are continuing to implement office reforms sequentially as part of the necessary efforts to develop the working environment.

The SWS (Smart Work Support) application continues to be utilized to visualize individual work statuses in a timely manner, including 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.

Wellbeing

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 2025, we promoted initiatives focusing on activities with proactive participation of employees and their families towards realizing the Mid-term Health Plan.

P276 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)

	2022	2023	2024	2025
Monthly average of hours worked outside regula working hours (hours)	13.4	12.4	15.3	15.3
Average days of paid leave taken (days)	16.6	17.3	16.6	17.3
Average paid leave utilization rate (%)	85.8	88.0	84.2	87.1
Number of employees utilizing the work-from-home option (persons)	7,653	6,431	6,034	5,967

* Counted in enrolled companies
* Until 2022, only regular employees; from 2023, regular employees and full-time, indefinite-time, non-regular employees
* When employees take annual paid leave, they receive the same wages they would have earned if they had worked during the days or hours taken as leave.

Total annual hours worked per person (hours)

	2022	2023	2024	2025
Kao Group	1,803	1,833	1,813	1,799

* Employees from regular employment and those in full-time indefinite-term employment from non-regular employment
* Premium allowances are provided in accordance with labor laws and company rules of work and employment when overtime work, holiday work, or night work occurs

Number of employees / management positions (persons)

		2022			2023			2024			2025		
		All	Male	Female	All	Male	Female	All	Male	Female	All	Male	Female
Kao Group	Employees	35,411	16,677	18,734	34,257	16,055	18,202	32,566	15,173	17,313	31,514	14,619	16,895
	Management positions	6,974	4,845	2,129	6,553	4,514	2,039	6,359	4,288	2,071	6,263	4,135	2,128
	Of which Top management	–	–	–	901	726	175	846	673	173	812	648	164
	Middle management	–	–	–	1,644	1,204	440	1,628	1,157	471	1,687	1,174	513
	Junior management	–	–	–	4,008	2,584	1,424	3,885	2,458	1,427	3,764	2,313	1,451
Japan	Employees	23,584	10,404	13,180	22,464	9,895	12,569	20,831	9,069	11,762	20,044	8,666	11,378
	Management positions	4,555	3,534	1,021	4,558	3,439	1,119	4,366	3,209	1,157	4,225	3,054	1,171
Of which, Kao Corporation	Employees	8,403	5,974	2,429	8,199	5,739	2,460	7,861	5,356	2,505	7,761	5,204	2,557
	Management positions	2,957	2,238	719	2,985	2,221	764	2,907	2,101	806	2,889	2,059	830
Asia	Employees	6,948	3,848	3,100	6,798	3,791	3,007	6,618	3,693	2,925	6,555	3,658	2,897
	Management positions	1,154	605	549	1,038	562	476	1,009	545	464	1,014	545	469
Europe	Employees	3,376	1,691	1,685	3,494	1,663	1,831	3,560	1,676	1,869	3,389	1,570	1,819
	Management positions	920	545	375	556	307	249	573	315	258	614	325	289
Americas	Employees	1,503	734	769	1,501	706	795	1,557	735	757	1,526	725	801
	Management positions	345	161	184	401	206	195	411	219	192	410	211	199

* 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) (%)

		2022	2023	2024	2025
Japan	Employees	69.3	65.6	63.9	63.2
	Management positions	66.3	70.6	70.2	68.6
Indonesia	Employees	5.6	5.7	6.0	6.0
	Management positions	2.3	2.3	2.5	2.5
Thailand	Employees	3.6	3.7	3.9	4.0
	Management positions	4.3	2.6	2.8	2.8
China	Employees	4.2	3.9	3.9	3.9
	Management positions	3.1	2.8	2.8	3.1
Germany	Employees	2.5	2.5	2.7	3.1
	Management positions	4.8	3.4	2.7	3.0
United States	Employees	1.8	1.8	2.1	2.2
	Management positions	2.4	2.8	2.7	3.3

* Top six countries accounting for the largest shares of employees Note: Excluding employees where this information is not disclosed

Percentage of employees by age group (%)

		2022	2023	2024	2025
Kao Group	< 30 years old	19.3	17.8	16.7	15.4
	30–50 years old	51.9	52.6	54.9	56.2
	> 50 years old	28.7	29.6	26.4	28.4
Japan	< 30 years old	18.0	16.4	15.4	14.3
	30–50 years old	49.9	50.6	53.1	54.4
	> 50 years old	32.1	33.0	31.4	31.3

* Counted in enrolled companies unless otherwise noted. 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. Employee coverage rate: 100%

Situation regarding newly hired employees

		2022	2023	2024	2025
Kao Group	All (persons)	1,555	1,732	1,740	1,595
	Male	625	614	633	686
	Female	930	1,118	1,107	909
	Females as a percentage of the total (%)	59.8	64.5	63.6	57.0
Japan	All (persons)	208	413	450	540
	Male	110	153	177	258
	Female	98	260	273	282
	Females as a percentage of the total (%)	47.1	63.0	60.7	52.2
Of which, Kao Corporation	All (persons)	103	187	235	323
	Male	71	90	126	184
	Female	32	97	109	139
	Females as a percentage of the total (%)	31.1	51.9	46.4	43.0

Percentage of newly hired employees by age group (%)

		2022	2023	2024	2025
Kao Group	< 30 years old	52.5	57.2	53.2	54.6
	30–50 years old	41.3	36.8	39.4	38.6
	> 50 years old	6.2	6.0	7.4	6.8
Japan	< 30 years old	62.0	78.4	71.6	72.8
	30–50 years old	38.0	25.3	27.3	26.5
	> 50 years old	0.0	1.0	1.1	0.7

Retention rate after 3 years of employment (%)

	2022	2023	2024	2025
Kao Group	68.3	66.9	63.2	75.7

Hiring cost per employee hired (yen)

	2022	2023	2024	2025
Kao Group	570,933	495,500	532,106	634,295
Japan	1,650,470	831,229	1,017,955	897,089

Percentage of open positions filled by internal candidates (%)

	2022	2023	2024	2025
Kao Group	77.72	74.65	74.69	76.41
Japan	94.99	90.63	88.81	83.62

Percentage of career hires in new hires (%)

	2022	2023	2024	2025
Kao Corporation	35.9	49.2	46.8	48.0
Kao Group Customer Marketing Co., Ltd.	17.4	17.2	40.0	59.4
Kao Beauty Brands Counseling Co., Ltd.	0.0	0.0	-	-
Kanebo Cosmetics Inc.	0.0	0.0	-	-
e'quipe, LTD.	100.0	100.0	100.0	62.0
Kao Transport & Logistics Co.,Ltd	-	-	0.0	6.3
Kao Professional Services Co., Ltd.	41.7	32.3	46.4	56.3
Nivea-Kao Company Limited	100.0	100.0	100.0	100.0
Kao Business Associe Co., Ltd.	-	100.0	100.0	-
Kao Sanitary Products Ehime Co., Ltd.	-	-	0.0	58.3
Kao Cosmetic Products Odawara Co., Ltd.	100.0	27.8	0.0	100.0
Kao Paper Manufacturing Fuji Co., Ltd	100.0	-	50.0	-
Kao Peony Co., Ltd.	-	-	0.0	50.0

* 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)

	2022	2023	2024	2025
Number of employees who reached retirement age	237	255	293	313
Of which, the number of employees re-employed after retirement	204	223	253	291
Percentage (%)	86.1	87.5	86.3	93.0

* Counted in enrolled companies unless otherwise noted. 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. Employee coverage rate: 100%

Situation regarding employee turnover (%)

		2022	2023	2024	2025
Kao Group	Total employee turnover rate	6.17	6.75	8.87	5.64
	Voluntary employee turnover rate	4.61	4.57	4.46	3.51
Japan	Total employee turnover rate	3.76	3.69	7.07	3.07
	Voluntary employee turnover rate	2.68	2.39	2.57	2.50

Employee turnover rate by gender (%)

		2022	2023	2024	2025
Kao Group	Male	35.10	36.74	41.50	41.14
	Female	64.90	63.26	58.50	58.86
Japan	Male	27.62	33.98	39.65	34.80
	Female	72.38	66.02	60.35	65.20

Employee turnover rate by age group (%)

		2022	2023	2024	2025
Kao Group	< 30 years old	36.11	33.92	21.16	28.59
	30–50 years old	41.69	40.59	36.27	46.20
	> 50 years old	22.20	25.49	42.57	25.21
Japan	< 30 years old	40.92	34.58	15.89	34.15
	30–50 years old	32.02	34.46	26.07	42.44
	> 50 years old	27.06	30.96	58.04	23.41

Voluntary employee turnover rate by gender (%)

		2022	2023	2024	2025
Kao Group	Male	29.78	28.88	34.04	35.02
	Female	70.22	71.12	65.96	64.98
Japan	Male	18.64	23.51	27.99	28.60
	Female	81.36	76.49	72.01	71.40

Voluntary employee turnover rate by age group (%)

		2022	2023	2024	2025
Kao Group	< 30 years old	43.81	44.60	36.56	37.92
	30–50 years old	47.92	45.50	52.30	52.40
	> 50 years old	8.27	9.90	11.13	9.68
Japan	< 30 years old	56.08	51.30	41.71	44.59
	30–50 years old	38.86	43.10	52.89	50.23
	> 50 years old	5.06	5.60	5.40	5.18

* Counted in enrolled companies unless otherwise noted. 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. Employee coverage rate: 100%

Human capital development investment per employee

		2022	2023	2024	2025
Kao Group	Average hours of training (hours)	12.98	14.05	18.54	18.58
	Average cost of training (yen)	32,000	37,000	48,000	54,000
Japan	Average hours of training (hours)	12.90	12.91	16.51	16.6
	Average cost of training (yen)	32,000	36,000	49,000	56,000

Ratio of training hours by gender

		2023		2024		2025	
		Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)
Japan	Male	114,633	47.3	195,380	56.5	164,223	49.1
	Female	127,556	52.7	150,215	43.5	170,084	50.9

* 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 58.7% of all Kao Group employees and 87.1% of Japanese employees

Ratio of training hours by age group

		2023		2024		2025	
		Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)
Japan	< 30 years old	94,025	38.8	86,624	25.1	87,469	26.2
	30–49 years old	106,101	43.8	168,653	48.8	167,175	50.0
	≧ 50 years old	42,063	17.4	90,317	26.1	79,663	23.8

* Except for certain companies

Ratio of training hours by management level

		2023		2024		2025	
		Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)
Japan	All employees are targeted	50,007	20.6	179,051	51.8	139,630	41.8
	Junior management	145,893	60.2	126,831	36.7	122,731	36.7
	Middle management	44,386	18.3	32,450	9.4	65,293	19.5
	Top management	1,903	0.8	7,263	2.1	6,654	2.0

* Except for certain companies

Situation regarding union members

		2022	2023	2024	2025
Kao Group	No. of union members (persons)	12,716	10,851	10,238	10,105
	Percentage (%)	34	32	32	32
Japan	No. of union members (persons)	8,560	6,785	6,422	6,191
	Percentage (%)	34	30	31	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.

* Counted in enrolled companies unless otherwise noted. 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. Employee coverage rate: 100%

Employees' opinions

Human Capital Development Initiatives for Human Capital Sustainability



Joseph Lim
Resource Center Head,
Fatty Chemical (Malaysia)
Sdn. Bhd.

Human Capital Sustainability is essential to ensure that our organization develops in line with our Ideal Human Capital and Organization, which are grounded in The Kao Way. This sustainability is achieved by continuously developing our people while aligning individual growth with long-term business objectives.

At the core of Human Capital Development is the belief that every individual possesses unique talents, aspirations, and potential. By integrating personal goals with organizational objectives, the company fosters a culture of shared purpose, ownership, and accountability. Tools such as OKRs support this alignment by creating a scrum-based organization that promotes focus, transparency, and collaboration, while enabling teams to remain agile and future-oriented. OKRs also encourage aspiration, recognizing that we often overestimate what can be achieved in one year but underestimate what can be accomplished over five years.

To ensure continuous improvement, the annual Kao Engagement Survey plays a vital role in measuring the effectiveness of personal efforts aligning with the company's direction.

Employees' opinions

Developing human capital and creating opportunities through on-the-ground experience



Jun Shukunobe
Brand Director,
Asia (International) Group,
Skin Care Business
HLBC Business

I joined Kao in 2007 and began my career in sales at KCMK. After that, I immersed myself in marketing in the Hair Care Business. In 2017, my 11th year with the company, I worked for about one year at Kao Singapore as an MK trainee. It was my first time living outside Japan, and I was not yet comfortable communicating in English. Even so, I discovered the joy of working with colleagues of different nationalities and perspectives, united by a shared language: consumer-driven marketing and the mission, vision, and values of the brands we manage. At the same time, I came to realize how exceptional the working environment and support systems at Kao Japan are. This experience also prompted me to think deeply about what it takes to continue growing a business outside Japan.

After returning to Japan, I was responsible for Bioré UV for five years. From 2023, I spent three years stationed in China as an MK Director, overseeing skincare and hair care. While I gained valuable insights into advanced digital marketing, it was the experience of managing business in a rapidly changing market and learning from both successes and failures that contributed most to my own growth. Standing at the forefront of the business sometimes requires courage. Yet I believe there are lessons and rewards that cannot be gained through training alone. I hope to continue taking on new challenges together with colleagues who share the same aspirations.



Stakeholder engagement

Aiming to foster a fairer workplace culture that respects individuality

Hirohito Takada
Partner, Ohno Office Labor and Social Security Attorney's Firm
Makuhari Office Manager / Certified Labor and Social Security Attorney

As a certified labor and social insurance attorney, I have been involved in conducting labor compliance diagnostics for the Kao Group. Specifically, I have evaluated and provided recommendations on the status of personnel regulations, including work rules, labor-management agreements, and legally required records, as well as the operation of HR and labor systems, from the perspectives of legal compliance and the rationality and efficiency of the systems and their implementation.

What impressed me most is that the Kao Group's systems go beyond simply complying with legal requirements. They are designed and operated through careful discussion, with a constant focus on the wellbeing of each employee and on how the workplace can be made more supportive and comfortable. In particular, the generous support provided to employees with childbirth, childcare, and caregiving responsibilities, such as paid childcare leave and special leave for nursing care that far exceeds statutory requirements, is among the most advanced in Japan. These measures significantly contribute to fostering a corporate culture in which employees, especially those with families, can balance their personal lives and work and continue working with peace of mind over the long term.

From a governance perspective, the Kao Group also appears to have established not only well-developed internal rules but also clear processes for decision-making and accountability, along with systems that enable appropriate corrective action when issues arise. This is made possible by the ongoing communication between management and employees in the workplace, demonstrating that the Group's governance is not merely formal but truly effective in practice. In an era when sustainability and human capital management are increasingly emphasized, this represents a significant strength.

Turning again to the HR and labor field, frequent legal revisions are expected in the future. Therefore, it is important to continuously check whether the company is responding properly and in a timely manner to current legal requirements. At the same time, as lifestyles and ways of working continue to diversify, I hope that Kao will continue building workplaces that are fairer and more respectful of individuals, while maintaining legal compliance as its foundation. I believe that such steady efforts will ultimately contribute to enhancing the corporate value of the Kao Group as a whole.

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

- 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 / Metrics, targets and results / Initiatives

Strategy	Metrics	Targets	2025 results	Initiatives
Diversity & Equity promotion (1) Human capital development from a DE&I perspective	% 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	79.4%	Women's empowerment (1) (2) (3) (4)
	Percentage of female managers (1) (2) (3) (4)	–	34.0%	Promoting the participation of employees of LGBTQ+ communities (1) (2) (3) (4)
	Gender pay gap (1) (2) (3) (4)	–	89.1%	Promoting the participation of employees from different cultures (1) (2) (3) (4)
(2) Promoting the participation of diverse employees and improving the workplace environment	Percentage of employees with disabilities (1) (2) (3) (4)	–	Global: 1.67% Japan: 2.80%* * Calculation in accordance with the law	Promoting the participation of employees with disabilities (1) (2) (3) (4)
	Percentage of paternity leave taken by male employees (Japan) (1) (2) (3) (4)	100%	92.7%	Support for balancing work and childcare (1) (2) (3) (4)
Inclusion promotion (3) Education and awareness of DE&I	Score on "Inclusive organizational culture" in our employee engagement survey (1) (2) (3) (4)	75 2030	65	Support for balancing work and family care (1) (2) (3) (4)
(4) Fostering an inclusive organizational culture	Score on "psychological safety" in our employee engagement survey (1) (2) (3) (4)	75 2027	65	Deepening understanding of DE&I (1) (2) (3)
				Fostering an organizational culture centered on dialogue (1) (2) (4)

Financial impact

- 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

P242 Our Progress > Human Capital Development > Metrics and targets

- 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

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

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 creating 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 aim to enhance cognitive diversity* and make it a strength of the organization. To this end, as part of our diversity and equity promotion activities, we provide the necessary support and improve workplace environments so that diverse human capital can obtain equitable opportunities in environments where each individual can work comfortably.

In addition, through our inclusion promotion activities, we work to deepen every employee's understanding of DE&I and enable them to put it into practice. We also continue fostering an inclusive organizational culture in which each individual can express their unique strengths and fully realize their potential.

* 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: P269 Human capital development from a DE&I perspective, P269 Women's empowerment, P270 Promotion of empowerment of employees of LGBTQ+ communities, P271 Promoting the participation of employees from different cultures, P271 Promoting the participation of employees with disabilities, P272 Support for balancing work and childcare, P273 Support for balancing work and family care, P274 Deepening understanding of DE&I, P274 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: P269 Human capital development from a DE&I perspective, P269 Women's empowerment, P270 Promotion of empowerment of employees of LGBTQ+ communities, P271 Promoting the participation of employees from different cultures, P271 Promoting the participation of employees with disabilities, P272 Support for balancing work and childcare, P273 Support for balancing work and family care, P274 Deepening understanding of DE&I, P274 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: P269 Human capital development from a DE&I perspective, P269 Women's empowerment, P270 Promotion of empowerment of employees of LGBTQ+ communities, P271 Promoting the participation of employees from different cultures, P271 Promoting the participation of employees with disabilities, P272 Support for balancing work and childcare, P273 Support for balancing work and family care, P274 Deepening understanding of DE&I, P274 Fostering an organizational culture centered on dialogue

(4) Fostering an inclusive organizational culture

To realize an organization in which each employee can express their individuality and where employees accept and leverage one another's strengths, we foster an organizational culture centered on dialogue. Through these efforts, we promote the expression and integration of individual cognitive diversity and transform diversity into a strength of the organization.

Related initiatives: P274 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
  P242 Human Capital Development > Targets and progress
- 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	
		2022	2023	2024	2025	Target value	Year
(1) (2) (3) (4)	Score on "Inclusive organizational culture" in our employee engagement survey (perfect score: 100)	–	62	63	65	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	75.9%	76.2%	78.1%	79.4%	100%	2030

We have fostered an inclusive organizational culture through various education and awareness initiatives aimed at deepening understanding of the significance of DE&I and promoting understanding and practice of psychological safety and unconscious bias. As a result, the score related to an "Inclusive organizational culture" in the Employee Engagement Survey has gradually but steadily improved. Going forward, we will further promote awareness across the group by sharing initiatives and best practices among Kao Group companies.

Although the % of female managers related to that of female employees-an indicator used to measure the level of achievement of the goal of aligning the ratio of female managers at each Kao Group company with the ratio of female employees at that company—has improved year by year, further improvement is particularly needed in Japan.

Accordingly, we will continue to steadily advance initiatives to promote women's empowerment, including support for balancing work and childcare to enable women to pursue their careers with motivation.

Situation of female employees (%)

		2022	2023	2024	2025
Employees	Kao Group	52.9	53.1	53.2	53.6
	Japan	55.9	56.0	56.5	56.8
	Of which, Kao Corporation	28.9	30.0	31.9	32.9
	Asia	44.6	44.2	44.2	44.2
	Europe	49.9	52.4	52.5	53.7
	Americas	51.2	53.0	48.6	52.5
All management positions	Kao Group	30.5	31.1	32.6	34.0
	Japan	22.4	24.6	26.5	27.7
	Of which, Kao Corporation	24.3	25.6	27.7	28.7
	Asia	47.6	45.9	46.0	46.3
	Europe	40.8	44.8	45.0	47.1
	Americas	53.3	48.6	46.7	48.5
% of female managers to that of female employees*1	Kao Group	75.9	76.2	78.1	79.4
	Japan	65.9	67.3	69.7	71.4
Top management positions*2	Kao Group	19.8	19.4	20.4	20.2
	Japan	10.6	11.8	11.9	13.0
Middle management positions*3	Kao Group	–	26.8	28.9	30.4
	Japan	–	19.0	20.7	22.3
Junior management positions*4	Kao Group	34.2	35.5	36.2	38.5
	Japan	26.8	29.6	31.8	33.2
Management positions in revenue-generating functions	Kao Group	29.7	30.5	29.9	34.1
	Japan	21.5	23.6	25.2	25.8
Employees in STEM related positions*5	Kao Group	23.9	24.9	25.8	26.0
	Japan	21.1	21.8	23.1	23.0

*1 An indicator showing the degree of achievement of the ratio of female managers relative to the ratio of female employees, calculated as a weighted average based on the number of management positions at each Kao Group company in each region.
*2 Position equivalent to department head
*3 Position equivalent to section manager, but with a certain level of responsibility
*4 Position equivalent to section manager, but without Middle management
*5 Science and Technology-related function

* Counted in enrolled companies unless otherwise noted. 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. Employee coverage rate: 100%

Leadership

		2023			2024			2025			2026		
		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	8 (3)	2 (2)	20.0	7 (3)	1 (1)	12.5	6 (3)	3 (2)	33.3	6 (3)	3 (2)	33.3
	Audit & Supervisory Board Members*1	5 (3)	0 (0)	0.0	4 (2)	1 (1)	20.0	3 (2)	2 (1)	40.0	3 (2)	2 (1)	40.0
	Subtotal	13(6)	2 (2)	13.3	11(5)	2 (2)	15.4	9 (5)	5 (3)	35.7	9 (5)	5 (3)	35.7
Executive Officers*2		26	4	13.3	27	4	12.9	25	5	16.7	22	7	24.1
Total		39	6	13.3	38	6	13.6	34	10	22.7	31	12	27.9

*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)

		2022	2023	2024	2025
Kao Corporation	All	40.9	41.1	40.8	40.6
	Male	41.4	41.6	41.0	40.8
	Female	39.9	40.1	40.2	40.1

Average length of employment (years)

		2022	2023	2024	2025
Kao Group	All	–	–	15.6	15.6
	Male	–	–	16.5	16.3
	Female	–	–	14.8	15.0
Kao Corporation	All	17.6	17.6	17.0	16.7
	Male	18.5	18.6	17.9	17.5
	Female	15.3	15.3	15.2	15.0

Percentage of employees with disabilities (%)

	2022	2023	2024	2025
Kao Group	1.34	1.56	1.54	1.67
Japan*3 *4	2.64	2.76	2.81	2.80
Kao Corporation*3	2.56	2.61	2.60	2.57

*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 Company Limited., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Company Limited., Kao Business Associe Co., Ltd., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji Co., Ltd., and special subsidiary Kao Peony Co., Ltd.)

* Counted in enrolled companies unless otherwise noted. 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. Employee coverage rate: 100%

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

		2022		2023		2024		2025	
Kao Group	Management level + Non-management level	5,733,874		6,276,878		6,620,812		6,886,249	
		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	12,088,706 ☑	12,682,314 ☑
	Non-management level	4,605,267	4,171,253	4,935,818	4,907,955	5,107,692	5,198,382	5,308,466 ☑	5,421,785 ☑
	Management level + Non-management level	–	–	6,725,064	5,803,608	6,978,488	6,243,281	7,281,841 ☑	6,486,258 ☑
Japan	Management level	9,929,145	8,956,520	10,081,759	9,009,108	10,075,181	9,109,514	10,718,012	9,616,477
	Non-management level	5,516,230	4,143,616	5,610,093	4,739,378	5,756,799	4,886,267	6,056,580	5,118,087
	Management level + Non-management level	–	–	7,198,545	5,210,928	7,326,394	5,405,830	7,796,662	5,700,293
Of which, Kao Corporation	Management level	10,259,143	9,263,127	10,340,101	9,351,123	10,341,938	9,412,972	10,957,289	9,894,172
	Non-management level	5,625,237	5,411,537	5,712,784	5,611,314	5,958,568	5,841,938	6,246,491	6,209,390
	Management level + Non-management level	–	–	7,563,711	6,960,160	7,740,988	7,203,555	8,274,751	7,662,152

* No differences in compensation systems based on gender have been identified; compensation is determined based on roles and performance. Any differences between men and women are attributable to differences in workforce composition by grade.
* Excluding short-time employees, employees on leave, and employees who joined or left the company during the fiscal year
* ☑: Third-party assurance obtained

Average annual base salary (yen)

		2022		2023		2024		2025	
		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	8,728,966 ☑	9,734,052 ☑
	Non-management level	3,418,174	3,119,435	3,748,927	3,731,347	3,910,635	4,014,133	4,075,983 ☑	4,213,003 ☑
	Management level + Non-management level	–	–	4,935,561	4,401,881	5,176,379	4,803,903	5,430,224 ☑	5,022,449 ☑
Japan	Management level	6,519,040	5,893,010	6,572,064	5,895,901	6,589,817	5,983,060	7,097,650	6,379,963
	Non-management level	3,783,388	2,961,574	3,821,684	3,348,308	3,925,963	3,451,836	4,089,836	3,574,805
	Management level + Non-management level	–	–	4,798,691	3,629,665	4,894,190	3,763,238	5,212,633	3,937,864
Of which, Kao Corporation	Management level	6,568,940	5,909,540	6,630,070	5,969,144	6,634,883	6,024,834	7,206,886	6,456,178
	Non-management level	3,731,043	3,582,457	3,756,405	3,694,474	3,931,222	3,864,632	4,103,571	4,110,332
	Management level + Non-management level	–	–	4,905,871	4,514,885	5,030,618	4,688,306	5,439,721	5,035,205

* No differences in compensation systems based on gender have been identified; compensation is determined based on roles and performance. Any differences between men and women are attributable to differences in workforce composition by grade.
* 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. 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. Employee coverage rate: 100%

Gender pay gap (Average annual salary (base salary + other cash incentives)) (%)

		2022	2023	2024	2025
Kao Group	Management level	106.4	103.4	107.3	104.9
	Non-management level	90.6	99.4	101.8	102.1
	Management level + Non-management level	–	86.3	89.5	89.1
Japan	Management level	90.2	89.4	90.4	89.7
	Non-management level	75.1	84.5	84.9	84.5
	Management level + Non-management level	–	72.4	73.8	73.1
Of which, Kao Corporation	Management level	90.3	90.4	91.0	90.3
	Non-management level	96.2	98.2	98.0	99.4
	Management level + Non-management level	–	92.0	93.1	92.6

* Ratio of women to men
* No differences in compensation systems based on gender have been identified; compensation is determined based on roles and performance. Any differences between men and women are attributable to differences in workforce composition by grade.

* Counted in enrolled companies unless otherwise noted. 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. Employee coverage rate: 100%

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 division 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 Division and the supervisors of human capital development at each division 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 (P269-274) for details.

C (Evaluation of results)
Conduct a comprehensive assessment of activity outcomes based on employee engagement surveys, employee awareness surveys on DE&I, 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 (2) Promoting the participation of diverse employees and improving the workplace environment	Women's empowerment	Career awareness enhancement through showing role models and roundtables with female leaders (Japan)	Training for managers on diversity management (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)	HR systems from the perspective of respecting diversity (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)
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, DE&I challenges vary depending on organizational functions and other factors, so DE&I, HCS at Kao Corporation holds regular individual DE&I promotion meetings with human capital managers and career coordinators of each division and domestic group company. During these meetings, DE&I-related data for each organization is shared, and year-on-year changes are reviewed to clarify issues related to human capital development from a DE&I perspective.

Based on these discussions, each organization formulates its DE&I promotion plan and implements initiatives in alignment with its human capital development activities.

Related Initiatives > Human capital development from a DE&I perspective

Women's empowerment

Region: Global

Corresponding strategy: (1) (2) (3) (4)

We believe that women's empowerment is essential to Kao's growth as one of the diversity factors that involves the largest number of employees. Based on this belief, we have established a policy of creating a workplace environment and fostering a corporate culture in which all employees can go beyond their own assumptions*1, fully demonstrate their motivation and abilities, and thrive in their own way regardless of gender. We are promoting initiatives to advance women's empowerment in line with this policy.

In Japan, where there is a gap between the percentage of female managers and

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

the percentage of female employees, we are working on the following three priority actions with the aim of incorporating diverse perspectives into various decision-making processes:

- Develop talent who aspire to and are capable of taking on leadership roles
- Support employees in balancing childcare and work so they can remain highly engaged
- Create an environment that enables development and promotion free from bias

In 2025, in Japan, we continued our efforts from previous years by dispatching female employees with strong future potential to external training programs at each career level and organizing small-group roundtable discussions with former female executives for management candidate pools, thereby enhancing leadership skills and career awareness.



Senior Vice President, Human Capital Strategy, awarded the Nadeshiko Brand Selection Certificate

In addition, to create an environment in which diverse members, including women, can take on challenges and grow, we held a diversity management seminar for managers featuring an external expert and the head of the Human Capital Strategy Division as panelists. Furthermore, we conducted a survey targeting primarily all non-managerial female employees to explore their perspectives on career advancement and the barriers they face, as well as interviews with women in senior positions regarding challenges encountered in their career development. Based on these findings, we are conducting analyses to identify bottlenecks to women's empowerment and exploring new measures to address these challenges. As a result of our continued efforts, Kao Corporation was selected in March 2026 as a "Nadeshiko Brand," a designation jointly administered by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, recognizing companies that demonstrate excellence in promoting women's advancement.

In the Americas, the ERG Kao Network of Women held a Women's Engagement Forum to commemorate Women's Equality Day and organized a panel discussion to celebrate International Women's Day, deepening employees' understanding of strategies to accelerate gender equity.

In EMEA, the ERG Gender Equity Community hosted International Women's Day events across the region. Through keynote speeches, panel discussions, and networking events, the initiatives reaffirmed EMEA's commitment to gender equity.



Moments from an EMEA event

Related Initiatives > Women's Empowerment

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 2025, in Japan, we launched a special page on the DE&I portal* during Pride Month in June, featuring content designed to deepen employees' understanding of gender diversity and encourage them to reflect on it personally. In addition, we implemented initiatives to raise awareness among employees, including displaying posters at Kao Corporation and certain affiliated company sites and distributing rainbow-themed candy.



Pride Month awareness display on site

In the Americas, the ERG Kao Pride carried out a series of initiatives under the theme Glow With Pride, including activities in which employees shared their personal experiences, as well as participation in the Cincinnati Pride Parade and Festival.

In addition, we newly established the ERG "Kao Pride AUNZ" in Australia, where we demonstrated Kao's commitment by hosting learning events on supportive behaviors and participating in local community events.

In EMEA, employees deepened connections across countries by participating in community Pride events and hosting Pride-themed lunch and drink gatherings.



Moments from an EMEA event

* DE&I portal: An information provision site for group employees in Japan to learn about and practice DE&I.

Related Initiatives > Promoting the participation of employees in the LGBTQ+ communities

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 2025, in the Americas, we provided opportunities throughout the year for employees to reflect on topics such as social justice and equity. In addition, the ERG Black Leaders at Kao hosted events commemorating such as Black History Month encouraging employees to reflect on cultural roots, inherited values, and history, and to reaffirm the importance of community, freedom, and equity. In EMEA, we held Black History Month events at multiple sites. By fostering employee dialogue and learning, we deepened understanding of cultural backgrounds by honoring the history, culture, and societal contributions of Black communities.



In addition, the ERG International Languages Group hosted a panel session on cultural understanding in multilingual environments. Through the sharing of personal experiences by panelists, the session deepened understanding of inclusive communication in settings where language proficiency varies and provided practical insights for application.



Moments from the panel session

Related Initiatives > Promoting the participation of employees from different cultures

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."

In Japan, employees with disabilities are assigned to a wide range of organizations and contribute as members of their respective teams, regardless of disability. To enable employees with disabilities to fully demonstrate their abilities in the workplace, we provide various forms of support. For example, we offer speech recognition applications to employees with hearing impairments and assign workplace supporters at each site to whom employees can consult regarding work-related concerns. In addition, to deepen employees' understanding of disabilities, we conduct awareness-raising activities for all employees. In conjunction with the Employment Support Month for People with Disabilities in September, we publish a dedicated intranet page on disability awareness and hold seminars on neurodiversity.



Production at the Kao Peony Production Division

In addition, Kao Peony Co., Ltd., a special subsidiary, has actively employed people with intellectual disabilities, including those with severe disabilities, since its establishment in 2005. The company engages in set assembly and packaging operations for cosmetics and beauty care products, as well as administrative support services.

Peony aims to expand employment opportunities for people with disabilities while contributing to the Kao Group. To this end, it has actively undertaken operations outsourced by group companies. In 2025, it newly established a business card printing system and began accepting such orders.



Business card case designed by employees with disabilities

Related Initiatives > Promoting the participation of employees 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 initiatives.

In Japan, 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. By helping participating employees recognize and overcome unconscious gender-based assumptions, we aim to foster an awareness that, regardless of gender, supports both work and childcare rather than requiring employees to choose between the two.

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.

In EMEA, we provide return-to-work support programs, including phased reintegration and a buddy system. In addition, the ERG Parents Community raises awareness of the resources available at Kao.

Related Initiatives > Support for balancing work and childcare

Status for childcare, nursing care and family care

		2022	2023	2024	2025
Percentage of employees taking maternity/paternity leave (male) (%)	Japan	95.6	100.5	95.8	92.7
	Kao Corporation	109.4	102.1	96.8	90.1
Percentage of employees taking maternity/paternity leave (female) (%)	Japan	107.9	113.7	99.8	99.8
	Kao Corporation	108.7	104.0	100.0	104.8
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	Japan	1	4	3	6
	Kao Corporation	1	3	2	6
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	Japan	268	310	417	390
	Kao Corporation	41	49	61	53
No. of employees taking nursing care or family care leave (male)	Japan	1	2	0	0
	Kao Corporation	0	1	0	0
No. of employees taking nursing care or family care leave (female)	Japan	7	7	4	2
	Kao Corporation	1	1	2	0
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	Japan	0	1	0	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	6
	Kao Corporation	0	0	0	1

* Counted in enrolled companies unless otherwise noted
* Employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment.
* The maternity/paternity leave acquisition rate is calculated by each employing company in accordance with the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, as the ratio of employees who have taken childcare leave and childcare-related leave.
Number of male employees who took their first leave for childcare in the relevant year ÷ Number of male employees who had a child born in the relevant year × 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 differences between the fiscal year and the deadlines for taking the leave or maternity/paternity leave, and therefore the rate 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.



Furthermore, to coincide with Family Care Day in November, we publish a special page that consolidates policies and information on supporting the balance between work and family care, and hold seminars on balancing work and family care covering various themes.

Related Initiatives > Support for balancing work and family care

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 April following the child's first birthday.	Nursing care and family care leave can be taken for a maximum period of one year and may be divided into up to three blocks of time.
Paid childcare leave	Paid leave (ten working days) must be taken during the period until the end of the first April after the child turns one year old.	
Reduced working hours and staggered working hours	During the period until the end of April following the child's first birthday: • Specified working hours can be reduced by up to four hours per day. • The number of specified working days can be reduced by up to two days per week (i.e., working three days per week).	The following programs (1) to (3) may be used for a combined maximum period of three years (they may be divided into up to two separate periods): (1) Reduced working hours: Specified working hours can be reduced by up to two hours per day. (2) Flexible working arrangements: Employees may work three full days per week or half-days across five days per week. (3) Staggered working hours: The specified starting and finishing times of work can be adjusted by up to two hours per day.
	During the period until the child completes the third grade of elementary school: • Specified working hours can be reduced by up to two hours per day. • The specified starting and finishing times of work can be adjusted by up to two hours per day.	
Restriction on extra working hours	During the period until the end of April following the child's entry into the first grade of elementary school, the employee may request limitations on or exemption from overtime work, work on holidays, and late-night work.	Limitations on or exemption from overtime work, work on holidays, and late-night work may be requested.
Child Care Time	Female employees caring for newborns and infants less than one-year-old are eligible for 30 minutes of childcare breaks 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. It may be taked on a full-day, half-day, or hourly bases.	Special paid leave may be taken when an employee needs to take leave to provide nursing care or family care which is applicable for spouses, children, the employee's parents, the employee's parents-in-law, grandparents, siblings or grandchildren (40 days or 20 days granted per year). It may be taken on a full-day, half-day, or hourly basis.
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.	

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 2025, to enhance the level of DE&I across the Kao Group, we appointed DE&I Ambassadors at each Kao Group company and launched the “DE&I Empowerment Program,” beginning with the global release of a message from the top on the significance of DE&I within the Kao Group. In addition, in Japan, the Americas, and EMEA, we implemented various awareness-raising initiatives, including disseminating information on priority themes, holding events and seminars, and publishing articles introducing employee case examples to further promote understanding of DE&I.

Related Initiatives > Deepening understanding of DE&I



Top management message delivery

Fostering an organizational culture centered on dialogue

Region: Global
Corresponding strategy: (1) (2) (4)

To realize an organization in which diverse employees can fully express their individuality and where their strengths are embraced and leveraged, we are fostering an organizational culture centered on dialogue. In 2025, in the Kao Group in Japan, we made “Unconscious Bias e-Learning” mandatory for non-management employees. As a result, all employees have completed the e-learning programs on psychological safety and unconscious bias that were launched in 2023. We will continue to implement these learning initiatives on an ongoing basis to further embed them into our organizational culture. In the Americas, we continued to provide training on microaggressions and racial discrimination awareness. In EMEA, as part of the Essential DE&I Training, we conducted training on microaggressions and inclusive behaviors.

Related Initiatives > Fostering an organizational culture centered on dialogue

Employees' opinions

Embedding DE&I into our culture: Gender equity and wellbeing at Kao EMEA



Cecilia Ayelen Malanga
EMEA Human Capital Development
Learning & Development Partner

As a member of the Gender Equity Community and Mental Health Group at Kao EMEA, I am proud to be part of an organization that prioritizes these important topics, and empowers employees to co-create meaningful DE&I initiatives. Since joining both groups, I contributed to impactful projects with passionate colleagues: for instance, in 2025 our Gender Equity Community organized International Women's Day events across London, Darmstadt, and Amersfoort. In London, we hosted a panel featuring employees from diverse backgrounds and genders, sharing perspectives on gender equity. The event included in-person networking and live streaming for remote colleagues, alongside an interactive campaign with a Women's History Quiz. I also enjoy my role in the Mental Health Group, where we provide resources and guidance on wellbeing. This year, I led a quarterly Wellbeing Bulletin, sharing tips and insights—a perfect fit with my background in psychology.
These experiences have shown me how much connects us beyond our different backgrounds, and that Kao is a place where collaboration fosters inclusion and belonging.

Employees' opinions

Delivering joy to consumers together with colleagues who share the same passion



Kana Saito
Personal Health Care Products Development
Product Business Development
Health Beauty Care Business
Kao Corporation

I have worked in marketing for various brands and, drawing on that experience, I am now involved in developing personal health care products such as *MegRhythm* in the product development division. I find great fulfillment in working collaboratively with members from different departments to bring to life products that could never be created by one person alone. At times, opinions may differ, but we all share a strong desire to be of service to consumers. By engaging in close and thoughtful communication and aligning on key priorities, we are able to move forward together. I feel truly grateful to work each day surrounded by colleagues who are passionate about what they do.

I have a disability involving the loss of my left forearm, but at Kao, while appropriate accommodations are provided, I have never felt limited. When I encounter challenges, my colleagues naturally offer support. I believe this is not because of my disability, but because Kao has long valued diversity as part of its culture. Because we respect diversity and foster an environment where everyone can take on challenges, I will continue to create new value for consumers together with my colleagues.

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

- 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 (Absenteeism)
- Increasing number of employees unable to perform adequately due to unidentified complaints of illness (Presenteeism)

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, Metrics, targets and results, Initiatives

Strategy	Metrics	Targets	2025 results	Initiatives
Overall health: (1) Foster a healthy workplace culture	Score for "Vitality" in our employee engagement survey (perfect score: 100) (1)	70 2030	62	Kao Group Health Day (1)
	Degree of GENKI* (Rate of affirmative answers in the job stress assessment) (1) (2) (3) (4) * 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.	80.0% 2025	80.1%	Director's Message (1) Health Resolution (1)
Mental health care: (2) Improve mental health through support focused on connections with organizations and people	High stress level (Male) (2) (4)	8.6% 2025	9.3%	Job stress assessments (2) Line care training (2)
	High stress level (Female) (2) (4)	7.7% 2025	9.2%	Mental wellness seminar (2)
Physical health: (3) Promote autonomous self-care	Smoking rate (Male) (3)	21% 2025	23.6%	Weight-loss challenge (3)
	Smoking rate (Female) (3)	13% 2025	13.7%	
	BMI level over 25 (Male) (3) (4)	26% 2025	28.5%	Smoking cessation initiatives (3)
	BMI level over 25 (Female) (3) (4)	14% 2025	18.4%	
Physical health: (4) Occupational health foundation activities	Average number of lost long-term work days (days/people) (4) *Starting from Japan	105 2030	236	Managing workplace hazards and employee health risks (4)
	Average rate of employees with lost long-term work days (per 1,000 employees) (4) *Starting from Japan	12.0 2030	25.2	
Social health: (5) Externally deploy good practices	Promoting health value to external stakeholders (5)	–	850,000 cases	Supporting the Health of Employees, Their Families, and Communities (5) Health Day Consortium (5)

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

Financial impact

- Cost reductions through reassessment of health-related investments
- Cost reduction through reducing the number of employees eligible for specific health guidance
- Healthcare cost savings through the reduction of severe chronic disease cases

Environmental and social impact

- Contribution to the healthy and enriched lives of employees and their families, partner companies, and society
- Health value awareness activities for external stakeholders
- Provision of health value to internal and external stakeholders

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 (Absenteeism)
- Increasing number of employees unable to perform adequately due to unidentified complaints of illness (Presenteeism)

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 aimed at "maximizing employee vitality" to support the Kao Group's continuous growth. We communicate our health and productivity management policy both internally and externally through the Kao Group Health Declaration and we 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.

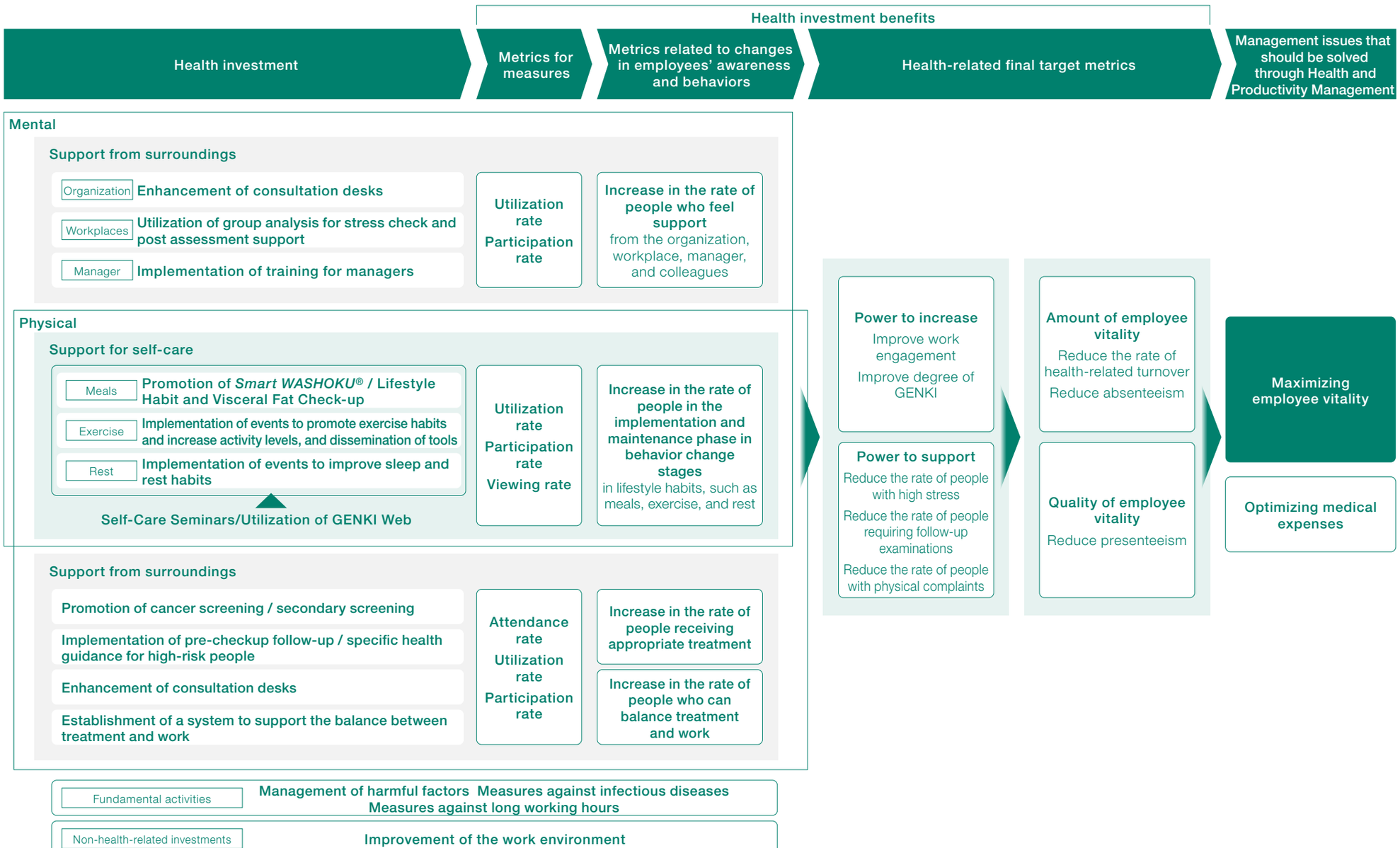
Kao Group Health Declaration

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) Foster a healthy workplace culture

We foster a healthy workplace culture with the aim of “maximizing employee vitality” under the Mid-term Plan 2027 (K27).

Related initiative: P284 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: P285 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: P286 Lifestyle habit improvement initiatives, P288 Support for the health of employees and their families

(4) Occupational health foundation activities

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: P287 Initiatives to support women’s health

(5) Externally deploy good practices

We will widely communicate good examples of our company’s initiatives to the outside company through initiatives such as Health Day Consortium and contribute to the promotion of health in society and among consumers.

Related initiatives: P284 Kao Group Health Day to nurture the health of employees and society, P288 Support for the health of employees and their families

Health White Paper

We compile a Health White Paper to organize and visualize the initiatives implemented and their outcomes in our annual health and productivity management activities, and we use it to review our efforts.

Impact generated by implementing the strategies

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

Financial impact

- Cost reductions through reassessment of health-related investments
- Cost reduction through reducing the number of employees eligible for specific health guidance
- Healthcare cost savings through the reduction of severe chronic disease cases

Environmental and social impact

- Contribution to the healthy and enriched lives of employees and their families, partner companies, and society
- Health value awareness activities for external stakeholders: approximately 850,000 cases

Strategic resilience

Kao strives to enhance employees’ awareness of self-care and to foster employees who can take autonomous action when experiencing mental or physical health issues. In addition, as a company, we fully support employees who proactively work to maintain and improve their health. 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 set targets for metrics related to particularly important risks and opportunities, and by monitoring their achievement, we continuously improve through the PDCA cycle and steadily promote our initiatives.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	Score for “Vitality” in our employee engagement survey (perfect score: 100)	–	–	59	61	62	70	2030

Important metrics for Kao Health 2025

Strategy	Metrics	Results					Targets 2025
		2021	2022	2023	2024	2025	
(1) (2) (3) (4)	Degree of GENKI (Rate of affirmative answers in the job stress assessment) (Male)	77.8%	76.6%	78.2%	78.0%	79.0%	80.0%
(1) (2) (3) (4)	Degree of GENKI (Rate of affirmative answers in the job stress assessment) (Female)	77.2%	78.1%	79.3%	80.5%	81.0%	80.0%
(2) (4)	High stress level (Male)	9.5%	10.2%	9.6%	10.0%	9.3%	8.6%
(2) (4)	High stress level (Female)	8.5%	9.2%	8.5%	9.1%	9.2%	7.7%
(3) (4)	BMI level over 25 (Male)	27.3%	27.6%	27.4%	27.9%	28.5%	26.0%
(3) (4)	BMI level over 25 (Female)	15.0%	14.7%	15.5%	16.4%	18.4%	14.0%
(3) (4)	Smoking rate (Male)	24.8%	27.6%	27.4%	27.9%	23.6%	21.0%
(3) (4)	Smoking rate (Female)	15.0%	14.7%	15.5%	16.4%	13.7%	13.0%

Metrics for KLP

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1) (2) (3) (4) (5)	Average number of long-term absence days (days/people) * Starting from Japan	197 days	182 days	195 days	220 days	236 days	105 days	2030
(1) (2) (3) (4) (5)	Long-term absence rate per 1,000 employees * Starting from Japan	23.2	28.7	25.6	27.2	25.2	12.0*	2030

* Target value changed to per-thousand rate

The score for “Vitality,” which targets 2030, has been improving year by year.

Additionally, the “Average number of long-term absence days”—a key KLP indicator—continued to lengthen, while the “Long-term absence rate” has shown a slight trend toward improvement.

Regarding the key targets of Kao Health 2025, the “Degree of GENKI” was achieved only for women; while men did not meet the target, they are on the path to improvement.

Although the “High-stress level” did not meet the target, it remains lower than the average of other companies used as benchmarks.

The “BMI level over 25” has worsened for both men and women; while an aging workforce is thought to be one contributing factor, further measures are necessary.

The “Smoking rate” did not meet the target for either men or women, but is showing a trend of improvement.

Based on the above situation, we need to focus even more on supporting employees on long-term absence and those who are obese going forward.

Key health metrics for kao group employees in Japan

		2021	2022	2023	2024	2025
Percentage of employees undergoing periodic health check-ups		100%	100%	100%	100%	100%
Percentage of employees with abnormal findings who underwent follow-up examinations		92.6%	96.0%	97.1%	97.5%	97.6%
Percentage of employees at high risk of diabetes who continue treatment		87.7%	87.1%	81.4%	83.5%	79.0%
Specific health guidance implementation rate (age 40 or older)		71.2%	75.2%	73.4%	74.8%	–
Percentage of employees who skip breakfast three or more times a week	Male	24.2%	24.8%	25.6%	25.2%	24.9%
Percentage of employees who have engaged in at least 30 minutes of exercise, two or more times a week, for one year or longer	Male	31.5%	32.5%	34.3%	34.8%	34.7%
Percentage of employees who engage in walking or equivalent physical activity for at least one hour per day	Male	46.4%	49.0%	54.5%	55.0%	55.8%
Percentage of employees who obtain sufficient rest through sleep	Male	76.7%	76.7%	74.5%	73.0%	73.3%
Percentage of employees who smoke	Male	24.8%	24.8%	24.7%	23.9%	23.6%
Percentage of employees who drink alcohol every day	Male	–	–	–	17.4%	16.4%
Percentage of employees with a BMI of 25 or higher	Male	27.3%	27.6%	27.4%	27.9%	28.5%
Percentage of employees engaged in improving their lifestyle habits	Male	28.3%	28.8%	29.0%	28.8%	29.6%
Percentage of employees who are at risk of developing metabolic syndrome (age 35 or older)	Male	33.8%	33.0%	33.2%	32.3%	32.4%
Percentage of employees receiving specific health guidance (age 40 or older)	Male	18.9%	18.2%	17.6%	17.4%	17.2%
Percentage of employees who skip breakfast three or more times a week	Female	23.5%	24.6%	25.2%	25.0%	24.6%
Percentage of employees who have engaged in at least 30 minutes of exercise, two or more times a week, for one year or longer	Female	15.9%	16.1%	16.8%	16.8%	17.4%
Percentage of employees who engage in walking or equivalent physical activity for at least one hour per day	Female	50.8%	51.7%	55.2%	55.4%	56.5%
Percentage of employees who obtain sufficient rest through sleep	Female	70.2%	68.9%	64.8%	64.5%	63.9%
Percentage of employees who smoke	Female	15.6%	15.0%	15.0%	13.6%	13.7%
Percentage of employees who drink alcohol every day	Female	–	–	–	11.6%	11.4%
Percentage of employees with a BMI of 25 or higher	Female	14.7%	15.5%	16.4%	17.0%	18.4%
Percentage of employees engaged in improving their lifestyle habits	Female	22.4%	22.9%	22.0%	22.1%	23.0%
Percentage of employees who are at risk of developing metabolic syndrome (age 35 or older)	Female	8.2%	8.5%	8.9%	9.1%	9.6%
Percentage of employees receiving specific health guidance (age 40 or older)	Female	8.1%	7.8%	8.0%	8.2%	8.3%

Investment in major health promotion initiatives

	Year	Category	Cases	Yen (tax excluded)
Improvement of lifestyle habits	2025	*Hoco Touch* usage fee		6,651,034
		Gait and visceral fat measurement		10,998,969
		Smart WASHOKU® seminar		2,615,253
GENKI Web	2025	Meal analysis		1,800,000
		RenoBody		600,000
		Fee for system usage		5,663,000
GENKI point	2025	Items	7,282	18,126,643
		Donation to Heart Pocket Club	1,212	121,200
Subsidization in each worksite and area (Health Insurance Union PE-Aid)	2024	Health promotion business activities	138	7,997,000

Final health metrics in the Health and Productivity Management Strategy MAP

	Male					Female				
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021	FY2022	FY2023	FY2024	FY2025
Degree of GENKI (being energetic, lively, bright)	77.8	76.6	78.2	78.0	79.0	77.2	78.1	79.3	80.5	81.0
Work engagement level	69.8	66.6	67.9	68.0	70.4	74.3	72.9	74.3	74.9	76.1
Absenteeism	5.1	6.2	8.5	6.4	6.2	6.1	8.9	10.9	8.1	7.0
Presenteeism	21.4	22.3	22.8	18.0	17.2	23.4	24.2	24.4	18.7	18.8
Job satisfaction	68.0	66.7	67.7	67.5	70.3	67.2	65.7	67.6	67.6	69.6
Life satisfaction	85.5	85.8	86.3	86.4	86.3	86.4	87.2	87.1	86.7	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 2025	2025 results	2025 Participant satisfaction level
Pre-health check-up weight-loss challenge (One Month Program)	1,569 participants (Lost 2 kg or more: 54.2%)	80%
Stop Smoking Challenge	25 participants (Of whom 8 were successful)	–
Quitting smoking online	7 participants	–
Video distribution of What You Should Know About Tobacco	408 viewers	–
Let's Health Resolution	4,009 resolutions	–
Waku Waku Eco Walk! Challenge	2,840 participants (Walking × Eco activities achievement rate: 20%)	78%
Gift for Your Health	1,470 participants	96%
Video distribution of Shoulder and Lower Back Pain	5,443 participants	86%
Video distribution of Women's Health—Understanding Menstruation	1,791 viewers	98%
Video distribution of Women's Health—Learning About Menopause	1,078 viewers	97%
Relax & Recharge	3,981 participants	95%
e-learning for managers on Women's Health	3,472 participants	88%
Year-end and New Year Weight Maintenance Challenge	2359 participants (Achieved target rate: 53.6%)	92%
Online *Smart WASHOKU*® Cooking Class	407 participants	94%
Women's Health News	Published in January, April, July and October	–
GENKI *Mori Mori* Bulletin	3 Issues, published	–

Health promotion activities at each kao office (Japan) (Events, seminars, campaigns, etc.)

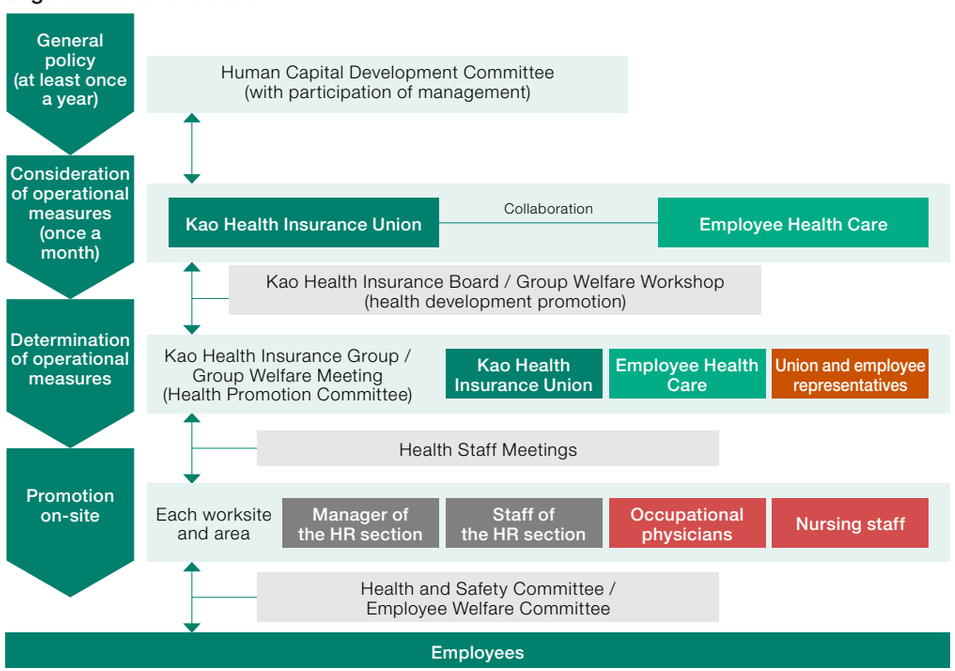
Content of activities in 2025	2025 results
Related to lifestyle-related diseases: Visceral fat measurement, gait measurement, health resolution, walking events, etc.	94 programs were held with a total of 16,549 participants.
Smoking cessation: Lectures, Stop Smoking Challenge, Smoking cessation quiz, etc.	7 programs were held with a total of 1,311 participants.
For women: Women's health seminars, Menopause seminars, etc.	9 programs were held with a total of 1,124 participants.
Mental: Occupational physician lectures, sleep seminars, incivility training, etc.	15 programs were held with a total of 1,882 participants.
Senior Health: Slip-and-fall prevention seminars, physical fitness measurement, gait measurement, heatstroke prevention measures, etc.	7 programs were held with a total of 1,107 participants.
Cancer: Occupational physician lectures	3 programs were held with a total of 871 participants.

Governance

The formulation of health policy is deliberated on and approved by the Human Capital Development 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 directors in charge, human capital managers and employee representatives, as well as at informal gatherings that include employee representatives. During the implementation stage of the formulated measures, Manager of the HR section and Staff of the HR section 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 CAPDo cycle (Check → Action → Plan → Do), which enables us to visualize the current state and implement prompt corrective actions.

Check

Evaluation of health data and various KPI results

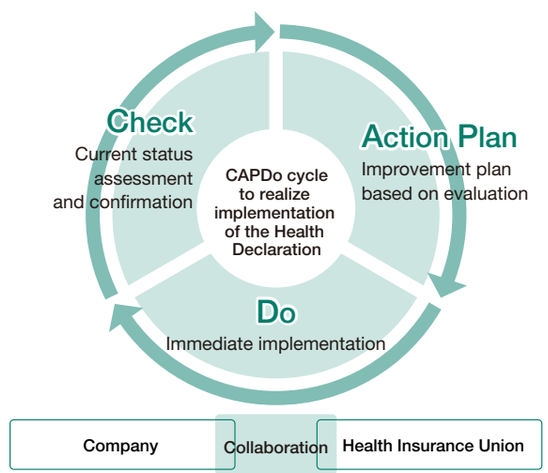
Action Plan (Improvement Plan)

Corrective measures and updated activity plans are considered at the Health Staff Meeting and Group Welfare Meeting based on the results of activities. Set key targets based on the Mid-term Health Plan

Do (Execution)

Please see the initiatives (P284-289).

CAPDo cycle



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) Foster a healthy workplace culture	Kao Group Health Day	Director's Message	Kao Group Health Declaration
Mental health care	(2) Improve mental health through support focused on connections with organizations and people	Job stress assessments	Line care training	Mental wellness seminar
Physical health	(3) Promote autonomous self-care	Pre-health check-up weight-loss challenge	Smoking cessation initiatives	Women's health
	(4) Occupational health foundation activities	Health promotion videos and information distribution	e-learning for managers	Managing workplace hazards and employee health risks
Social health	(5) Externally deploy good practices	Health Day Consortium	Supporting the Health of Employees, Their Families, and Communities	

Kao Group Health Day to nurture the health of employees and society

Region: Global

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

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. Through these initiatives, we share the message that our commitment extends beyond promoting the health of each employee to supporting the health of employees' families and the wellbeing of people around the world.

In 2025, on the occasion of Kao Group Health Day, Representative Director, President and CEO Yoshihiro Hasebe delivered a health resolution titled "Work starts with well-being," reaffirming the importance of health to employees and people around the world.

Kao | Introduction to the Kao Group's Health and Productivity Management
https://www.kao.co.jp/genki/kenkoukeiei/introduction/



My Health Resolution
Work starts with well-being

Yoshihiro Hasebe
Representative Director
President and
Chief Executive Officer

In Japan, to coincide with Kao Group Health Day, we held various events designed to encourage employees to take proactive steps towards improving their health. These included a Health Resolution, in which each employee sets personal health targets; the *Waku Waku* Eco Walk! Challenge, a walking event that aims to achieve step targets along with four pre-selected eco-friendly actions; and Gift for Your Health, an initiative in which employees send Kao products to their loved ones with messages wishing them good health.

Through these activities, we create opportunities for employees to reflect not only on their own health but also on the health of their families and those close to them.

Health Resolution



The Health Resolution is a program in which each employee sets a health target. It was conducted at 26 locations nationwide, resulting in 2,385 resolutions, while 1,624 resolutions were made on the website version, for a total of 4,009 resolutions (104% year-on-year).

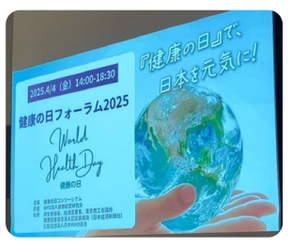
Health Day Consortium

To expand workplace health promotion initiatives, Kao has established the Health Day Consortium, a collaborative platform through which companies work together. Through this consortium, we collaborate with other companies to share best practices and disseminate information related to health.

On April 4, 2025, we held the second Health Day Forum in a hybrid format combining in-person and online participation, with a total of 591 participants (243 in person and 348 online).

In the post-event survey, 98% of participants responded that they understood the purpose of the Health Day initiative.

Through these activities, Kao aims to widely communicate the importance of health and productivity management and the Health Day initiative to society, thereby expanding the reach of health and productivity management.







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 mental health courses, 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 FY2025, 98% of all employees participated, an increase of 0.7 percentage points from the previous year. 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, contributing to the creation of a workplace environment where employees can work with vitality.

Mental health courses

We provide support through training so that each employee can manage their own health autonomously. To encourage broader participation and support, we have made certain training programs mandatory starting in FY2025.
The training consists of two pillars: (1) line care training and (2) mental wellness seminar (self-care training).

(1) Line care training

This training aims to deepen understanding of mental health and line care, enabling managers to prevent or detect presenteeism among team members and those around them at an early stage, and to contribute to creating a better workplace environment.

[Basic course]

This course supports understanding of managerial roles and the acquisition of skills for responding to team members. It is conducted via e-learning for all managers, and participation has been mandatory since FY2025. In FY2025, 1,690 managers completed

the course, with a participation rate of 81.9% and a comprehension rate of 92.6% (based on the post-training questionnaire).

[Advanced course]
This course was held as a special event within the company-wide Dialogue Festival. In 2025, an external lecturer (a psychiatrist and occupational physician) was invited to conduct the session under the theme: “Connect, Expand, and Thrive through Dialogue –Dialogue with Those Who Matter, Dialogue with Yourself.” A total of 951 managers participated, deepening dialogue with team members and colleagues, while strengthening their ability to apply line care in daily management and enhancing their own stress management capabilities.

(2) Mental wellness seminar

The mental wellness seminar aims to deepen understanding of mental health and self-care, thereby preventing presenteeism and maximizing the vitality of each employee.

[Mental wellness seminar (basic)]
Participation has been mandatory since FY2025, and the seminar is conducted via e-learning for all employees. In FY2025, 18,074 employees completed the course, with a participation rate of 79.7% and a comprehension rate of 97% (based on the post-training questionnaire). By making the course mandatory, we expanded opportunities for many employees to participate and acquire fundamental self-care skills.

[Mental wellness seminar (optional course)]
In addition to the mandatory training, we offered 30-minute video-based sessions for all employees, covering four themes (eight sessions in total) throughout the year. Through a variety of themes, we provided opportunities to learn stress management approaches suited to individual needs and supported the enhancement of employees’ stress coping skills. Participation was voluntary, and a total of 3,458 employees attended.

Lifestyle habit improvement initiatives

Region: Japan
Corresponding strategies: (3)

Kao implements various initiatives to encourage each employee to reflect on their own health condition and proactively work to improve their lifestyle habits.

Pre-health check-up weight-loss challenge

We held the pre-health check-up weight-loss challenge, an initiative aimed at helping employees enjoy losing weight in the lead-up to their health check-ups, in accordance with each individual’s check-up schedule. In FY2025, we introduced two courses: the standard course and the premium course.

This initiative targets Kao Group employees with a BMI of 25 or higher and aims to help them lose 2.0 kg or more during the one-month period prior to their health check-up. From March to August 2025, the program was implemented in line with each employee’s scheduled check-up. Participants challenged themselves to lose weight while experiencing two health solution programs independently developed by Kao.

[Standard course]
Using Kao’s independently developed “One Month Program,” we provided personalized advice tailored to each participant’s type. A total of 1,381 employees participated, of whom 450 achieved a weight loss of 2.0 kg or more.



[Premium course]
In addition to the content from the standard course, this course incorporated the use of a dedicated app independently developed by Kao, enabling participants to photograph themselves with a smartphone to assess visceral fat levels and metabolic status.

A total of 188 employees participated, of whom 57 achieved a weight loss of 2.0 kg or more.

For FY2025, 507 of the 1,569 participants achieved their weight-loss goals.

Smoking cessation initiatives

Kao implements various initiatives to promote smoking cessation and prevent smoking initiation.

(1) Distribution of awareness-raising videos to prevent smoking initiation

To prevent smoking initiation among younger employees and promote smoking cessation, we distributed an awareness video to all employees within their first three years of employment (1,122 employees).

(2) Support emails to smokers

We sent informational emails to 3,954 employees who smoke, introducing online smoking cessation programs, smoking cessation support (including clinics and subsidies for cessation aids), and counseling services provided.

(3) Smoking cessation challenge

Starting on World No Tobacco Day, we held a seven-day smoking cessation challenge. During this period, encouragement emails were sent by nursing staff. A total of 25 employees participated, and 8 successfully quit smoking.

Initiatives to support women's health

Region: Japan

Corresponding strategy: (4)

Kao is continuously implementing initiatives to support the various health challenges faced by female employees and to create a working environment where they can continue to work with peace of mind. In FY2025, we implemented the following three measures.

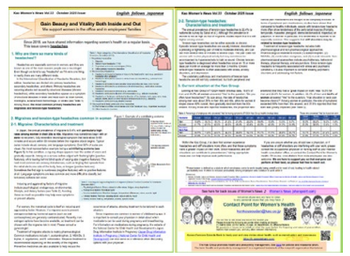
(1) Establishment of a Women's Health Consultation Service

To enable female employees to consult about health-related concerns with ease, we have established a Women's Health Consultation Service. Consultations are accepted by email, and occupational physicians provide thoughtful responses. When necessary, and 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.

We are also providing support for childcare by setting up nursing rooms in the workplace, among other measures.

(2) Publication of the in-house magazine Kao Women's News

To promote understanding of women's health, we publish the in-house magazine Kao Women's News, written by occupational physicians, once every three months. The magazine covers a variety of topics and provides employees with opportunities to gain accurate knowledge.



[Kao Women's News]

(3) E-learning for managers and distribution of videos on the theme of women's health

We conduct annual e-learning programs for managers to promote understanding of women's health, clarify their roles, and learn appropriate managerial responses. In 2025, the theme was Gender Differences in Health, covering not only women's health but also health issues specific to both men and women.

In 2025, 3,472 managers completed the course, with a participation rate of 77%, an increase of 11 percentage points from the previous year. The comprehension rate was 97% (based on the post-training questionnaire).

In addition, we are participating in the Ministry of Economy, Trade and Industry's "Project to Verify the Effectiveness of Women's Health Measures" using the same program content (limited to consenting participants).

We distribute videos on the theme of Women's Health, created by occupational physicians.

In 2025, we distributed videos on menstruation and menopause. The menstruation video attracted 1,791 viewers and achieved a 98% satisfaction rate, while the menopause video attracted 1,078 viewers and also achieved a 98% satisfaction rate (based on post-viewing questionnaires).

Support for the health of employees and their families

Region: Japan
Corresponding strategies: (3) (5)

Kao Group actively promotes health and wellness for its employees and their families, and also shares best practices from these initiatives with the wider community.

<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.

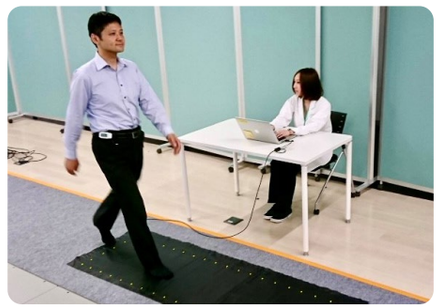
- Held at 12 worksites and 5 branch offices.
- Number of internal participants: Approximately 1,607 people in total



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: 6 worksites, 2 branches
- Number of internal participants: 863 people in total
- Number of *Hoco Touch*® units rented internally: 8,677 people (36 spot locations)



***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. To support employees' health through everyday meals, we hold regular online and in-person cooking classes and offer *Smart WASHOKU*® lunches at employee cafeterias. In 2025, we expanded the number of meals provided, serving approximately 277,000 meals over the year.

Starting in 2025, we also launched a new online cooking class program for employees nationwide, which includes the delivery of carefully selected vegetables. We held three online sessions, with a total of 192 employees and their family members participating. In addition, we held one in-person cooking class with 40 participants. These initiatives also included 27 participants from outside the company.

Participants shared positive feedback, such as, "It was enjoyable to cook together while listening to clear explanations about healthy menu options," and "I was able to learn and cook in a fun and engaging way."



Managing workplace hazards and employee health risks

Region: Japan
Corresponding strategies: (4)

Hazardous factors refer to elements that adversely affect employee health, such as chemical substances, dust, radiation, extreme heat or cold, pathogens, work conditions (e.g., handling heavy loads or using vibrating tools), and night shifts.

These factors do not merely have an impact on their own; rather, they manifest as health risks when combined with the work environment, job duties, frequency of work, and exposure conditions.

To further strengthen employee health support, Kao has launched initiatives to utilize and evaluate this information and is conducting company-wide reviews.

Through these efforts, we aim to reduce exposure to harmful factors and prevent health problems before they occur.

Kao USA's employee healthcare initiatives

Region: Americas
Corresponding strategies: (2)(3)(4)

Kao USA healthcare strategy in 2025 has focused on combatting rising health insurance costs, with a focus on employee wellness and the importance of flexible benefits that cater to diverse employee needs. Kao USA recognizes the value of comprehensive benefits packages to attract and retain talent in a competitive job market. Our healthcare strategy is designed to foster a culture of holistic wellbeing, recognizing that healthy, engaged employees are the foundation of organizational success. We integrate physical, mental, financial, and social wellness into our benefits programs, ensuring equitable access to resources, personalized support, and opportunities for growth. By aligning wellness initiatives with our core values and business objectives, we aim to enhance employee satisfaction, reduce burnout, and drive sustainable performance for both individuals and the company.

2025 Highlights

In 2025, Kao USA continued to offer comprehensive and comparatively low-cost employee healthcare. We supported a variety of wellness related services through the benefits plan and hosted onsite and virtual well-being initiatives, as follows.

- Free, onsite preventive flu shots
- ComPsych Employee Assistance Program
- Calm Mindfulness App available to all employees in the Americas region
- Fidelity Financial Wellness Resources
- MetLife Voluntary Health Screening Benefits
- Medical Plan covered Preventive Wellness Exams and Services
- United Healthcare Wellness Rewards
- Maven Clinic Fertility and Family Building Support
- Benefit meetings and presentations to help employees make informed coverage decisions

Employees' opinions

Committed to helping employees achieve healthier lifestyles



Jill Adler
VP REO, Human Capital Development, Americas Region
Kao USA

In today's fast-paced and stressful world, it's essential to prioritize well-being to lead healthy, fulfilling and balanced lives.

Employee well-being is a critical component of a healthy organization. Here at Kao USA, the health and well-being of our employees is a top priority.

We remain committed to offering meaningful benefits, policies, resources and tools employees and their families need to achieve healthier lifestyles and improved personal well-being–a Kirei lifestyle.

From the fertility benefits added in 2024 to new legal services coverage and identity theft protection introduced in 2025, employees continue to value our proactive approach to offering innovative benefits that address their diverse and changing needs. As economic pressures increased in 2025, we saw employees embrace and appreciate the comprehensive support provided by our Employee Assistance Program and Fidelity Financial Wellness resources.

Even in a challenging environment—one shaped by rising healthcare costs and the need for greater flexibility—we will continue to assess our benefits thoughtfully, ensuring our offerings support employees' personal well-being, higher productivity and overall job satisfaction.

Employees' opinions

Supporting "Working with Vitality" Mental Health Support



Hanae Masubuchi
Counseling room,
Tochigi Plant & District SC
Kao Corporation

We are implementing various mental health initiatives to ensure that each employee can work with vitality.

Through seminars on incivility for managers, awareness has deepened that incivility is a familiar and relevant issue in the workplace. As a result, we were able to expand the program to conduct seminars at the workplace unit level.

Participants expressed expectations that sharing a common understanding across the workplace would lead to improvements in the work environment.

In addition, a program involving the cultivation of cherry tomatoes generated positive feedback, with participants noting increased internal communication, stress relief, and opportunities for refreshment. Sharing the experience of working towards a common goal—both among employees and with their families—proved to be a meaningful outcome.

Moving forward, we will continue to provide initiatives through various approaches to enhance work engagement as part of our mental health efforts.



Stakeholder engagement

Expectations for Kao's mental health support beyond internal corporate practices

Sayo Ohba
Certified Public Psychologist, Clinical Psychologist, Career Consultant,
Representative Partner,
Mental Support & Consulting Tokyo LLC

Evaluation of Kao's initiatives

Currently, as a clinical psychologist and certified public psychologist, I provide mental health support to various companies as an external resource. As mental health measures do not produce immediate results through a single initiative, I believe that structuring each initiative and ensuring continuity are essential. I have been involved in Kao's mental health support for over 20 years, including in my previous position, and one aspect that has consistently stood out is that Kao recognized the importance of mental health at an early stage and, while collaborating with external partners, has enabled in-house staff to take the lead in structuring initiatives and sustaining them with a clear awareness of the PDCA cycle.

With regard to initiatives in FY2025, I believe they can be evaluated in three key areas. First, following on from the previous fiscal year, Kao planned and implemented five self-care training sessions throughout the year to enhance employees' self-care capabilities. In implementing these sessions, up-to-date knowledge that can be immediately applied to improve employees' mental health, such as "self-compassion," reflecting insights from positive mental health, was provided by external experts. Second, at the mental health measures meetings, in-house staff involved in promoting mental well-being gathered to not only share the results of consultation activities both inside and outside the workplace, but also to engage in ongoing dialogue through case discussions on roles and collaboration among in-house staff in supporting employees' mental health. Third, Kao's initiatives in external collaboration and communication to society were noteworthy. The activities of the Health Day Consortium were presented jointly with participating companies at the 32nd Annual Conference of the Japanese Society for Occupational Mental Health, generating strong interest among many occupational health and human resources professionals beyond the consortium participants.

In this way, Kao has steadily advanced its mental health measures by effectively utilizing external resources while ensuring that in-house staff take the lead. Furthermore, I believe it is commendable that these efforts are not confined within a single company but are extended to society through external collaboration.

Expectations for Kao

As a clear front-runner in employee health promotion, particularly in the area of mental health, Kao is expected to continue steadily building practical mental health support initiatives while responding to changes in society. To this end, continuous support and education for in-house staff, as well as opportunities for dialogue among them, are essential. In addition, by further strengthening the dissemination of its initiatives to society, I hope that Kao will play a leading role in advancing the PDCA cycle of mental health across Japanese society as a whole.

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

- Suspension of operations or damage to corporate value due to serious accidents or occupational illnesses
- Legal issues and litigation risks arising from workplace accidents

Opportunities

- Improve resilience by revitalizing employees and workplaces through a safe and secure working environment and by retaining human resources

Strategy

Occupational safety and health

- (1) Eradicate occupational accidents
- (2) Prevent traffic accidents while on duty
- (3) Pleasant working environment for employees
- (4) Promote occupational health and safety for subcontractors at manufacturing sites

Metrics, targets and results

Metrics	Targets	2025 results
Lost-time Frequency Rate (per million hours worked) (1)	0.15 2030	0.68
Deaths and loss-of-function accidents (1)	0 each year	0
Percentage of bases recognized for no accidents that cause lost work days (1)	–	30%
Work-related traffic accidents 100%-negligence accidents causing bodily injury (2)	0 2030	0

Initiatives

- Improving safety awareness with the award system for no accidents that cause lost work days (1)
- Sharing safety messages globally (1)
- Risk assessments for chemical substances (3)
- Making a comfortable work environment for employees (3)

Financial impact

- Improved labor productivity and lower labor costs
- Rationalized medical expenses

Environmental and social impact

- Contribution to the healthy and fulfilling lives of our employees and their families, subcontractors and society

* 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.

- Workplace accidents and incidents caused by inadequate working conditions
- Health concerns and an increase in workplace accidents among an aging workforce
- Increase in occupational accidents involving falls while walking and recoil movements, such as lower back pain, that may occur during daily activities
- Growing focus by investors and the government on revitalizing human resources

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, 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.

To reduce non-job-specific accidents, we conduct detailed analyses of their causes and ensure the thorough implementation and effectiveness review of countermeasures. At the same time, we promote and strengthen the horizontal deployment of reduction initiatives across divisions and implement preventive measures.

Related initiatives: P297 Improving safety awareness with the award system for no accidents that cause lost work days, P298 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) Pleasant working environment for employees

Comply with the work environment standards and laws of each country and region, 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: P297 Improving safety awareness with the award system for no accidents that cause lost work days, P298 Sharing safety messages globally, P299 Risk assessments for chemical substances, P299 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: P298 Sharing safety messages globally

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

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 continuously improving through the PDCA cycle while checking the status of achievement of these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	Lost Time Frequency Rate (per million hours worked)	0.65	0.65	0.71	0.83	0.68	0.15	2030

We have set our occupational safety indicators by backcasting from our goal of achieving global top-level performance by 2030. In 2025, while we maintained zero deaths and loss-of-function accidents, we did not meet our targets for the lost-time accident frequency rate or the total accident frequency rate. The accident frequency rates have shown a temporary deterioration in recent years; although they improved in 2025, they have yet to reach our target levels.

A key factor behind this is the occurrence of lifestyle-related accidents — such as slips, trips, and falls and recoil movements — which account for approximately half of all incidents. In response, we are implementing facility-level measures, including the removal of floor-level differences and improvements in visibility, alongside initiatives to review working postures and to prevent locomotive syndrome through muscle-strength maintenance.

In light of this, we reassessed the validity of our occupational safety targets in 2025. The review took into account changes in the risk profile and the introduction of target-setting tailored to each work category, and we have restructured our indicator framework to enable more effective improvement management.

Going forward, to improve the lost-time accident frequency rate, we will prioritize both facility-based and management-based measures aimed at reducing the most frequent risks — slips, trips, and falls and recoil movements — including the removal of floor-level differences, the redesign of work flow lines, and targeted training on these risks. Education and training will be positioned as a complement to these measures. In parallel, we quantitatively monitor progress on indicators such as the implementation of recurrence-prevention measures and the completion rate of corrective actions. These results are regularly reviewed by the Responsible Care Promotion Committee, which ensures that necessary corrective actions are taken promptly and that continuous improvement is achieved.

Metrics and results

Strategy	Metrics	Results			
		2022	2023	2024	2025
(1)	Percentage of bases recognized for no accidents that cause lost work days	33%	35%	31%	30%

We aim to expand the number of sites eligible for awards through continued accident-free operations; however, as of 2025, only approximately 30% of sites have qualified, and variation across sites remains evident. We recognize that this gap is driven by differences in risk profiles across sites and in the thoroughness with which recurrence-prevention measures are implemented, compounded by the continued occurrence of accidents at certain sites. Going forward, we will horizontally deploy the practices of sites that have maintained accident-free operations, while reinforcing root-cause analysis and corrective actions at sites where accidents have occurred, and we will drive improvement through quantitative monitoring.

2025 targets and performance (Kao Group)

Item	Indicator	Boundary		2022	2023	2024	2025	
				Results	Results	Results	Target	Results
Occupational accidents	Death / loss of function*1 (persons)	Including both regular employees and temporary workers (Kao Group)		1	0	0	0	0 ☑
		Breakdown	Japan	1	0	0	–	0
			Asia	0	0	0	–	0
			Americas	0	0	0	–	0
			Europe	0	0	0	–	0
		Subcontractors (Kao Group)		0	0	0	0	0 ☑
		Breakdown	Japan	0	0	0	–	0
			Asia	0	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)		0.65	0.71	0.83	0.57 or less	0.68 ☑
		Breakdown	Japan	0.51	0.58	0.63	–	0.46
			Asia	0.33	0.27	0.20	–	0.51
			Americas	1.91	2.49	3.24	–	1.62
			Europe	2.26	2.25	2.75	–	2.50
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)		0.43	0.47	0.47	–	–
		Subcontractors (Kao Group)		0.77	0.63	0.47	0.26 or less	0.58 ☑
		Breakdown	Japan	1.28	0.80	0.63	–	0.71
			Asia	0.12	0.29	0.00	–	0.23
			Americas	6.20	3.11	1.93	–	1.81
			Europe	3.57	1.18	5.27	–	3.07
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)		0.60	0.73	0.85	–	–

*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		2022	2023	2024	2025	
				Results	Results	Results	Target	Results
Occupational accidents	Total accident frequency rate*3	Including both regular employees and temporary workers (Kao Group)		1.75	1.82	2.09	1.47 or less	2.26
		Breakdown	Japan	1.84	1.89	2.13	–	2.33
			Asia	0.65	0.61	0.47	–	0.66
			Americas	3.19	2.49	4.57	–	3.88
			Europe	3.20	2.25	4.90	–	4.80
		Subcontractors (Kao Group)		1.39	1.41	1.20	0.67 or less	1.45
		Breakdown	Japan	2.85	2.60	1.88	–	2.03
			Asia	0.18	0.44	0.41	–	0.86
			Americas	6.20	4.66	1.93	–	1.81
			Europe	4.76	1.18	5.27	–	3.07
	Severity rate*4	Including both regular employees and temporary workers (Kao Group)		0.11	0.02	0.02	–	0.02
		Breakdown	Japan	0.15	0.01	0.01	–	0.01
			Asia	0.00	0.00	0.00	–	0.00
			Americas	0.07	0.10	0.06	–	0.06
			Europe	0.03	0.08	0.09	–	0.06
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)		0.07	0.04	0.05	–	–
		Subcontractors (Kao Group)		0.02	0.02	0.02	–	0.02
		Breakdown	Japan	0.04	0.03	0.04	–	0.04
			Asia	0.00	0.01	0.00	–	0.01
			Americas	0.08	0.02	0.02	–	0.01
			Europe	0.26	0.01	0.05	–	0.03
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)		0.04	0.22	0.19	–	–
	Number of employees who experienced lost work days due to occupational illness (persons)	Including both regular employees and temporary workers (Kao Group)		0	0	2	0	0 ☑
		Breakdown	Japan	0	0	1	–	0
			Asia	0	0	0	–	0
			Americas	0	0	0	–	0
			Europe	0	0	1	–	0
Traffic accidents	100% negligence accidents causing bodily injury (no. of accidents)	Sales and logistics (Japan)		5	3	4	0	0
	Accidents other than 0% negligence accidents per 100 vehicles*5			5.01	5.90	5.60	5.0 or less	3.72

*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 2026 (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 in 2025. The target for traffic accidents is only for Japan.

Item	Scope	Indicator	2026 target
Occupational accidents	Regular employees and temporary workers	Death/loss of function*1 (persons)	0
		Lost time frequency rate*2	0.49 or less
		Total accident frequency rate*3	1.26 or less
	Subcontractor employees	Death/loss of function*1 (persons)	0
		Lost time frequency rate*2	0.23 or less
		Total accident frequency rate*3	0.61 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	4.5 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 Planning 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 Executive Officer in charge of the Corporate Planning 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_foudations2026-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.

These initiatives are implemented as part of our Responsible Care activities.

Responsible Care (RC) activities
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/our_foudations2026-e-02.pdf

P (Planning)
Responsible Care (RC) activities: Previous year results / current year plan

D (Implementation)
Please see our specific initiatives (P297-299)

C (Evaluation of results)
RC secretariat supervision (August), self-inspection (July, December)
RC Promotion Committee (September)

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.

	Strategy	Initiatives		
Occupational safety and health	(1) Eradicate occupational accidents	Improving safety awareness with the award system for no accidents that cause lost work days	Sharing safety messages globally	Holding regular meetings with sales companies to reduce occupational accidents
	(2) Prevent work-related traffic accidents	Traffic safety education	Holding regular meetings with sales companies to reduce work-related traffic accidents	
	(3) Pleasant working environment for employees		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)

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 2025, two domestic plants, seven overseas plants, and 10 logistics bases, and one sales company site received awards in recognition of their record of zero accidents. However, of the 33 manufacturing sites, only 10 had been accident-free for more than three years as of the end of 2025—fewer than half—and none had been accident-free for more than 10 years. 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
6	25	30 million hours	25	–
5	15	18.3 million hours	15	–
4	10	12.2 million hours	10	25
3	7	8.1 million hours	7	15
2	5	5.4 million hours	5	10
1	3	–	3	5

Award system for no accidents that cause lost work days (Plant, 2025)

Stage	Company / Plant	Country
4	Kao Huludao	China
3	Kao Collins	U.S.
	Kao Indonesia Chemicals	Indonesia
2	Sumida Office	Japan
1	Pilipinas Kao	Philippines
	Kao Taiwan	Taiwan
	Kao Paper Manufacturing Fuji	Japan
	Kao Corporation Shanghai	China
	Molton Brown	U.K.

Award system for no accidents that cause lost work days (Sales companies and logistics companies 2025)

Stage	Region / Office	Company
4 (10 years)	Aiko C	Kao Transport & Logistics
3 (7 years)	Atsugi Minami C	
	Kayabacho and Sumida Office	Kao Group Customer Marketing
2 (10 years)	Niigata LC	Kao Transport & Logistics
	Fukuoka LC	
	Sendai Minami LC	
	Iwaki Minami C	
2 (5 years)	Atsugi LC	
	Sarugashima C	
1 (5 years)	Kagoshima LC	
1 (3 years)	Ishikari LC	

Sharing safety messages globally

Region: Global
Corresponding strategies: (1)

With the aim of raising safety awareness globally, since 2017 Kao has been producing safety posters featuring the company president. The safety slogan is translated into local languages at our worksites outside Japan, and the posters are displayed at worksites both 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 2025, the slogan proposed by Kao Indonesia Chemicals 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. Clockwise from top-left: Japanese, English, Chinese (Simplified), Thai.

Risk assessments for chemical substances

Region: Global
Corresponding strategies: (3)

Kao's manufacturing plants handle a wide variety of chemical substances, and there remains a possibility of risks such as impacts 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 these initiatives, 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.

Related initiative: P301 Our Progress > Responsible Chemicals Management

Pleasant working environment for employees

Region: Global
Corresponding strategies: (3)

Kao is committed to ensuring that all workplaces are pleasant and safe working 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.



KSCI members conducting a safety patrol (Kao (Shanghai) Chemical Industries Co., Ltd., China)



Stakeholder engagement

Fostering a safety culture through safety culture diagnostics — building safety in collaboration with external partners

Akira Tose
Vice Director and Professor of Center for Industrial Safety Culture and Sustainable Innovation, Institute for Social Innovation and Cooperation, Niigata University

Evaluation of Kao's initiatives

Since FY2023, Kao has deployed across its entirety a safety culture diagnostic tool developed and promoted by our laboratory, which visualizes the state of safety culture and safety management at worksites through a 110-item questionnaire. Over the past three years, the initiative has covered major production sites in Japan, as well as a number of large-scale logistics sites, and has also been implemented at sites that chose to participate in Asia and the Americas. In conjunction with the diagnostics, we have visited each site and engaged in dialogue with on-site members. In FY2025, we visited sites in the United States and Mexico and conducted discussions with local staff based on the diagnostic results.

Kao's worksites appear to have a strong awareness of "being seen" and "presenting themselves," as they actively accept visits from local communities. Maintaining worksites that are clean and safe at all times, even when children come to visit, is likely to serve as a source of motivation and pride for on-site personnel. As a company that upholds Kirei, I highly commend Kao for its continued efforts to create workplaces where employees can work with a sense of safety and reassurance.

On the other hand, given the increasing difficulty of securing human resources in manufacturing workplaces in recent years, it is also important for Kao to continue improving its work environment in order to remain an attractive workplace. I understand that the safety culture diagnostic is being utilized as a common language and shared platform across sites to promote mutual learning. Through these efforts, I hope that an even stronger and more sustainable safety culture will be established.

Expectations for Kao

In FY2024, the Safety Culture Diagnostics Consortium was established as a network of companies utilizing safety culture diagnostics. Kao has also joined this initiative. In the future of safety management, it is essential to learn from other companies, including those in different industries, and to adopt a collaborative approach to addressing shared challenges across organizations.

In addition, it is desirable within Kao to further strengthen mechanisms that enable mutual learning among sites. In particular, initiatives that include sites outside Japan with diverse regional characteristics, as well as the horizontal sharing of best practices and insights across sites, are expected to contribute to enhancing the overall level of safety culture across the company.

Through this consortium and other opportunities, I hope that Kao will continue to actively share the knowledge it has cultivated with external stakeholders, while also flexibly incorporating external experience and expertise, thereby contributing to the further development of a stronger safety culture.

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

- Restrictions on the use of chemicals and increased difficulty in substitution due to regulatory tightening and inconsistencies, leading to impairment of product continuity and increased additional compliance costs
- Health impacts, environmental impacts, and operational shutdowns resulting from improper use and management of chemicals and accidents (e.g., leaks and fires), as well as supply constraints and cost increases due to tight raw material supply-demand conditions
- Non-compliance with audits, loss of business opportunities, and risks of management disruptions due to insufficient standardization and communication of hazard and information on chemicals in products

Opportunities

- Stabilized market access and differentiation through proactive regulatory anticipation, advanced assessment capabilities, and dialogue with government and industry
- Stable business operations and enhanced competitiveness through low-risk design and the development and transition to resource-efficient raw materials and processes
- Improved audit response efficiency, enhanced management accuracy, and secured preferred adoption through the standardization and digitalization of hazard and information on chemicals in products

Strategy

Development	(1) Minimize the environmental impact throughout the product lifecycle
Evaluation and management	(3) Optimize risk assessment methods and enhance management efficiency
	(6) Achieve zero accidents and ensure community safety
Communication	(2) Promote the disclosure of chemical information and communication with stakeholders
External collaboration	(4) Strengthen collaboration across the value chain
	(5) Work closely with government, industry, and academia to strengthen policy collaboration

Metrics, targets and results

Metrics	Targets	2025 results
CO_2 emission reduction rate for the entire lifecycle (1)	-22% 2030	17%
External evaluation of low environmental impact technologies (awards) (1)	At least one award each year	5
Evaluated Kao priority assessment substances (3)	21 substances 2030	12
Number of risk evaluation categories using animal-free testing methods (3)	1 category each year	–
Management percentage of health, environmental, and safety impacts throughout the lifecycle, from raw material procurement to disposal (6)	100% each year	98%
Continued development of a comprehensive management system for environmental and safety information related to chemical substances (6)	Continue initiatives	System development in progress
Disclosure percentage of information on the usefulness and safety of products and raw materials (2)	100% 2030	57%
Number of policies and reduction plans formulated for ingredients of high regulatory and social concern (2)	30 ingredients 2030	26
Number of stakeholder dialogues on chemical-related topics (2)	–	16
Number of educational programs (2)	–	3
Number of updates on chemical substance information in products provided to customers (4)	–	Ongoing
Number of instances of participation in public consultations (regulations / GFC*1 operations) (4)	–	6
Number of instances of information exchange with government agencies and related organizations (5)	Continue initiatives	8

Initiatives

- Develop products and processes with reduced environmental impact (1)
- Making Kao's proprietary testing methods international standards to be adopted in standard test methods and guidelines (3)
- Communication with local residents (6)
- Operating and strengthening the Kao Comprehensive Management System for Chemical Substances (6)
- Information Disclosure (2)
- Dialogue and Education (2)
- Providing information on chemicals in products (4)
- Collaboration with industry organizations (5)
- Collaboration with administrative bodies (5)

Financial impact

- Differentiation, maintaining market access and ensuring product continuity through regulatory foresight and proper management
- Reduced regulatory compliance and customer audit response costs through the standardization and digitalization of assessment and information management
- Reduced reputation and compliance-related costs through enhanced dialogue and improved transparency
- Improved access to capital by earning investor trust and supporting ESG evaluations
- Preventing major accidents and avoiding unforeseen costs through lifecycle risk management (Ongoing Management)
- Reducing the risk of supply disruptions and ensuring stable operations through traceability

Environmental and social impact

- Contributed to improving management efficiency across society through the optimization and standardization (and dissemination) of risk assessment methods
- Contributed to preventing health impacts, ensuring workplace safety, and reducing environmental risks through appropriate chemicals management and accident prevention
- Contributed to improving chemical literacy through information disclosure and dialogue
- Contributed to the development of regulatory frameworks and international harmonization through dialogue and policy recommendations

* 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.

Strategy

To reduce risks and create opportunities for responsible chemicals management, we are implementing strategies that 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. Based on this, Kao has identified the following social issues related to this theme.

- Instability in market access and product design (formulation design) due to differing chemical regulations across countries and areas
- Increasing concerns over chemical pollution and constraints on raw material resources (tight supply-demand balance and competition for use), driving the need to achieve both risk reduction and resource efficiency across the entire lifecycle
- Disruptions in supply chain management due to insufficient standardization and communication of hazard and information on chemicals in products

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

- Restrictions on usable chemicals due to the rapid tightening of chemical regulations and inconsistencies across regions, leading to increased costs for alternative development, formulation changes, and additional compliance, as well as impairment of product continuity and market access
- Improper use and management of chemicals, as well as accidents such as leaks and fires, resulting in health impacts, environmental impacts, and operational shutdowns, in addition to supply constraints and cost increases due to tight raw material supply-demand conditions
- Non-compliance with customer requirements and audits, loss of business opportunities, and risks of management disruptions due to insufficient standardization and communication of hazard and information on chemicals in products

Opportunities

- Stabilization of market access, and differentiation through proactive anticipation of regulatory trends, advanced assessment capabilities, and dialogue with authorities and industry groups
- Stable operations and strengthened competitiveness through low-risk design and the development and transition to resource-efficient raw materials and processes
- Improved audit response efficiency, enhanced management accuracy, and preferred adoption by customers through the standardization and digitalization of hazard and information on chemicals in products

Strategy

To support the realization of the basic policy of the Mid-term Plan K27 to become an essential company in a sustainable world and the implementation of the *Global Sharp Top* strategy to effectively address global customer challenges in key focus areas, Kao will enhance responsible chemicals management. Centered on science-based assessment, information disclosure, and dialogue with stakeholders, we will implement these practices across our business operations in approximately 140 countries and regions, our 36 production sites (including 26 outside Japan), and our supply chains spanning Asia, Europe, and the Americas. Through these efforts, we aim to contribute to solving social issues while enhancing brand loyalty based on trust from customers and society, accelerating business expansion in global markets, and supporting sustainable business growth through stable operations, differentiation, and improved capital efficiency and profitability.

(1) Minimize the environmental impact throughout the product lifecycle

We optimize the entire value chain—from raw material procurement to development, manufacturing, logistics, use, collection, and recycling—while steadily reducing environmental impacts through a product lifecycle perspective and green and sustainable chemistry. Through circular design and process innovation, we enhance competitiveness in key focus areas, leading to differentiation and stable operations.

Related initiative: P309 Advancement of methods for understanding and assessing ecological impacts, P310 Improving efficiency of pesticide application and reducing environmental impact through functional spreaders

(2) Promote the disclosure of chemicals information and communication with stakeholders

We ensure compliance with regulations in each country and region while providing clear and accessible information on the chemical substances contained in our products. By expanding

dialogue globally with consumers, customers, suppliers, local communities, and academic institutions, we enhance transparency and credibility and promote the appropriate use of chemicals. In addition, by providing standardised information, we aim to streamline customer service operations and reduce response times, thereby helping to control related costs.

Related initiatives: P309 Policy and framework development (GFC), P310 Communication for sharing practical knowledge with local communities and industry, P310 Education and awareness: Promoting understanding through dialogue with the next generation and local communities

(3) Optimize risk assessment methods and enhance management efficiency

By advancing risk-based management based on chemical properties and exposure, we continuously refine our methods in response to social expectations and regulatory trends. By utilizing advanced approaches, including alternative methods to animal testing, we achieve both high evaluation accuracy and operational efficiency, enabling rapid compliance with regional regulations and the creation of differentiated products.

Related initiatives: P309 Policy and framework development (GFC), P309 Advancement of methods for understanding and assessing ecological impacts, P310 Communication for sharing practical knowledge with local communities and industry

(4) Strengthen collaboration across the value chain

We strengthen traceability and information sharing across the value chain—from raw material procurement to disposal and collection—and steadily reduce risks through joint evaluation and continuous improvement with partners. By promoting responsible sourcing, appropriate use, and collaboration in collection and recycling, we support the growth of Kao's key business domains that drive global expansion, while optimizing stable supply, quality, and cost efficiency.

Related initiatives: P309 Strengthening information sharing across the value chain, P310 Communication for sharing practical knowledge with local communities and industry

(5) Work closely with government, industry, and academia to strengthen policy collaboration

We promote constructive dialogue with government, industry associations, and academia to advance science-based regulatory frameworks and international harmonization, thereby supporting the development of healthy markets and industries that contribute to solving social challenges. By fostering a predictable and fair market environment, we reduce uncertainties in business operations while expanding the delivery of high value-added solutions driven by science.

Related initiatives: P309 Policy and framework development (GFC), P309 Advancement of methods for understanding and assessing ecological impacts

(6) Achieve zero accidents and ensure community safety

Across the Kao Group, we operate EHS* and process safety management based on the characteristics of chemicals and production processes under global standards and thoroughly implement preventive risk assessments, training and maintenance, and emergency response systems. In addition, by collaborating with local communities where our business sites are located, we strengthen resilience and enhance trust from society, thereby reinforcing the foundation for sustainable growth.

* EHS: Initiatives to systematically manage risks from the perspectives of Environment, Health, and Safety in order to ensure sustainable business operations and maintain social trust.

Impact generated by implementing the strategies

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

Financial impact

- Differentiation, maintaining market access and ensuring product continuity through regulatory foresight and proper management
- Reduced regulatory compliance and customer audit response costs through the standardization and digitalization of assessment and information management
- Reduced reputation and compliance-related costs through enhanced dialogue and improved transparency
- Improved access to capital by earning investor trust and supporting ESG evaluations
- Preventing major accidents and avoiding unforeseen costs through lifecycle risk management (Ongoing Management)
- Reducing the risk of supply disruptions and ensuring stable operations through traceability

Environmental and social impact

- Contributed to improving management efficiency across society through the optimization and standardization (i.e. dissemination) of risk assessment methods
- Contributed to preventing health impacts, ensuring a safe and secure workplace, and reducing environmental risks through appropriate chemicals management and accident prevention
- Contributed to improving chemical literacy through information disclosure and dialogue
- Contributed to the development of regulatory frameworks and international harmonization through dialogue and policy recommendations

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.

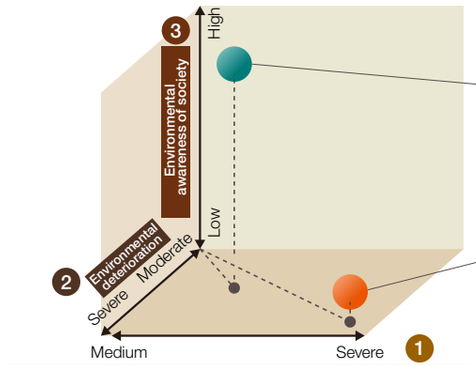
In the field of chemicals management, although a framework has not yet been established, we have attempted to create and analyze scenarios by referring to the SSP scenario,*3 in addition to the TCFD and TNFD frameworks.

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: Taskforce 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, Planbureau voor de Leefomgeving, International Institute for Applied Systems Analysis, and Potsdam Institute for Climate Impact Research

Scenario elements and assumed scenarios



Scenario A

- Chemical regulations vary geographically
- Social awareness of sustainability is high and company activities are strictly scrutinized
- Climate change and biodiversity loss are suppressed to a certain level

Scenario B

- Chemical regulations on a hazard basis have spread globally
- Social awareness of sustainability is low and environmental deterioration is progressing
- Naturally derived resources are depleted due to abnormal weather and natural disasters, and supply chain disruptions are occurring

In each scenario, we estimated the degree of risk impact for Kao. In addition, we examined which strategies would be effective if these risks were to materialize in each scenario, and the results are shown in the table below.

Scenario analysis (Estimation of the risk probability and effective strategies in each scenario)

	Item	Risks for Kao	Regulations differing globally / Enhanced social awareness (Scenario A)	Severe regulations / Environmental deterioration (Scenario B)
			Influence in each scenario	
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 or 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
	Development of a recycling system, requirement and obligation for environment monitoring	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, loss of 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: Low)

Effective strategies in each scenario

Scenario A

Appropriate assessment of chemical substances, understanding of regulatory trends, 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 proactively and more strategically advance initiatives that focus on reducing environmental impact, appropriately assessing chemical risks, preventing accidents, and engaging in dialogue with stakeholders based on usefulness and reliability.

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 by confirming our progress toward these targets, we continuously implement improvements through the PDCA cycle and steadily promote our initiatives.

Targets and progress

Strategy	Metrics	Results 2021	2022	2023	2024	2025	Mid- to long-term targets: 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%)*	57%	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%	98%	100%	Yearly

* The figures in parentheses represent the annual progress targets.

We have successfully implemented the action plan for 2025. In Metric 1 (Strategy (2)), we selected and assessed chemical substances while taking into account their impacts on human health and the environment, as well as significance in business, and disclosed the result in planned manner*1. In Metric 2 (Strategy (6)), we assessed health risks from chemicals for employees at handling sites in 10 plants in Japan and implemented the necessary management measures*2, maintaining a high level of performance again this year.

In addition, we strengthened dialogue with stakeholders and enhanced the dissemination of information on risks, while also engaging in rulemaking processes such as participation in public consultation related to the Global Framework on Chemicals (GFC). Through these efforts, we contributed to risk reduction and the strengthening of compliance, as well as the reduction of response costs and the expansion of business opportunities.

*1 List of safety summaries https://chemical.kao.com/jp/sustainability/saicm/article_05/
*2 SDS preparation, database development, risk assessment and management, and workplace labeling

Metrics and results (External relationships)

Strategy	Metrics	Results			
		2022	2023	2024	2025
(2)	Number of chemical-related engagements with stakeholders	4 times	5 times	9 times	16 times
(2)	Number of student communication and class packages using consumer-centered approaches	2 times	2 times	2 times	5 times
(4)	Number of updates to information on chemicals contained in products provided to customers	0 times	2 times	2 times	2 times
(5)	Number of chemical-related awards won	8 times	8 times	4 times	5 times
(5)	Number of chemical-related information exchanges with government agencies	4 times	6 times	5 times	8 times
(5)	Number of public consultations attended on regulatory tightening and GFC implementation	4 times	2 times	4 times	6 times
(5) (6)	Continue building a central management system for environmental and safety information related to chemicals	Ongoing	Ongoing	Ongoing	Ongoing

* Our initiatives emphasize social impact rather than being measured by frequency.

Governance

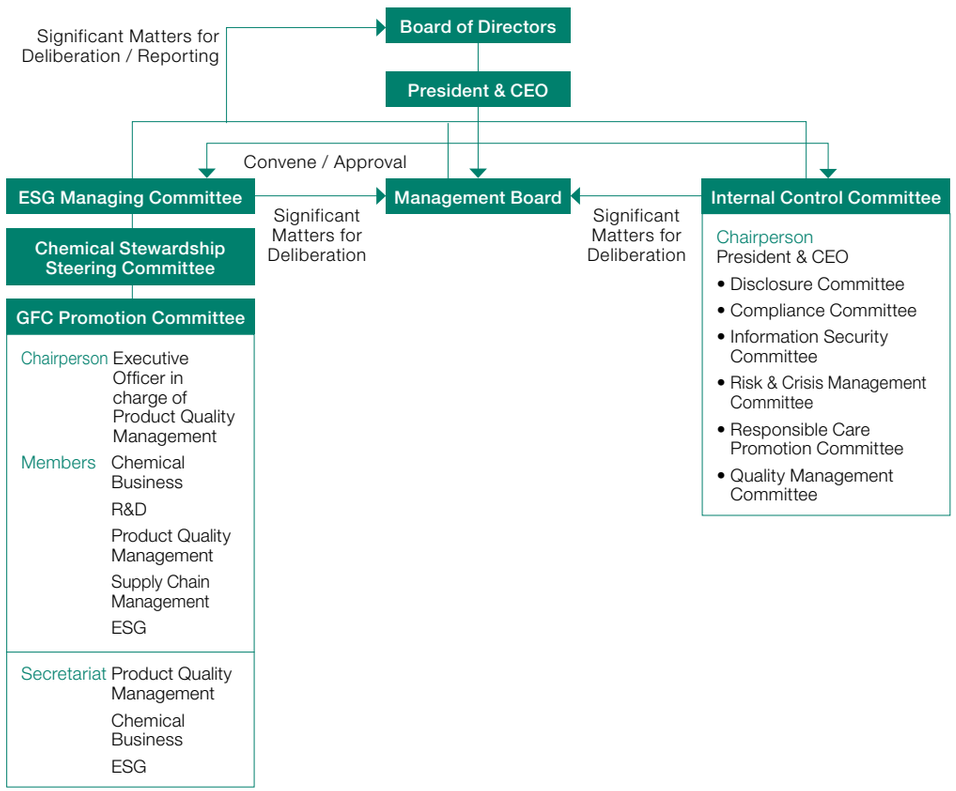
Product Quality Management Division serves as the primary department responsible for chemicals management, with support from the Chemical Stewardship Steering Committee chaired by the Senior Executive Officer of Product Quality Management. Under this committee, the entire company works together to enhance 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 committee is chaired by the Senior Executive Officer overseeing Product Quality Management and systematically promotes inter-divisional efforts.

In 2025, we also discussed strategic initiatives in light of domestic and international developments related to the Global Framework on Chemicals (GFC). 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.

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Framework for promoting responsible chemicals management activities



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.

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 (P309-310).

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 Board or Executive Officers Meeting.

*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

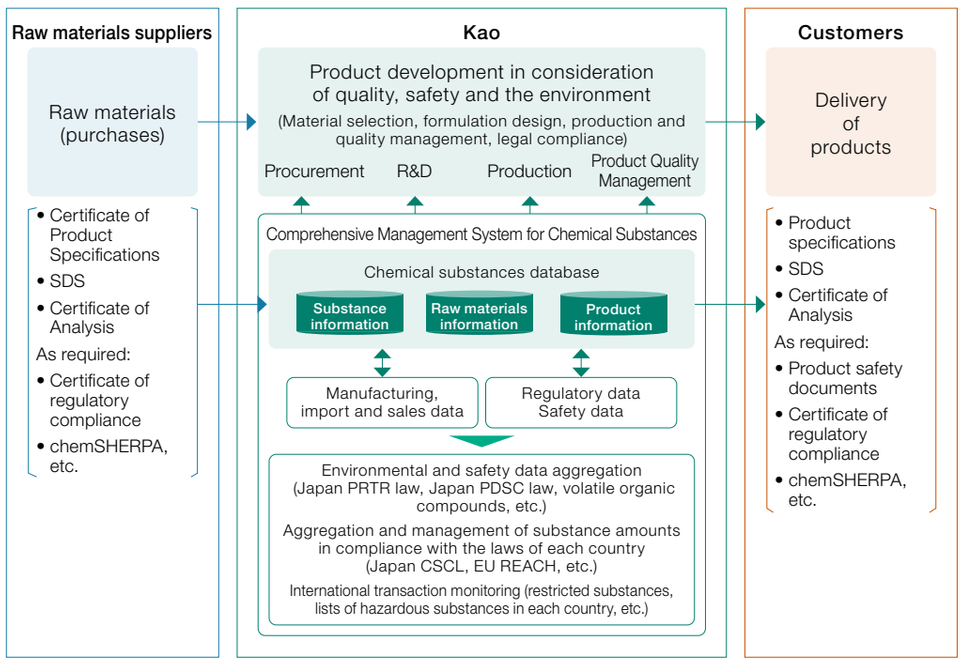
Kao is engaged in a variety of initiatives to manage chemicals in a responsible manner. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking.

In addition to strengthening its chemical substance management framework, Kao has developed and operates its own Comprehensive Management System for Chemical Substances as a supporting tool. The system maintains a database of information on raw materials, products, and the chemical substances they contain, and is used to manage safety and regulatory information.

When an issue arises with a raw material, the system enables Kao to rapidly search for relevant information and identify the scope of the impact so that appropriate action can be taken. By shortening response times and improving operational efficiency, the system also helps control related costs.

Going forward, Kao will continue to enhance the system infrastructure and its functions in response to global trends in chemical substance-related laws and regulations and changes in the business environment.

Comprehensive Management System for Chemical Substances



	Strategy	Initiatives		
Development	(1) Minimize the environmental impact throughout the product lifecycle	Present initiatives contributing to biodiversity restoration at the 21st Policy Dialogue on Chemicals and the Environment, gaining support and recognition from participants • Reduce pesticide use and costs, and improve the pesticide use environment through the use of surfactant-based adjuvants for agricultural chemicals • Example of efficient utilization of oil and fat resources (Developing Bio IOS, a surfactant that effectively utilizes oil and fat resources)	Develop products and processes with reduced environmental impact and promote related information provision and evaluation • Kao Receives "Incentive Award" in the 24th Green and Sustainable Chemistry Awards ~ Industrial Production of Gallic Acid by fermentative production ~ • Received the 52nd Minister of the Environment Award: Room-temperature cleaning agent contributing to CO_2 reduction • Received the 57th JCIA Technology Award: Technology for improving the appearance of concrete surfaces	
Evaluation and management	(3) Optimize risk assessment methods and enhance management efficiency	Explore the application of environmental RNA analysis to enhance the accuracy of ecosystem assessments The 21st Policy Dialogue on Chemicals and the Environment	Evaluate Kao priority assessment substances Disclose safety summaries for Kao priority assessment substances Kao's Safety Summary of Chemicals for priority risk assessment	Assess and manage risks to health, the environment, and safety throughout the entire process, from raw material procurement to disposal
	(6) Achieve zero accidents and ensure community safety	Provide information on SDS management methods and risk assessment approaches essential for autonomous chemicals management by companies Learning from Kao's Autonomous Chemicals Management and Proprietary Risk Assessment Model	Assess and manage risks to health, the environment, and safety posed by chemical substances throughout the product lifecycle	Provide information on initiatives toward establishing the Kao Wakayama Plant and Research Laboratories as a biodiversity model factory Japan Chemical Industry Association "RC Grand Prize"
Communication	(2) Promote the disclosure of chemical information and communication with stakeholders	Disclose safety summaries for Kao priority assessment substances: 40 cases Receive the JCIA JIPS Award for nine consecutive years Kao Receives JCIA's JIPS Award for the ninth consecutive year for initiatives supporting peace of mind in product use	Engage in dialogue on chemicals management with the next generation Hygiene and public health training at the School of Medicine, Teikyo University • PBL programs at the Faculty of Life Sciences, Tokyo University of Pharmacy and Life Sciences • Textiles Advisor training at Kyoritsu Women's University and Japan Women's University	Engage in dialogue on chemicals management with local governments and residents Workshops (Secrets of Foam) and panel discussions at the Sumida Tsukisai Festival
External collaboration	(4) Strengthen collaboration across the value chain	Provide information on chemical substances contained in products: Participate in initiatives to more efficiently utilize data obtained through chemSHERPA-CI by joining a consortium for a next-generation platform (CMP) that enables the collective transmission of product chemical and resource circulation information across the entire supply chain	GHS-compliant SDS and product labeling	Information provision and sharing via a private network
	(5) Work closely with government, industry, and academia to strengthen policy collaboration	International collaboration (UNEP GFC) • Promote proposals for the international standardization of Kao's GFC indicators • Contribute to the development of operational rules at the 1st OEWG (June 2025) and other forums • Participate in working groups to support the development of GFC operational rules - IOMC - List of Participants for IP1 Workshop	Domestic collaboration (government) • Strengthen collaboration and provide information for policy discussions by presenting Kao case studies at the Policy Dialogue on Chemicals and the Environment ・Contributing to biodiversity through chemicals management ・Report on participation in the first meeting of the GFC open-ended working group (information disclosure and communication)	Domestic collaboration (industry) • Provide information to raise awareness of the GFC in Japan Network for Strategic Response on International Chemical Management "Column: Insights from Experts" • JETOC 45th Anniversary Commemorative Lecture • The Chemical Daily "Chemical Management Step-Up Seminar"

Policy and framework development (GFC)

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

Kao contributes to initiatives that support rule development and social implementation by collaborating with government agencies and industry organizations to strengthen the operation of the GFC and further enhance its effectiveness. At the international level, participation in multiple GFC-related working groups enables the provision of proposals based on practical knowledge in the chemicals and consumer goods sectors, ensuring that industry initiatives grounded in scientific evidence are appropriately evaluated. For example, at the OEWG*1 held in June 2025, proposed indicators were explicitly reflected in official meeting documents, demonstrating concrete contributions to international discussions.

In Japan, Kao continues to contribute to government-related platforms and awareness-raising through external seminars. In addition, by participating as a committee member in the Policy Dialogue on Chemicals and the Environment, along with the presentation of key issues, the company helps to strengthen collaboration among government, industry, and academia and accelerating implementation.

Through these efforts, visibility into regulatory trends is enhanced, leading to improved reliability in regulatory responses, minimized additional compliance measures and associated costs, and enhanced corporate value through the effective operation of practical frameworks.

*1 Open-Ended Working Group: A forum for preparing the implementation and operation of the GFC.

Strengthening information sharing across the value chain

Region: Global
Corresponding strategies: (4)

Kao is strengthening systems for the standardization, updating, and communication of information on chemicals in products and hazard information to promote appropriate chemicals management across the supply chain for its industrial products (primarily for business customers). Specifically, Kao uses chemSHERPA-CI, an industry-standard communication format, to efficiently and accurately provide the necessary information on chemicals in products to business partners, while conducting biannual updates to reflect the latest regulatory developments. In addition, in 2025, Kao joined the CMP Consortium, a next-generation platform for collectively communicating information on chemicals in products and resource circulation across the supply chain, and is working on data integration through the platform. These initiatives aim to streamline information sharing across the entire supply chain and speed up customer response times, thereby helping to reduce associated costs by alleviating the workload associated with audit compliance and information provision.

Kao also continues to prepare and update SDS*2 and product labels in compliance with the GHS*3 in each country and region to ensure that industrial products are used appropriately in accordance with applicable laws and regulations. In Japan, Kao is advancing SDS revisions in response to regulatory changes and promptly providing them to customers to support appropriate use and regulatory compliance across the supply chain. Furthermore, Kao shares SDS, chemSHERPA-CI, and other information online with distributors through a dedicated network, monitors issues and requests through two-way communication via training sessions, briefings, and face-to-face meetings with major distributors, and reflects them in improvements. These initiatives enhance the reliability of our audit processes and our ability to meet client requirements, thereby reducing the risk of discrepancies and delays in transactions. Furthermore, by streamlining information sharing and regulatory compliance whilst reducing the operational workload, they help to minimise associated costs.

*2 Safety Data Sheet: A document that provides information on the hazards of chemicals contained in a product and precautions for handling.
*3 Globally Harmonized System of Classification and Labelling of Chemicals: A system that classifies chemicals according to their hazards and recommends globally harmonized rules for labeling and the provision of safety data sheets so that hazards can be easily understood.

Advancement of methods for understanding and assessing ecological impacts

Region: Global
Corresponding strategies: (1) (3) (5)

Kao develops methods and accumulates knowledge for understanding and assessing ecological impacts to enhance chemicals management while considering biodiversity. By applying environmental RNA technologies to understand and evaluate the impacts of

chemical substances on ecosystems, methodologies are examined to verify the validity of existing management approaches and identify areas for improvement.

In addition, through joint research with the University of Tokyo, assessments of the effects of UV filters using live coral organisms are being advanced, contributing to the accumulation of scientific knowledge on impacts to marine ecosystems. These insights are applied to improve the understanding of environmental impacts and enhance risk assessment, thereby supporting the verification and improvement of chemicals management practices and by streamlining the evaluation process, we are helping to reduce the workload and shorten response times.

Improving efficiency of pesticide application and reducing environmental impact through functional spreaders

Region: Global
Corresponding strategies: (1)

Kao contributes to stabilizing the effectiveness of pesticides by using functional spreaders (adjuvants) based on its surface control technologies, which promote the spread and penetration of spray solutions even on highly hydrophobic crop leaves and on pests and pathogens. In addition, to address challenges such as droplet evaporation, drying, and drift in drone-based spraying, technologies such as the suppression of droplet evaporation are being developed to help ensure that spray solutions are reliably delivered to crops. Through these efforts, improvements in the efficiency of spraying operations, as well as reductions in uneven application and drift, are achieved, leading to reduced impacts on the surrounding environment and lower exposure levels. It also helps to optimise resource utilisation by improving spraying efficiency.

Communication for sharing practical knowledge with local communities and industry

Region: Global
Corresponding strategies: (2) (3) (4)

Kao promotes the sharing of practical knowledge that supports the identification and reduction of risks at sites handling chemicals by communicating with local communities and industry. Based on the implementation of risk assessment and management measures at chemical handling sites, practical examples of assessment methods and management approaches were introduced in online seminars to serve as references for external business operators. Through these efforts, Kao aims to share approaches to risk identification rooted in on-site implementation and contribute to enhancing appropriate chemicals management capabilities across society. We are also working to awarness that will help improve the efficiency of risk management in the field.

Education and awareness: Promoting understanding through dialogue with the next generation and local communities

Region: Japan
Corresponding strategy: (2)

Kao creates opportunities for dialogue with the next generation and local communities to promote understanding of chemicals management. Through collaboration in university project-based learning (PBL)*4 programs and public health practice*5 courses, perspectives and information on the appropriate use and management of chemicals are provided in response to students' research and discussions from a corporate standpoint, along with an exchange of views with students. In addition, at the community event "Tsukisai" held at the Sumida Office in Tokyo, hands-on learning opportunities were offered for elementary school students to experience the mechanisms and safety of chemistry using familiar products through workshops and other activities.

*4 Industry-government-academia collaborative PBL Course, School of Life Sciences, Tokyo University of Pharmacy and Life Sciences
*5 Hygiene and Public Health Practice Course, School of Medicine, Teikyo University

Employees' opinions

Our approach to chemicals management: Earning trust through science-based assessment and disclosure



Akiyo Kameyama
Safety Science Research Office 3
Kao Corporation

Risks to human health and the environment from chemicals should be managed not only based on their inherent hazards, but also by taking exposure levels into account. As part of our promotion activities Global Framework on Chemicals (GFC, formerly SAICM), we have been identifying Kao Priority Assessment Chemicals since 2013, based on their significance to Kao's business activities. We obtain hazard information based on the latest scientific knowledge and conduct risk assessments by carefully estimating human and the environmental exposure throughout the lifecycle—from product use to disposal and release. The results are compiled into safety summaries and disclosed to experts and businesses that handle chemicals. These efforts have been recognized through consecutive awards since 2016 in the JIPS Awards of the Japan Chemical Industry Association, which honor member companies demonstrating outstanding activities in the preparation and disclosure of safety summaries for chemical products. This recognition reflects the high evaluation of Kao's efforts to promote the GFC promotion activities. Going forward, through our chemicals management activities, we will continue to ensure that stakeholders can benefit from chemicals safely.



Stakeholder engagement

Expectations for shifting from biological to ecological impact assessment

Masaru Kitano
Chairman
Akikusa Gakuen Junior College

It goes without saying that modern society cannot function without the presence of chemicals. At the same time, chemicals are a “double-edged sword,” since it is true that their careless handling has adversely affected human health and organisms in the environment (ecosystems) in the past. Under the basic policy of responsible chemicals management, Kao has long made efforts to maximize the benefits of chemicals while firmly ensuring their safety. I would like to express my sincere respect for these efforts.

The Responsible Chemicals Management Promotion Policy consists of five elements. In this message, I would like to focus in particular on biodiversity, which is closely related to environmental impact, and highlight Kao’s initiatives in conjunction with its separately disclosed “Basic Policy on Biodiversity.” With regard to biodiversity, the Convention on Biological Diversity was opened for signature by governments at the United Nations Conference on Environment and Development (the Earth Summit) held in Rio de Janeiro, Brazil, in June 1992. The objectives of this convention were:

(1) The conservation of biological diversity;
(2) The sustainable use of its components; and
(3) The fair and equitable sharing of benefits arising from the utilization of genetic resources.

Why, then, is biodiversity necessary? The answer may be summarized as follows:
(1) Living organisms on Earth, including humans, exist in a complex and interdependent relationship with the natural environment, including the climate, weather, topography, and soil, as well as with one another, as seen in food chains, and thereby must maintain a delicate balance; and
(2) The sudden loss of a species may adversely affect ecosystems that had up to that point sustained this delicate balance.

At present, ecological risk assessments of chemicals in relation to biodiversity are conducted at the pre-market review stage by evaluating individual species located at different trophic levels within the food chains that constitute their ecosystems. The primary reason for this approach is the technical difficulty of directly assessing impacts on entire ecosystems at the pre-assessment stage. Therefore, post-market management plays a critical role in the ecological risk assessment of chemicals.

Kao revised its Basic Policy on Biodiversity in April 2022. The policy consists of the following:

1. Identify our business’s dependence and impact on biodiversity across our value chain.
2. Minimize the impact of our business activities on biodiversity.
3. Develop and implement innovative technologies to enable sustainable use of the benefits nature provides.
4. Comply with relevant international agreements.
5. Conduct business activities without damaging the local ecosystem.
6. Raise awareness about biodiversity in and outside the company, and share information on biodiversity across all stakeholders to maximize the effects of collaboration.
7. Collaborate with external stakeholders to take actions to protect and restore biodiversity, and regenerate nature.
8. Aim for a harmonious coexistence of people, nature and chemicals.

I highly commend Kao’s research on ecological risk assessments using environmental RNA, as it further strengthens and solidifies the company’s Basic Policy on Biodiversity. While the methodology is highly specialized and therefore not discussed here, I look forward to its further development in the future.

Meanwhile, the initiative at the Wakayama Plant and Research Laboratories, titled “Initiatives to Build a Biodiversity Model Factory Connecting History and the Environment

to the Future," received the 19th Responsible Care Grand Prize from the Japan Chemical Industry Association. According to an overview of the initiative, a coastal protection forest that has existed since the Edo period remains at the Wakayama site. By investigating its historical and ecological value, identifying challenges, and promoting maintenance activities that do not rely on chemical spraying, Kao has worked to restore its unique ecosystem. In addition, I believe that the company's efforts to widely communicate the historical, disaster mitigation, and ecological value of the forest, as well as to promote communication both internally and externally, were also key factors in its recognition by the Japan Chemical Industry Association.

As a leading company in the chemical industry, I look forward to Kao further advancing its efforts in *Yoki-Monozukuri*.

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Kirei Lifestyle Plan KPI definitions

Regarding the mid- to long-term targets of the Kirei Lifestyle Plan that are noted on page 52 to 54, 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
	Developing new Universal Design guidelines that can be applied globally in response to increasing diversity in society, as well as new indicators linked to business outcomes (scheduled for disclosure from 2027 onward)				
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 targeted ingredients of concern (ingredients)	• Kao Group		

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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 household products *1		100%	2025
	A / B × 100 (%)	• A: Weight of certified paper products and pulp (FSC, PEFC, SFI) for the Kao Group's household products (t) • B: Weight of paper products and pulp for the Kao Group's household products (t)	• Paper products and pulp for the Kao Group's household products	
	Traceability* to oil palm plantations *Plantation includes oil palm smallholders		100% *2	2025
	(A1 × B1 + A2 × B2 + A3 × B3 + …AD × BD)/C (%)	• A: Suppliers' TTP rate (%) • B: Purchase volume from suppliers (t) • C: Purchase volume of palm-derived materials (t) • D: Number of suppliers	• All oil palm plantations	

*1 The scope of this metric was reviewed, and office paper and other paper used within the Kao Group that are not included in the definition were excluded.
*2 To enable clearer confirmation of progress in traceability, the scope of this metric was reviewed from 2023 onward to clarify that all oil palm plantations, including oil palm smallholders, are included in the scope. In addition, the calculation method was changed from the number of sites to a ratio-based calculation method.

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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 lifecycle CO_2 emissions (Base year: 2017)			22%	2030
	(1 - A / B) × 100 (%)	• A: Annual lifecycle CO_2 emissions of the year in question (t-CO_2) • B: Annual lifecycle CO_2 emissions of the base year in question (t-CO_2) * 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 CO_2 emissions for the year in question (t-CO_2) • B: Annual scope 1 + 2 CO_2 emissions for the base year (t-CO_2) * 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*3			Will peak and begin to decline	2030
	A-B-C (t)	• A: Quantity of plastic packaging (t) used during the year in question • B: Quantity of recycled plastic packaging (t) used during the year in question • C: Quantity of bio-based plastic packaging (t) used during the year in question	• Plastic packaging used by the Kao Group (consumer products)		
	Quantity of innovative packaging penetration for Kao and others per annum			0.3 billion	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 (%)	• A_1: Quantity of plastic (t) that underwent positive recycling during the year in question • A_2: Quantity of recycled plastic (t) used in plastic packaging during the year in question • A_3: 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 * Includes quantities subject to material recycling under Japan's Containers and Packaging Recycling Law.	• Kao Group		

*3 There was an error in part of the calculation formula disclosed in prior years, and has been revised to align with the actual results. This revision does not change the previously reported figures.

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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*1 for the year in question (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)] × 100 (%)	• A_1: Annual lifecycle water consumption for the year in question (million m^3) • A_2: Sales for the year in question (hundred million yen) • B_1: Annual lifecycle water use for the base year (million m^3) *Base year: 2017 • B_2: Sales for the base year (hundred million yen)	• 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 which disclose VOC and COD* emissions * Kao plants that discharge wastewater directly into public waterways			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		

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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%	2030
	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
	$(A_1 + A_2 + \ldots + A_B) / B$	• 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		

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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
	$(A_1 / B_1 \times C_1 + A_2 / B_2 \times C_2 + \ldots + A_D / B_D \times C_D) / (C_1 + C_2 + \ldots + C_D) \times 100$ (%)	• 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 × 1,000,000 (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
	$(A_1 + A_2 + \ldots + A_B) / B$ (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			12.0	2030
	A / B × 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
	$(A_1 + A_2 + \ldots + A_B) / B$	• 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
	$(A_1 + A_2 + \ldots + A_B) / B$	• 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		

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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
	$(A_1 + A_2 + \ldots + A_B) / B$	• 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
	$\frac{\frac{(A_1 + A_2 + \ldots + A_C)_1}{(B_1 + B_2 + \ldots + B_C)_1} + \ldots + \frac{(A_1 + A_2 + \ldots + A_C)_D}{(B_1 + B_2 + \ldots + B_C)_D}}{D} \times 100\ (\%)$	• 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		

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			●			●						●		●			●

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Climate Forests Water CDP A List 2025

The only company in Japan that has been selected for 6 consecutive years

2025 CDP Triple A:
Only 27* companies worldwide

* Based on Kao's research

ETHISPHERE® WORLD'S MOST ETHICAL COMPANIES® 2007 - 2026

The only company in Asia
that has been recognized for
20 consecutive years

20 consecutive years:
Only 6 companies worldwide
Selected as one of "World's Most Ethical Companies®"

Inclusion in the Sustainability Yearbook	Highest rating for 10 consecutive years	Certified as Prime	Top 15%	Selected as Nadeshiko Brands	Certified in 2016	Commended by Prime Minister	Certified 11 times	10 consecutive years	Highest rating	Silver
S&P Global Kao Corporation Personal Products Sustainability Yearbook Member Corporate Sustainability Assessment (CSA) 2025	Supplier Engagement Leader CDP 2025	Corporate ESG Performance Prime RATED BY ISS ESG	SILVER | Top 15% ecovadis Sustainability Rating AUG 2025	NADESHIKO BRAND 2026	プラチナくるみん 子育てサポートしています	女性が輝く先進企業2019	2026 健康経営銘柄 KENKO Investment for Health	2026 健康経営優良法人 KENKO Investment for Health ホワイト500	DBJ健康格付 2024	SPORTS YELL COMPANY 2025

SRI indexes

Adopted in 2025	2 consecutive years	8 consecutive years	9 consecutive years	18 consecutive years	9 consecutive years	4 consecutive years	8 consecutive years	3 consecutive years
MSCI Selection Indexes Constituents 2025	2025 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	2025 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX	FTSE4Good	FTSE JPX Blossom Japan Index	FTSE JPX Blossom Japan Sector Relative Index	S&P/JPX Carbon Efficient Index	MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index TOP CONSTITUENT 2026

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

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Kirei Lifestyle Plan KPI definitions
Contributions to SDGs
External Evaluations
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Independent Assurance Report

GRI 2-5

KPMG

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 in Kao Corporation's (the "Company") sustainability report (the "Report") for the year ended December 31, 2025 have been prepared in accordance with the criteria (the "Criteria"), which are established by the Company and are explained in 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, 2025 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. We do not express any form of conclusions thereon.

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.

KPMG

Inherent limitations in preparing the SMI

As described in 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 including trend analysis;
- identifying and assessing the risks of material misstatements;
- performing site visits at two of the Company's 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.

Shinnosuke Kayumi
Engagement Partner
KPMG AZSA Sustainability Co., Ltd.
Tokyo Office, Japan
June 26, 2026

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.

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To ensure greater transparency of data disclosure relating to environmental and social performance indicators, independent assurance for the Kao Sustainability Report 2026 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	% of certified paper products and pulp for household products	P132
	Certified palm oil purchases (Kao Group)	P133
	Total number of significant suppliers in Tier 1	P136
	% of total spend on significant suppliers in Tier 1	P136
	Total number of significant suppliers in non-Tier 1	P136
	Total number of significant suppliers subjected to desktop assessment	P136
Decarbonization	Energy consumption (all sites)	P149/P151
	GHG emissions (all sites)	P149/P150
	CO_2 emissions and absolute emissions reduction rate across the entire product lifecycle (Kao Group)	P149/P150
	Scope 1: GHG emissions (all sites)	P150
	Scope 2: GHG emissions (all sites)	P150
	Scope 3: GHG emissions *Categories 1, 4, 11 and 12 only	P150
	CO_2 emissions from transportation (Japan)	P151/P155
Zero Waste	The amount of waste generated at sites	P164
	The amount of recycled waste and other materials	P164
Water Conservation	Water consumption (withdrawal) (all sites)	P176
	Water consumption trends throughout the product lifecycle (Kao Group)	P177
	Water withdrawal amount by source (all sites)	P180
	Wastewater discharge by destination (all sites)	P180
Air & Water Pollution Prevention	NOx emissions (all production sites)	P192
	VOC air emissions Boundary: Kao Group production sites in Japan	P192/P193
	COD pollution load (manufacturing sites that directly discharge industrial wastewater into public water bodies)	P192
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	P198
Inclusive & diverse workplaces	Base salary + other cash incentives Average annual salary (yen) (Male, Female) (Kao Group)	P266
	Base salary Average annual salary (yen) (Male, Female) (Kao Group)	P266
Employee wellbeing & safety	Death / loss of function: Including both regular employees and temporary workers (Kao Group)	P295
	Death / loss of function: Subcontractors (Kao Group)	P295
	Lost-time accidents frequency rate: Including both regular employees and temporary workers (Kao Group)	P295
	Lost-time accidents frequency rate: Subcontractors (Kao Group)	P295
	Number of employees who experienced lost work days due to occupational illness: Including both regular employees and temporary workers (Kao Group)	P295

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. Relevant Sections in Report covers both the Sustainability Report 2026 and Our Foundations.

Statement of use	Kao Group has reported the information cited in this GRI content index for the period [January 1, 2025–December 31, 2025] with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI 2: General Disclosures 2021			Relevant Sections	
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	P3
			Back cover	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	P52
	2-5	External assurance	Independent Assurance Report	P324
2. Activities and workers				
	2-6	Activities, value chain and other business relationships	Our ESG Vision and Strategy > Strategy > Environmental and social impacts of the KLP	P50
	2-7	Employees	Our Progress > Human Capital Development > Number of employees / management positions	P255
	2-8	Workers who are not employees	–	–
3. Governance				
	2-9	Governance structure and composition	Our ESG Vision and Strategy > Governance	P62
	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	P62
	2-13	Delegation of responsibility for managing impacts	Our ESG Vision and Strategy > Governance	P62
	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	P67
	2-17	Collective knowledge of the highest governance body	Our ESG Vision and Strategy > Governance	P62
	2-18	Evaluation of the performance of the highest governance body	–	–
	2-19	Remuneration policies	Our ESG Vision and Strategy > Governance	P62
	2-20	Process to determine remuneration	Our ESG Vision and Strategy > Governance	P62
	2-21	Annual total compensation ratio	–	–

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	P134
			Our Progress > Respecting Human Rights > Risk and opportunity management	P228
	2-24	Embedding policy commitments	Our Progress > Respecting Human Rights > Risk and opportunity management	P228
	2-25	Processes to remediate negative impacts	Our Progress > Effective Corporate Governance > Governance	P204
			Our Progress > Effective Corporate Governance > Strategy	P202
			Our Progress > Effective Corporate Governance > Risk and opportunity management	P205
			Our Progress > Respecting Human Rights	P225
	2-26	Mechanisms for seeking advice and raising concerns	Our Progress > Effective Corporate Governance > Governance	P204
	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	P52
			Our Progress > Effective Corporate Governance > Strategy	P202
			Our Progress > Effective Corporate Governance > Risk and opportunity management	P205
	2-28	Membership associations	Our Progress > Safer Healthier Products > Risk and opportunity management	P103
			Our Progress > Decarbonization > Risk and opportunity management	P152
			Our Progress > Zero Waste > Risk and opportunity management	P165
			Our Progress > Water Conservation > Risk and opportunity management	P180
			Our Progress > Effective Corporate Governance > Risk and opportunity management	P205
			Our Progress > Respecting Human Rights > Risk and opportunity management	P228
5. Stakeholder engagement				
	2-29	Approach to stakeholder engagement	Our ESG Vision and Strategy > Risk and opportunity management > Stakeholder engagement	P78
	2-30	Collective bargaining agreements	Our Progress > Human Capital Development > Situation regarding union members	P258
GRI 3: Material Topics 2021			**Relevant Sections**	
	3-1	Process to determine material topics	Our ESG Vision and Strategy > Risk and opportunity management > Selection process for Kao Actions as material themes	P67
	3-2	List of material topics	Our ESG Vision and Strategy > Strategy > Risks and opportunities > Kao's ESG Commitments and Actions	P47
	3-3	Management of material topics	Our ESG Vision and Strategy > Governance	P62
			Our ESG Vision and Strategy > Risk and opportunity management	P67
			"Governance / Risk and opportunity management" in each section	–

200: Economic topics			**Relevant Sections**	
Economic Performance				
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Our ESG Vision and Strategy > ESG highlights	P9
	201-2	Financial implications and other risks and opportunities due to climate change	Our Progress > Decarbonization > Strategy	P144
	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	Our Progress > Water Conservation > Risk and opportunity management	P180
	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	P204
			Our Progress > Effective Corporate Governance > Risk and opportunity management	P205
	205-3	Confirmed incidents of corruption and actions taken	Our Progress > Effective Corporate Governance > Metrics and targets (e.f.Status of legal proceedings, fines, and settlements related to anti-competitive behavior and bribery)	P204
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 (e.f.Status of legal proceedings, fines, and settlements related to anti-competitive behavior and bribery)	P204
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	
Biodiversity				
GRI 101: Biodiversity 2024	101-1	Policies to halt and reverse biodiversity loss	Our Foundations > Biodiversity > Kao TNFD Report	–
	101-2	Management of biodiversity impacts	Our Foundations > Biodiversity > Kao TNFD Report Our Progress > Responsible Chemicals Management > Risk and opportunity management	– P307
	101-3	Access and benefit-sharing	–	–
	101-4	Identification of biodiversity impacts	Our Foundations > Biodiversity > Kao TNFD Report Our Progress > Responsible Chemicals Management > Risk and opportunity management	– P307
	101-5	Locations with biodiversity impacts	Our Foundations > Biodiversity > Kao TNFD Report Our Progress > Responsible Chemicals Management > Risk and opportunity management	– P307
	101-6	Direct drivers of biodiversity loss	Our Foundations > Biodiversity > Kao TNFD Report Our Progress > Responsible Chemicals Management > Risk and opportunity management	– P307
	101-7	Changes to the state of biodiversity	Our Progress > Responsible Chemicals Management > Risk and opportunity management	P307
	101-8	Ecosystem services	Our Foundations > Biodiversity > Kao TNFD Report Our Progress > Responsible Chemicals Management > Risk and opportunity management	– P307

Materials				
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Our Progress > Product Lifecycle and Environmental Impact	P198
	301-2	Recycled input materials used	Our Progress > Zero Waste > Metrics and targets	P163
			Our Progress > Zero Waste > Risk and opportunity management	P165
	301-3	Reclaimed products and their packaging materials	Our Progress > Zero Waste > Risk and opportunity management	P165
Energy				
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Our Progress > Decarbonization > Metrics and targets	P148
			Our Progress > Product Lifecycle and Environmental Impact	P198
	302-2	Energy consumption outside of the organization	–	–
	302-3	Energy intensity	Our Progress > Decarbonization > Metrics and targets	P148
	302-4	Reduction of energy consumption	Our Progress > Decarbonization > Metrics and targets	P148
			Our Progress > Decarbonization > Risk and opportunity management	P152
	302-5	Reductions in energy requirements of products and services	Our Progress > Decarbonization > Metrics and targets	P148
			Our Progress > Decarbonization > Risk and opportunity management	P152
Water and Effluent				
GRI 303: Water and Effluent 2018	303-1	Interactions with water as a shared resource	Our Progress > Water Conservation > Strategy	P174
			Our Progress > Water Conservation > Risk and opportunity management	P180
	303-2	Management of water discharge-related impacts	Our Progress > Water Conservation > Risk and opportunity management	P180
			Our Progress > Air & Water Pollution Prevention > Risk and opportunity management	P193
	303-3	Water withdrawal	Our Progress > Water Conservation > Metrics and targets	P176
			Our Progress > Product Lifecycle and Environmental Impact	P198
	303-4	Water discharge	Our Progress > Water Conservation > Metrics and targets	P176
			Our Progress > Air & Water Pollution Prevention > Metrics and targets	P192
			Our Progress > Product Lifecycle and Environmental Impact	P190
	303-5	Water consumption	Our Progress > Water Conservation > Metrics and targets	P176
			Our Progress > Product Lifecycle and Environmental Impact	P190
Emissions				
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Our Progress > Decarbonization > Metrics and targets	P148
			Our Progress > Product Lifecycle and Environmental Impact	P190
	305-2	Energy indirect (Scope 2) GHG emissions	Our Progress > Decarbonization > Metrics and targets	P148
			Our Progress > Product Lifecycle and Environmental Impact	P190
	305-3	Other indirect (Scope 3) GHG emissions	Our Progress > Decarbonization > Metrics and targets	P148
			Our Progress > Product Lifecycle and Environmental Impact	P190
	305-4	GHG emission intensity	–	–
	305-5	Reduction of GHG emissions	Our Progress > Decarbonization > Metrics and targets	P148
	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	P192
			Our Progress > Product Lifecycle and Environmental Impact	P190

Waste				
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Our Progress > Sustainable Lifestyle Promotion > Strategy	P108
			Our Progress > Zero Waste > Strategy	P162
	306-2	Management of significant waste-related impacts	Our Progress > Sustainable Lifestyle Promotion > Risk and opportunity management	P110
			Our Progress > Zero Waste > Risk and opportunity management	P165
	306-3	Waste generated	Our Progress > Zero Waste > Metrics and targets	P163
	306-4	Waste diverted from disposal	Our Progress > Zero Waste > Metrics and targets	P163
	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	P134
			Our Progress > Decarbonization > Risk and opportunity management	P152
			Our Progress > Zero Waste > Risk and opportunity management	P165
			Our Progress > Water Conservation > Risk and opportunity management	P180

400: Social topics			Relevant Sections	
Employment				
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Our Progress > Human Capital Development > Human capital data	P254
	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	P268
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) > Strategy Our Progress > Employee Wellbeing & Safety (Safety) > Governance	P293 P296
	403-2	Hazard identification, risk assessment, and incident investigation	Our Progress > Employee Wellbeing & Safety (Wellbeing)	P276
	403-3	Occupational health services	Our Progress > Employee Wellbeing & Safety (Wellbeing)	P276
	403-4	Worker participation, consultation, and communication on occupational health and safety	Our Progress > Employee Wellbeing & Safety (Safety) > Risk and opportunity management	P296
	403-5	Worker training on occupational health and safety	Our Progress > Employee Wellbeing & Safety (Safety) > Risk and opportunity management	P296
	403-6	Promotion of worker health	Our Progress > Employee Wellbeing & Safety (Wellbeing) > Strategy	P277
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Our Progress > Employee Wellbeing & Safety(Safety) > Strategy Our Progress >Responsible Chemicals Management > Risk and opportunity management	P293 P307
	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	P294
	403-10	Work-related ill health	Our Progress > Employee Wellbeing & Safety (Safety) > Metrics and targets	P294

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	P258
	404-2	Programs for upgrading employee skills and transition assistance programs	Our ESG Vision and Strategy > Risk and opportunity management > Employee engagement	P70
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			Our Progress > Human Capital Development	P237
			Our Progress > Inclusive & Diverse Workplaces	P261
	404-3	Percentage of employees receiving regular performance and career development reviews	Our Progress > Human Capital Development > Risk and opportunity management	P244
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	P268
			Our Progress > Inclusive & Diverse Workplaces > Human capital data	P264
	405-2	Ratio of basic salary and remuneration of women to men	Our Progress > Inclusive & Diverse Workplaces > Human capital data	P264
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	P307
	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	P134
			Our Progress > Respecting Human Rights > Risk and opportunity management	P228
	414-2	Negative social impacts in the supply chain and actions taken	Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P134
			Our Progress > Respecting Human Rights > Risk and opportunity management	P228
Public Policy				
GRI 415: Public Policy 2016	415-1	Political contributions	Our Progress > Effective Corporate Governance > Metrics and targets	P203

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	P94
			Our Progress > Universal Product Design > Risk and opportunity management	P95
			Our Progress > Safer Healthier Products > Metrics and targets	P102
			Our Progress > Safer Healthier Products > Risk and opportunity management	P103
			Our Progress > Transformative Innovation > Risk and opportunity management	P126
			Our Progress > Transformative Innovation > Metrics and targets	P126
	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	P94
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			Our Progress > Safer Healthier Products > Risk and opportunity management	P103
			Our Progress > Product Lifecycle and Environmental Impact > “Eco together” logo certified products	P199
			Our Progress > Full Transparency > Metrics and targets	P221
			Our Progress > Full Transparency > Risk and opportunity management	P222
			Our Progress > Responsible Chemicals Management > Risk and opportunity management	P307
	417-2	Incidents of non-compliance concerning product and service information and labeling	–	–
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GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	–	–

UNGP Reporting Framework Index

Click on Relevant Sections in Report to display the relevant page.

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A	Governance of respect for human rights		
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A1.1	How has the public commitment been developed?	Our Progress > Respecting Human Rights > Risk and opportunity management	P228
A1.2	Whose human rights does the public commitment address?	Our Progress > Respecting Human Rights > Risk and opportunity management	P228
A1.3	How is the public commitment disseminated?	Our Progress > Respecting Human Rights > Governance	P228
		Our Progress > Respecting Human Rights > Metrics and targets	P228
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
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	P226
		Our Progress > Respecting Human Rights > Governance	P228
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
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	P228
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 > Effective Corporate Governance > Risk and opportunity management	P205
		Our Progress > Effective Corporate Governance > Revision, education, and promotion of the Kao Business Conduct Guidelines	P205
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
		Our Progress > Respecting Human Rights > Initiatives to enhance employee awareness of human rights	P234
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	P134
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
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	P228

		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	P228
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	P228
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 > Responsibly Sourced Raw Materials > Regular review of purchasing practices and evaluation of supplier performance	P137
		Our Progress > Responsibly Sourced Raw Materials > Collaboration with stakeholders	P138
		Our Progress > Effective Corporate Governance > Risk and opportunity management	P205
		Our Progress > Effective Corporate Governance > Revision, education, and promotion of the Kao Business Conduct Guidelines	P205
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
		Our Progress > Respecting Human Rights > Initiatives to enhance employee awareness of human rights	P234

		Relevant Sections in Report	
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	P228
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
C2.2	During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	Our Progress > Respecting Human Rights > Risk and opportunity management	P228
		Our Progress > Respecting Human Rights > Initiatives addressing important human rights themes	P232
		Our Progress > Respecting Human Rights > Improving activities through dialogue with diverse stakeholders	P234
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 > Risk and opportunity management	P228
		Our Progress > Respecting Human Rights > Initiatives addressing important human rights themes	P232
		Our Progress > Respecting Human Rights > Improving activities through dialogue with diverse stakeholders	P234
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	P228
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
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	P228
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228

		Relevant Sections in Report	
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	P228
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	P204
		Our Progress > Respecting Human Rights > Risk and opportunity management	P228
		Our Progress > Respecting Human Rights > Deployment of grievance mechanisms	P234
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	P204
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 > Deployment of grievance mechanisms	P234
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	P228

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	P151
		Our Progress > Water Conservation > Governance	P180
b)	The role of management in assessing and managing climate-related risks and opportunities	Our Progress > Decarbonization > Governance	P151
		Our Progress > Water Conservation > Governance	P180

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	P144
		Our Progress > Water Conservation > Strategy	P174
b)	Impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning	Our Progress > Decarbonization > Strategy	P144
		Our Progress > Decarbonization > Metrics and targets	P148
		Our Progress > Water Conservation > Strategy	P174
		Our Progress > Water Conservation > Metrics and targets	P176
c)	Resilience of the organization's strategy, taking into consideration different climaterelated scenarios, including a 2°C-or-lower scenario	Our Progress > Decarbonization > Strategy	P144
		Our Progress > Water Conservation > Strategy	P174

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	P151
		Our Progress > Decarbonization > Risk and opportunity management	P152
		Our Progress > Water Conservation > Governance	P180
		Our Progress > Water Conservation > Risk and opportunity management	P180
b)	Organization's processes for managing climate-related risks	Our Progress > Decarbonization > Governance	P151
		Our Progress > Decarbonization > Risk and opportunity management	P152
		Our Progress > Water Conservation > Governance	P180
		Our Progress > Water Conservation > Risks and opportunities	P180
c)	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Our Progress > Decarbonization > Governance	P151
		Our Progress > Decarbonization > Risk and opportunity management	P152
		Our Progress > Water Conservation > Governance	P180
		Our Progress > Water Conservation > Risk and opportunity management	P180

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	P52
		Our Progress > Decarbonization > Metrics and targets	P148
		Our Progress > Water Conservation > Metrics and targets	P176
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	P52
		Our Progress > Decarbonization > Metrics and targets	P148
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	P52
		Our Progress > Decarbonization > Metrics and targets	P148
		Our Progress > Water Conservation > Metrics and targets	P176

SASB Index

Click on Relevant Sections in Report to display the relevant page. Relevant Sections in Report covers both the Sustainability Report 2026 and Our Foundations.

Household & Personal Products

Sustainability Disclosure Topics & Metrics

Topic	Code	Metric	Category	Unit of Measure	Relevant Sections	
Water Management	CG-HP-140a.1	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic metres (m^3), Percentage (%)	Our Progress > Water Conservation > Metrics and targets Our Progress > Water Conservation > Risk and opportunity management	P176 P180
	CG-HP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	Our Progress > Water Conservation > Strategy Our Progress > Water Conservation > Metrics and targets Our Progress > Water Conservation > Governance Our Progress > Water Conservation > Risk and opportunity management	P174 P176 P180 P180
Product Environmental, Health and Safety Performance	CG-HP-250a.1	Revenue from products that contain substances of high concern	Quantitative	Presentation currency	Our Progress > Safer Healthier Products P100 Our Progress > Responsible Chemicals Management P301 This information is also available on Kao website. ・Quality Management Activities in Product Development, Production, and After Product Launch https://www.kao.com/global/en/innovation/safety-quality/activities/ ・For Safer Use of Chemicals https://www.kao.com/global/en/innovation/safety-quality/saicm/ ・About Ingredients Contained in Kao's Products https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/	
	CG-HP-250a.3	Discussion of process to identify and manage emerging materials and chemicals of concern	Discussion and Analysis	n/a		
	CG-HP-250a.4	Revenue from products designed with green chemistry principles	Quantitative	Presentation currency		
Packaging Lifecycle Management	CG-HP-410a.1	(1) Total weight of packaging (2) percentage made from recycled or renewable materials, and (3) percentage that is recyclable, reusable or compostable	Quantitative	Metric tonnes (t), Percentage (%)	Our Progress > Product Lifecycle and Environmental Impact Our Progress > Zero Waste > Metrics and targets	P198 P163
	CG-HP-410a.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	Our Progress > Zero Waste > Strategy Our Progress > Zero Waste > Metrics and targets Our Progress > Zero Waste > Risk and opportunity management Our Progress > Responsibly Sourced Raw Materials > Strategy Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P162 P163 P165 P131 P134
Environmental & Social Impacts of Palm Oil Supply Chain	CG-HP-430a.1	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance or (d) Book & Claim	Quantitative	Metric tonnes (t), Percentage (%)	Our Progress > Responsibly Sourced Raw Materials > Metrics and targets	P132

Activity Metrics

Activity Metric	Code	Category	Unit of Measure	Relevant Sections	
Units of products sold, total weight of products sold	CG-HP-000.A	Quantitative	Number, Metric tonnes (t)	–	–
Number of manufacturing facilities	CG-HP-000.B	Quantitative	Number	Our ESG Vision and Strategy > Kao's Value Creation	P39

Chemicals

Sustainability Disclosure Topics & Metrics

Topic	Code	Metric	Category	Unit of Measure	Relevant Sections	
Greenhouse Gas Emissions	RT-CH-110a.1	Gross global Scope 1 emissions, percentage covered under emissionslimiting regulations	Quantitative	Metric tonnes (t) CO_2-e, Percentage (%)	Our Progress > Decarbonization > Metrics and targets	P148
	RT-CH-110a.2	Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	Our Progress > Decarbonization > Strategy Our Progress > Decarbonization > Metrics and targets Our Progress > Decarbonization > Risk and opportunity management	P144 P148 P152
Air Quality	RT-CH-120a.1	Air emissions of the following pollutants: (1) NOX (excluding N2O), (2) SOX, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	Quantitative	Metric tonnes (t)	Our Progress > Air & Water Pollution Prevention > Metrics and targets	P192
Energy Management	RT-CH-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable and (4) total self-generated energy	Quantitative	Gigajoules (GJ), Percentage (%)	Our Progress > Decarbonization > Metrics and targets Our Progress > Decarbonization > Initiatives	P148 P152
Water Management	RT-CH-140a.1	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic metres (m^3), Percentage (%)	Our ESG Vision and Strategy > kao's Value Creation Our Progress > Water Conservation > Metrics and targets Our Progress > Water Conservation > Risk and opportunity management	P39 P176 P180
	RT-CH-140a.2	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Quantitative	Number	Our Progress > Air & Water Pollution Preventio > Metrics and targets	P192
	RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	Our Progress > Water Conservation > Strategy Our Progress > Water Conservation > Metrics and targets Our Progress > Water Conservation > Governance Our Progress > Water Conservation > Risk and opportunity management	P174 P176 P180 P180
Hazardous Waste Management	RT-CH-150a.1	(1) Amount of hazardous waste generated, (2) percentage recycled	Quantitative	Metric tonnes (t), Percentage (%)	Our Progress > Zero Waste > Risk and opportunity management > Initiatives	P166
Community Relations	RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests	Discussion and Analysis	n/a	Our ESG Vision and Strategy > Stakeholder engagement	P78
Workforce Health & Safety	RT-CH-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	Rate	Our Progress > Employee Wellbeing & Safety (Safety) > Metrics and targets	P294
	RT-CH-320a.2	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	Discussion and Analysis	n/a	Our Progress > Employee Wellbeing & Safety (Wellbeing) > Initiatives Our Progress > Employee Wellbeing & Safety (Safety)	P284 P292
Product Design for Use-phase Efficiency	RT-CH-410a.1	Revenue from products designed for usephase resource efficiency	Quantitative	Presentation currency	Our Progress > Transformative Innovation > Initiatives Our Progress > Water Conservation > Risk and opportunity management	P127 P180
Safety & Environmental Stewardship of Chemicals	RT-CH-410b.1	(1) Percentage of products that contain Globally Harmonised System of Classification and Labelling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	Quantitative	Percentage (%) by revenue, Percentage (%)	Our Progress > Responsible Chemicals Management	P301
	RT-CH-410b.2	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human or environmental impact	Discussion and Analysis	n/a	Our Progress > Safer Healthier Products > Strategy Our Progress > Safer Healthier Products > Metrics and targets Our Progress > Safer Healthier Products > Governance Our Progress > Safer Healthier Products > Risk and opportunity management Our Progress > Responsible Chemicals Management > Strategy Our Progress > Responsible Chemicals Management > Metrics and targets Our Progress > Responsible Chemicals Management > Governance Our Progress > Responsible Chemicals Management > Risk and opportunity management	P101 P102 P103 P103 P302 P305 P306 P307

Topic	Code	Metric	Category	Unit of Measure	Relevant Sections	
Genetically Modified Organisms	RT-CH-410c.1	Percentage of products by revenue that contain genetically modified organisms (GMOs)	Quantitative	Percentage (%) by revenue	–	–
Management of the Legal & Regulatory Environment	RT-CH-530a.1	Discussion of corporate positions related to government regulations or policy proposals that address environmental and social factors affecting the industry	Discussion and Analysis	n/a	Our Progress > Safer Healthier Products > Risk and opportunity management Our Progress > Responsible Chemicals Management > Strategy Our Progress > Responsible Chemicals Management > Metrics and targets Our Progress > Responsible Chemicals Management > Governance Our Progress > Responsible Chemicals Management > Risk and opportunity management Our Progress > Effective Corporate Governance > Metrics and targets Our Progress > Effective Corporate Governance > Risk and opportunity management	P103 P101 P102 P103 P103 P203 P205
Operational Safety, Emergency Preparedness & Response	RT-CH-540a.1	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	Quantitative	Number, Rate	Our Foundations > Process Safety and Disaster Prevention > Metrics and targets	–
	RT-CH-540a.2	Number of transport incidents	Quantitative	Number	Our Foundations > Process Safety and Disaster Prevention > Metrics and targets	–

Activity Metrics

Activity Metric	Code	Category	Unit of Measure	Relevant Sections	
Production by reportable segment	RT-CH-000.A	Quantitative	Cubic metres (m^3) or metric tonnes (t)	–	–

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