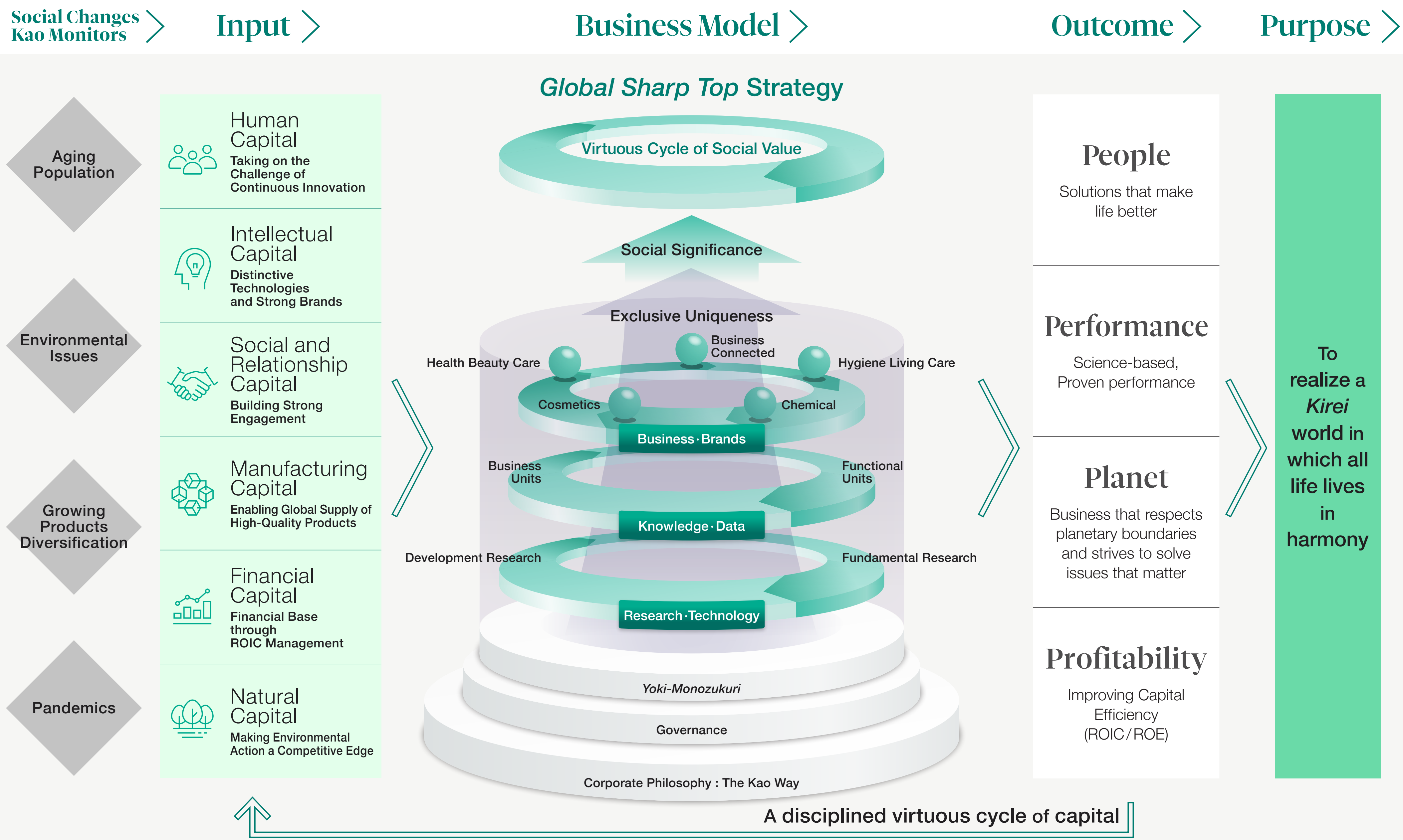
Our Value Creation Process

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.



Value Creation

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