



kao

# Integrated Report 2026

Sustainability as the only path

For the year ended December 31, 2025



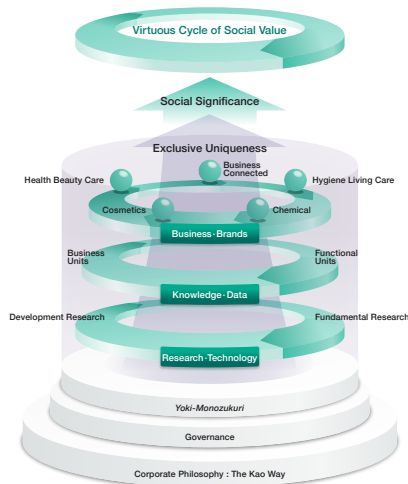


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## Design Story



The two circles woven throughout this report symbolize the connections between Kao and the people we serve, and between Kao and society. Through a science uniquely our own, we transform those connections into new value — and open a path toward a future where all life flourishes together. This is the conviction behind this report.



OUR PURPOSE

---

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





# Our DNA

## Yoki-Monozukuri : The Source of Growth

Kao's source of growth lies in *Yoki-Monozukuri*, our commitment to creating value by staying close to people, society, and the planet. Since our founding, we have expanded value from cleanliness, beauty, and health toward the integration of functionality, convenience, and sustainability. Grounded in proprietary science and a deep understanding of consumers, we anticipate societal change and continue to create new value.

### 1890 Launched Kao Sekken (Kao Soap)



A commitment to producing high-quality, domestically made facial soap and contributing to cleaner lives for people.

## Kao's Value Creation Journey

Elevating the Standards of Cleanliness, Beauty, and Health

Setting cleanliness as a new standard in Japan



Creating a New Lifestyle

Achieving both functionality and convenience



1987 Attack



1996 Bioré Pore Pack



2004 Bioré u Hand Soap Self Foaming Type



2008 Blouné Hair Color Foam



2018 PureOra Foaming Toothpaste



1994 Quickle Wiper for Flooring



1997 Bioré Makeup Remover Cleansing Cotton



2007 MegRhythm Steam Eye Mask



2016 CuCute CLEAR Foam Spray



2021 Bath Magiclean Airjet

Expanding Sustainable Protections for Challenges Surrounding Daily Life

Achieving both precision and convenience



2020 NEWTLAC 5000

A high-durability asphalt modifier made from recycled PET



2022 Bioré Guard Mos Block Serum

Provides a skin shield to protect from mosquitoes



2023 Bioré UV Aqua Rich Aqua Protect Mist

An instant UV protection mist, anytime, anywhere

Supporting Sustainable Living

Achieving both performance and sustainability



2009 Attack ZERO

One-rinse washing for water-saving laundry



2016 Raku-raku Eco Pack Refill

Easy refilling in just 10 seconds



2019 Attack ZERO

Powered by a sustainable cleaning base, Bio IOS®



2023 Eco-peco Bottle for the Future

Flattenable design to reduce plastic waste

Sales Trend

1980

1990

2000

2010

2020



# At a Glance

Sales

1,688.6

billion yen

YoY real growth rate

+3.7%

Overseas Ratio

42.9%

Sales to: Approx.

140

Countries and regions

Operating income

164.1

billion yen

YoY change

+11.9%

Operating margin

9.7%

YoY change

+0.7pts

ROIC

9.7%

YoY change

+0.5pts

Consecutive dividend increases

36 periods

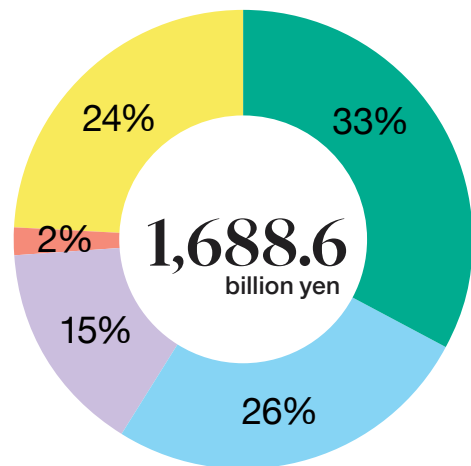
Basic earnings per share

260.30 yen

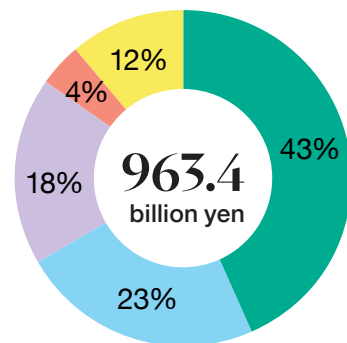
YoY change

+12.2%

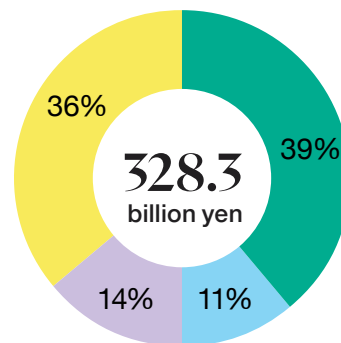
## Total



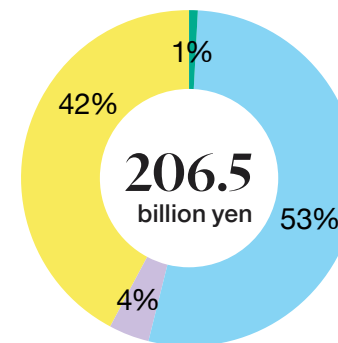
## Japan



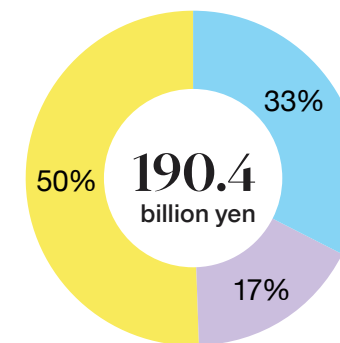
## Asia



## Americas



## EMEA



■ Hygiene Living Care ■ Health Beauty Care ■ Cosmetics ■ Business Connected ■ Chemical

\* Actual results for the fiscal year 2025.  
YoY: Abbreviation for year on year.

Consolidated employees

31,514

36.3%  
Outside Japan

Consolidated subsidiaries

111

93  
Outside Japan

Production sites

37

27  
Outside Japan

Progress Toward Decarbonization

% reduction in absolute  
**Scope 1+2**  
CO<sub>2</sub> emissions

47%

2030 Target 55%

\*Reduction measured against a 2017 baseline

Responsibly Sourced Raw Materials

**Traceability to  
Oil Palm Plantation**

91%

2030 Target 100%

[Palm Oil Dashboard](#)

For more information [p75 ESG Highlights](#)

Selected as a "World's Most Ethical Companies®"



20 for consecutive years

Only 6 companies worldwide have been selected for 20 consecutive years.

\*The names and logos "World's Most Ethical Companies" and "Ethisphere" are registered trademarks of Ethisphere LLC.



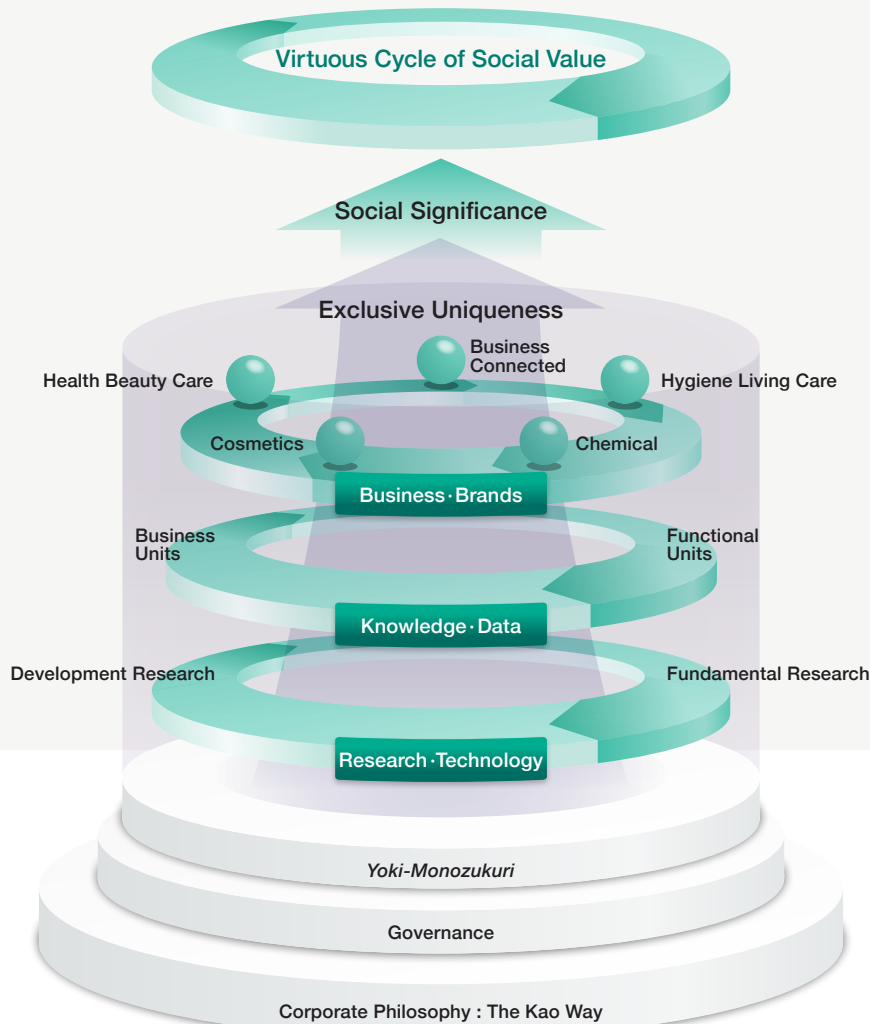
# Our Strength

## Global Sharp Top Strategy

—Value Creation Driven by Kao's Strengths—



### Global Sharp Top Strategy



Kao identifies key social issues arising from changes in society and addresses them by strengthening its Exclusive Uniqueness—its distinctive source of competitive advantage—through three interconnected cycles: research and technology, knowledge and data, and business and brands.

By leveraging this strength, Kao delivers offerings of high Social Significance—high-value solutions that help address social issues. Through these initiatives, Kao seeks to achieve the world's No.1 contribution to people's lives and society and to create a positive cycle of social and business value. This embodies the essence of Kao's *Global Sharp Top* strategy.

By positioning this strategy at the core of its value creation, Kao is strengthening its global presence as a company essential to a sustainable world.





# CEO Message



*Y. Hasebe*

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.



CEO Message



### 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 Social 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.

### 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 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.

“  
Equipped with the Speed, Autonomy, and Digital Visibility to Compete Globally  
”



CEO Message

### 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.

### 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 *Yuki-Monozukuri* through all five senses. It also serves as a platform to co-create value with diverse stakeholders.

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





CEO Message

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

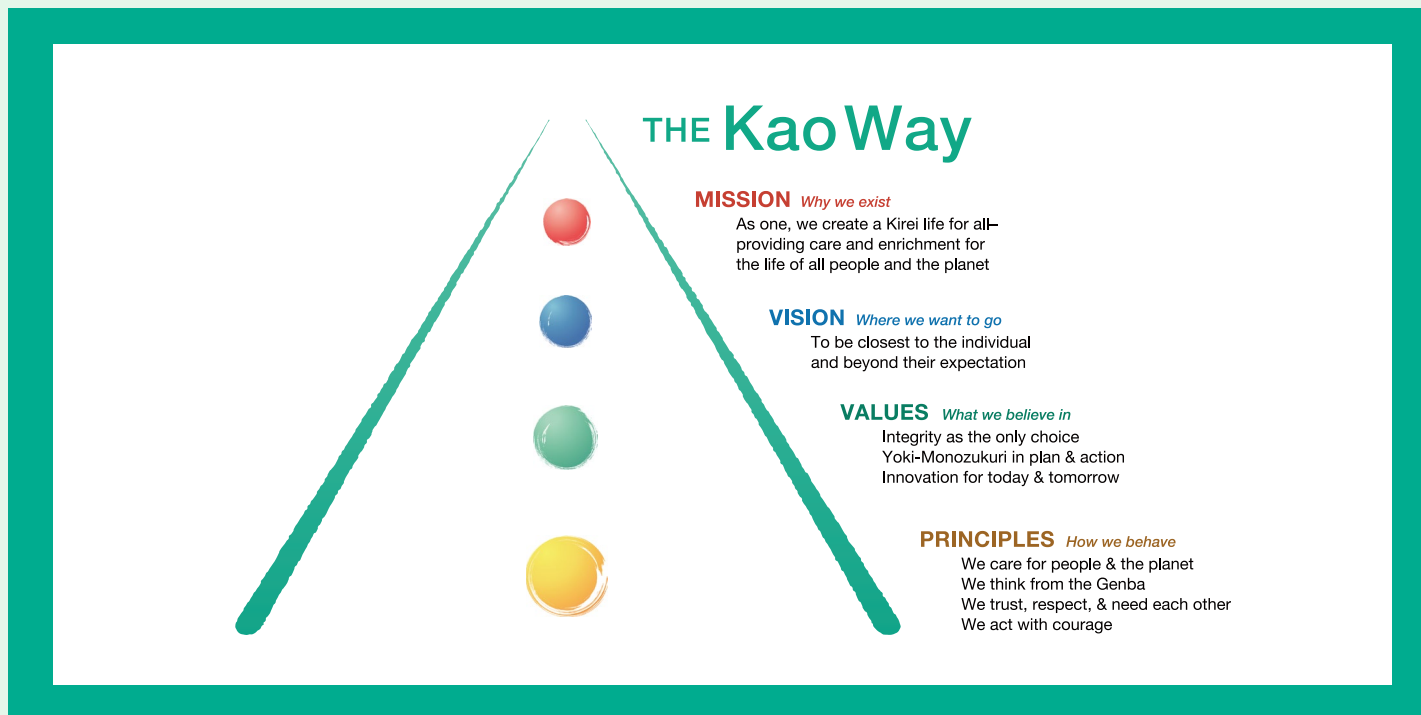
At the foundation of everything we do lies The Kao Way. Since our founding 139 years ago, our purpose has remained unchanged: As one, we create a *Kirei* life for all, providing care and enrichment for the life of all people and the planet. From

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”



# Value Creation

Uniquely Kao. Indispensable by conviction.  
Continuously sharpening our edge — to create value that truly matters for a sustainable world.

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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 >

Input >

Business Model >

Outcome >

Purpose >

Aging Population

**Human Capital**  
Taking on the Challenge of Continuous Innovation

Environmental Issues

**Intellectual Capital**  
Distinctive Technologies and Strong Brands

Growing Products Diversification

**Social and Relationship Capital**  
Building Strong Engagement

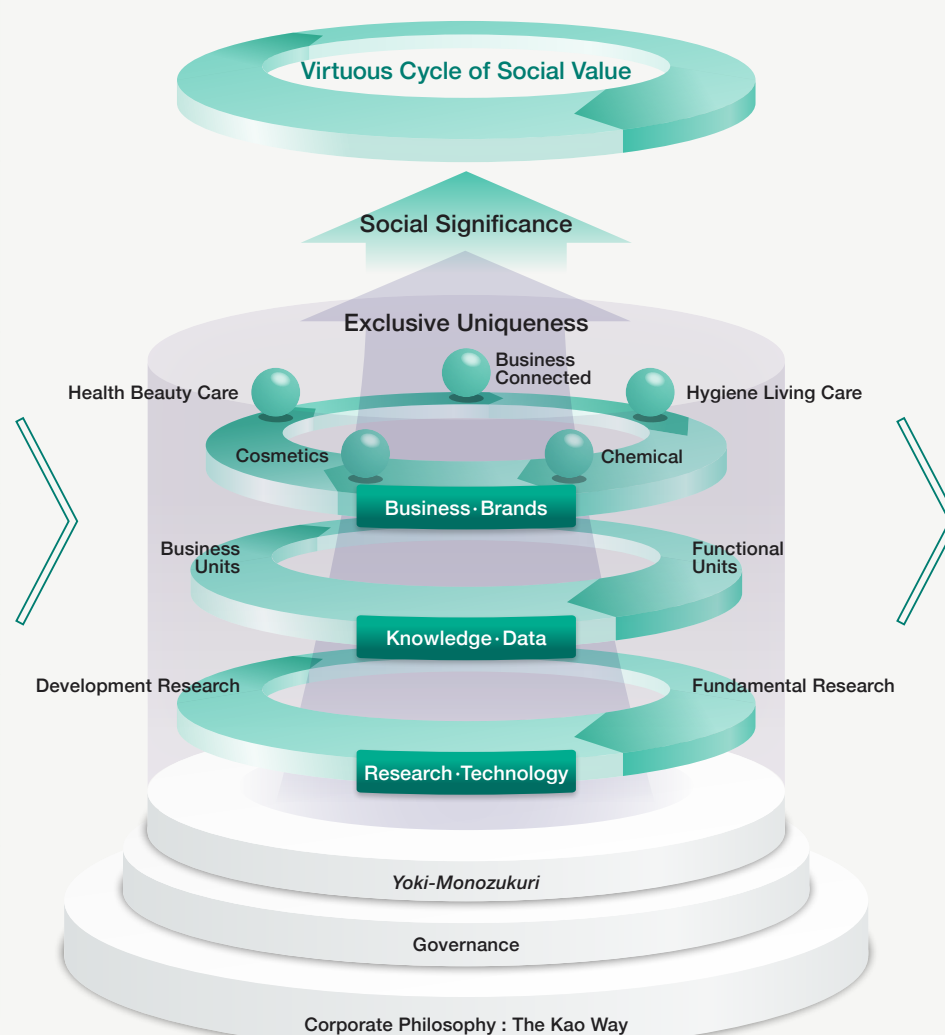
Pandemics

**Manufacturing Capital**  
Enabling Global Supply of High-Quality Products

**Financial Capital**  
Financial Base through ROIC Management

**Natural Capital**  
Making Environmental Action a Competitive Edge

## Global Sharp Top Strategy



**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)







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

A disciplined virtuous cycle of capital

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
 <p><b>Human Capital</b> Taking on the Challenge of Continuous Innovation</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Employees engagement (Total score in KES)..... <b>68</b> (2027 target:75)*1</li> <li>Challenge-oriented human capital ..... <b>77%</b> (2027 target:80%)*2</li> <li>Percentage of female managers relative to that of female employees ..... <b>79.4%</b> (2030 target:100%)</li> <li>Number of citizen developers more than <b>4,700</b></li> </ul>
 <p><b>Intellectual Capital</b> Distinctive Technologies and Strong Brands</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Number of patents held ..... <b>13,419</b></li> <li>Number of trademarks held ..... <b>21,635</b></li> <li>R&amp;D expenses ..... <b>61.1</b> billion yen</li> <li>Number of overseas R&amp;D bases ..... <b>17</b></li> <li>Number of brands ..... <b>84</b></li> </ul>
 <p><b>Social and Relationship Capital</b> Building Strong Engagement</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Number of countries /regions where products are sold ..... Approx. <b>140</b></li> <li>IR interviews ..... <b>407</b> sessions</li> <li>SR interviews ..... <b>49</b> sessions</li> <li>[Japan Market] Household products market share ..... <b>25%</b> (No.1)*3</li> <li>Women's purchase rate ..... <b>95.6%</b></li> <li>Annual purchases per purchaser ..... <b>22.6</b> items*4</li> </ul>
 <p><b>Manufacturing Capital</b> Enabling Global Supply of High-Quality Products</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Production sites ..... <b>37</b> (27 Outside Japan)</li> <li>Number of consolidated subsidiaries ..... <b>111</b> (93 Outside Japan)</li> <li>Capital investment ..... <b>50.8</b> billion yen</li> <li>Rigorous quality standards</li> </ul>
 <p><b>Financial Capital</b> Financial Base through ROIC Management</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Sales ..... <b>1,688.6</b> billion yen (Overseas ratio:42.9%)</li> <li>Operating income ..... <b>164.1</b> billion yen / Operating margin:9.7%</li> <li>ROIC ..... <b>9.7%</b></li> <li>EVA ..... <b>41.1</b> billion yen</li> <li>Consecutive dividend increases ..... <b>36</b> periods (the longest in Japan)</li> </ul>
 <p><b>Natural Capital</b> Making Environmental Action a Competitive Edge</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions across the entire product lifecycle (Kao Group) ..... <b>10,192</b> thousand tons-CO<sub>2</sub>e</li> <li>Scope 1 + 2 CO<sub>2</sub> emissions ..... <b>561</b> thousand tons-CO<sub>2</sub>e</li> <li>Water consumption across the entire product lifecycle (Kao Group) ..... <b>2,794</b> million m<sup>3</sup></li> <li>Traceability to oil palm plantations(TTP)*5 ..... <b>91%</b></li> </ul>

\*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



Value Creation

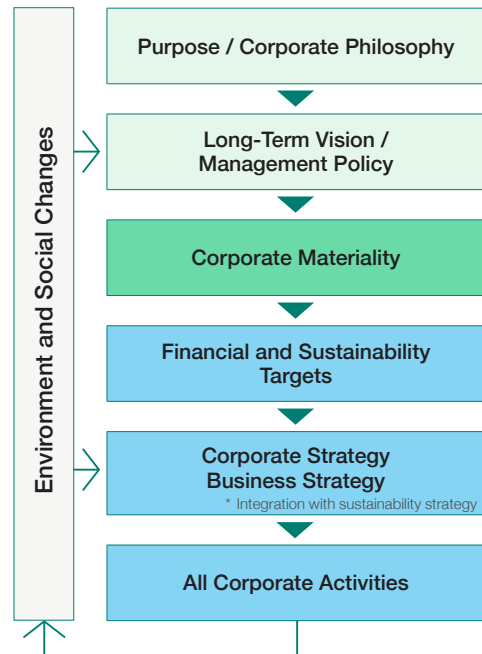
# Our Materiality

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.

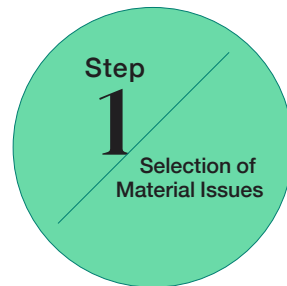
### Positioning of Materiality



## 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.



Value Creation

Our Materiality

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.

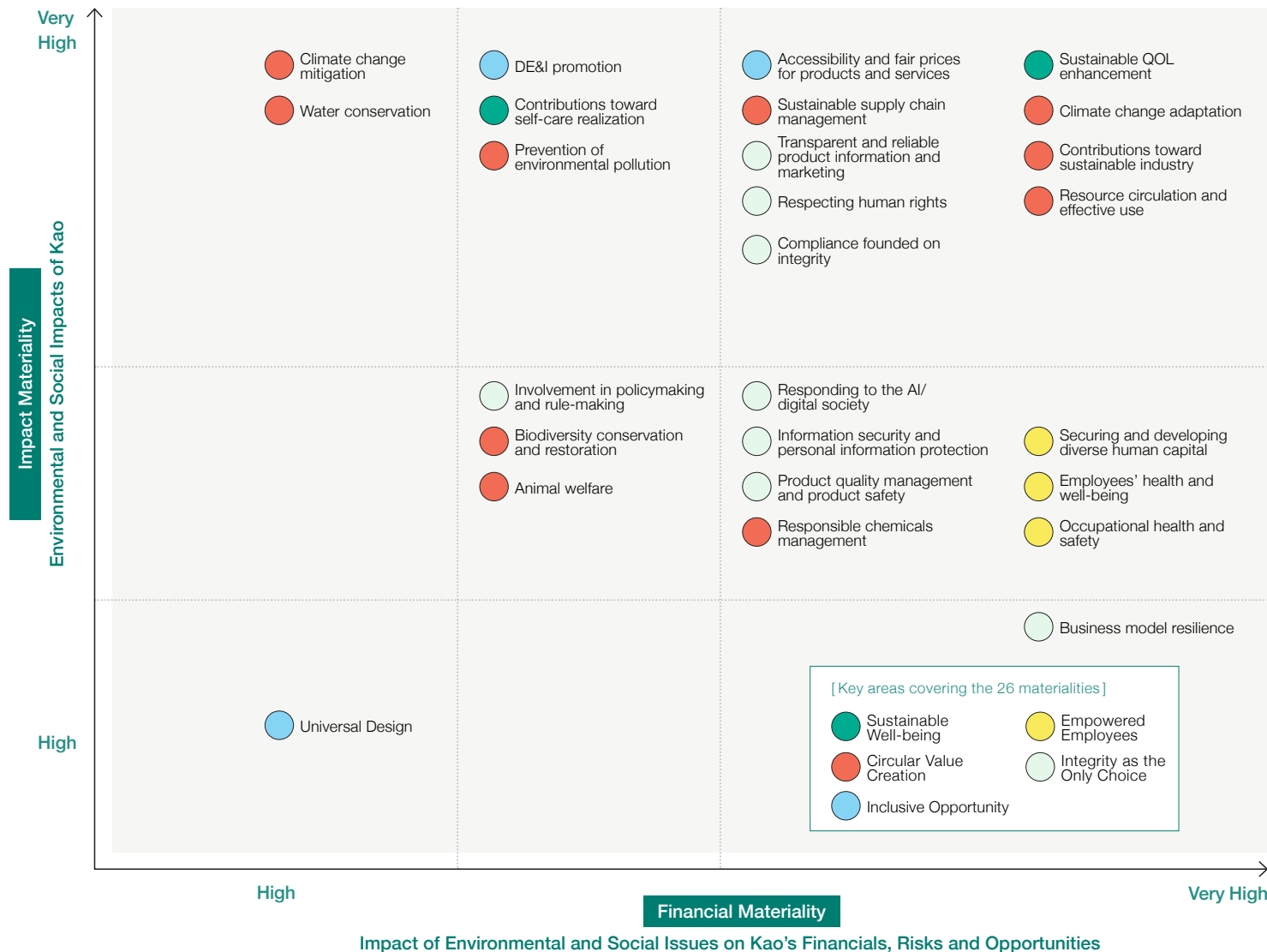
We also reorganized and integrated supply chain, resource circulation, and QOL-related items. As a result, we updated the composition of our materiality framework to better reflect business realities and future potential.

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



Impact of Environmental and Social Issues on Kao's Financials, Risks and Opportunities



Value Creation

Our Materiality

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.



Value Creation

# Human Capital Strategy

# Human Capital Strategy to Accelerate Value Creation



**Natsumi Hotta**

Managing Executive Officer, Senior Vice President, Human Capital Strategy, Global

## Global Sharp Top Strategy: Key Points

Through dialogue and The Kao Way, we will develop our employees by expanding challenge opportunities, planned development, and strategic assignment, while using Scrum-type management to speed decisions, maximize the power and potential of employees, and compete globally.

## People and Organizations behind Our Strategy

Kao is clarifying its winning approaches in priority areas, concentrating resources, and delivering results. As we sharpen our strategic focus, execution capability becomes important. Our people are at the core of that execution.

I built my career in marketing and drove strategy based on facts. However, even the most rational strategy will not move forward unless people on the front lines are convinced and take ownership. Motivation and unity are essential.

Based on this conviction, we will strengthen the execution capability of our people and organizations that underpin Kao's value creation. Only our people turn Kao's resources, technology, and brands into business results. To drive growth in priority areas, our people and organizations must strengthen their global perspective, spirit of challenge, and ability to co-create across functions and with external partners.

## Building a Culture That Powers Execution

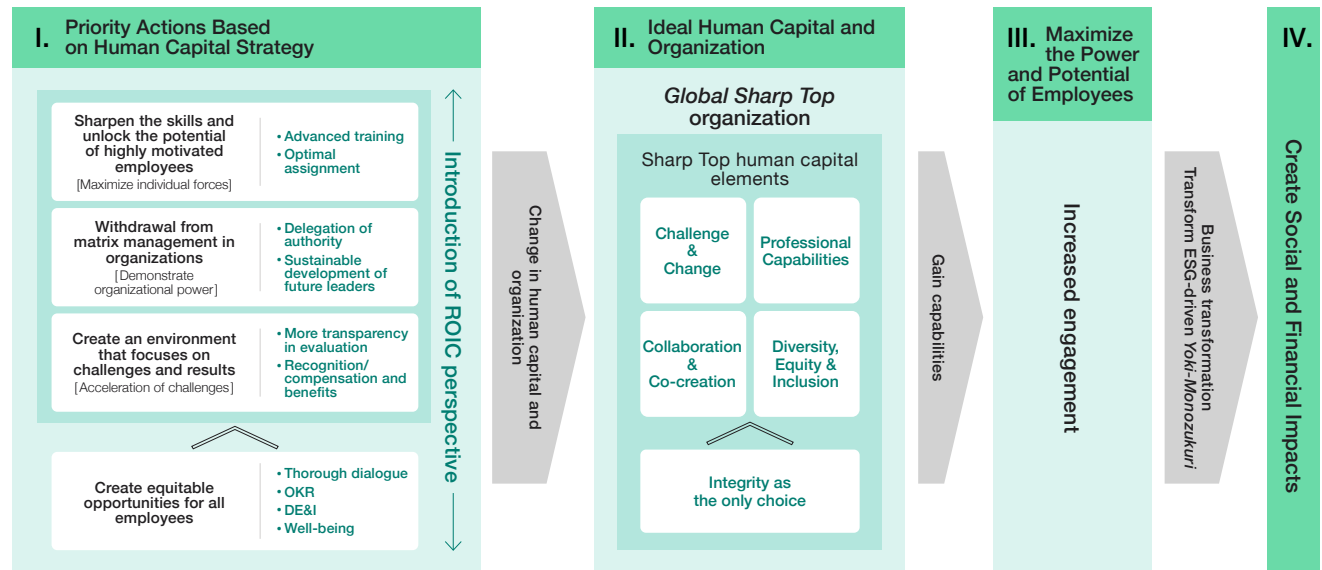
Enhancing the power and potential of employees is essential to executing our strategy. This means creating a state in which employees take ownership of the strategy as a mission and continue to take on challenges proactively.

Dialogue is one important way to achieve this. Through high-quality dialogue, we will improve both the quality and speed of decision-making.

Broader range of backgrounds and experience is increasing across the Kao Group, with approximately half of newly hired talent now coming from mid-career recruitment. As we bring together a broader range of backgrounds and perspectives, we need a common language that prevents differences in values from creating division.

The Kao Way serves as that behavioral compass, and the spirit of *Yoki-Monozukuri* is deeply shared by employees in Japan and internationally. In addition, we are advancing Scrum-type management that enables swift judgment and execution.

### Generating Outcomes through Human Capital Initiatives





Value Creation

Human Capital Strategy

### Development and Assignment of Global Talent

To advance the *Global Sharp Top* strategy, we must develop global leadership talent and assign that talent in priority areas. We are accelerating this through expanded internal recruitment and international assignments. By giving motivated employees opportunities to grow and sharpen their strengths, we link individual growth to stronger organizational competitiveness. *Yukei*, a place for learning about Kao's *Yoki-Monozukuri* philosophy as well as for fostering every employee's creativity and co-creation abilities, opened in November 2025, will serve not only as an internal learning hub but also as a place to create new value together with stakeholders.

### Human Capital Visualization for Sustainable Corporate Value Growth

To improve the effectiveness of our human capital strategy, we monitor and assess progress from quantitative and qualitative perspectives and reflect the results in our initiatives. In addition to indicators including the internal fill rate for strategic positions and the number of employees with international assignment experience, we use the employee engagement survey across the Group. Overall employee engagement has improved steadily. The score for "I feel strong pride in Kao's products and services" has remained high. This shows that employees fully understand the value of our brands and embody that value in their work. That pride is organizational capital that supports strategy execution and underpins our competitive advantage. Going forward, we will continue to view management strategy and human capital strategy as one from a long-term perspective. By maximizing our people and organizations, we will achieve sustained enhancement of corporate value.



case study

## Creating Global Value through Career Transformation

### Internal Recruitment



Tanfei Niu

Sanitary Product Business Development, Hygiene Living Care Business, Global Consumer Care

For about 10 years after joining Kao, I worked in production engineering for beauty care products. As I began considering a new challenge that would make use of my experience and language skills, Kao launched an internal recruitment. I reviewed the open positions with excitement, thinking, "Kao is finally offering opportunities like this."

The role that stood out involved collaboration with local Chinese companies in the sanitary business and product development. It was completely different from my previous job and business area. At the same time, I have always loved manufacturing, and I felt I could apply my background and experience in China.

During the selection process, I was often asked about my willingness to take on new challenges. This helped me clarify what I wanted to do and achieve.

I am now building and operating a structure that drives the business from a global optimization perspective, while promoting international OEM/ODM to enable faster product rollout. Through these efforts, we have significantly accelerated the growth of the *Laurier* business in Asia.

Every day brings new challenges and learning. I will continue to challenge myself, grow, and contribute to the business.



Promoting international OEM/ODM to enable faster product rollout

case study

## From Academia to Creating Value for Everyday Life

### Mid-Career Recruitment



Koyo Sakurai

Skin Beauty Products Research, Business Development Research Center, R&D

While continuing my research in Europe after earning my Ph.D. in psychology, I took part in providing supplies to evacuees from Ukraine. Through that experience, I realized the power of everyday products to support people's lives. Kao's commitment to *Kirei-Making Life Beautiful* resonated with me, leading me to join the company.

Today, I use data science to visualize consumers' *Kirei* and evaluate skin condition and makeup finish through proprietary AI and image analysis including *Kirei Skin AI*. Researchers with diverse expertise, including surface science, dermatology, and information engineering, work together.

Grounded in the Kao Way, our ability to co-create around customer value and *Yoki-Monozukuri* is a great strength. By linking insights into human sensibility with objective data, we create personalized value design, evidence-based information creation, and enhancement of experience value through *skin id* service. Sales of *SOFINA iP*, which supports this value delivery, exceeded 150% of the previous year's level.

While maintaining a sincere commitment to safety and ethics, I will continue to challenge convention, deepen our understanding of consumers worldwide, and create cosmetics that become indispensable to someone, somewhere in the world.



Kirei Skin AI Technology that accurately evaluates and visualizes the visual impression of skin from facial images



Value Creation

# Research Strategy

# Refining Proprietary Technologies to Deliver Indispensable Value to the World



Daisuke Hamada

Managing Executive Officer, Senior Vice President, Research and Development, Global

## Global Sharp Top Strategy: Key Points

Balancing Technology-Out and Precision Market-In. By redesigning core technologies for each market and delivering that value locally, we will establish a repeatable global growth model.

## Shifting the Competitive Axis Not to Be the Strongest, but Unrivaled

Kao's *Yoki-Monozukuri* is the creation of value rooted in Exclusive Uniqueness. At its core is the technological capability cultivated through R&D. We are not aiming to be the strongest on performance or quality alone. We are aiming to change the basis of competition, create unique value, and reach a position where other companies cannot easily compete. In other words, we seek to become unrivaled.

This approach is grounded in Kao's unique winning formula: the interplay between creating new mechanisms through essential research (technology-out) and defining the value

that consumers and customers truly seek (precision market-in). By moving between these two, we shift the competitive axis and deliver indispensable value to consumers and society.

## Building Exclusive Uniqueness through Technology Chain Reactions

Kao's business portfolio may appear diverse at first glance. At its foundation, however, common core technologies span the Consumer Products Business, the Chemical Business, and multiple categories, evolving continuously as they circulate across these domains.

We deploy technologies beyond the boundaries of specific businesses and applications. By intentionally designing this cycle, refining in one area, reconfiguring for another, and feeding learning back, we evolve these technologies from single-application solutions into competitive strengths across multiple businesses.

Starting from consumer concerns and social issues, we form hypotheses, design solutions, and run the PDCA cycle at high speed. We revise designs without hesitation when assumptions change. As a result, technologies do not remain confined to a single success. They generate new value in a chain reaction across the consumer and chemical businesses and across multiple categories.

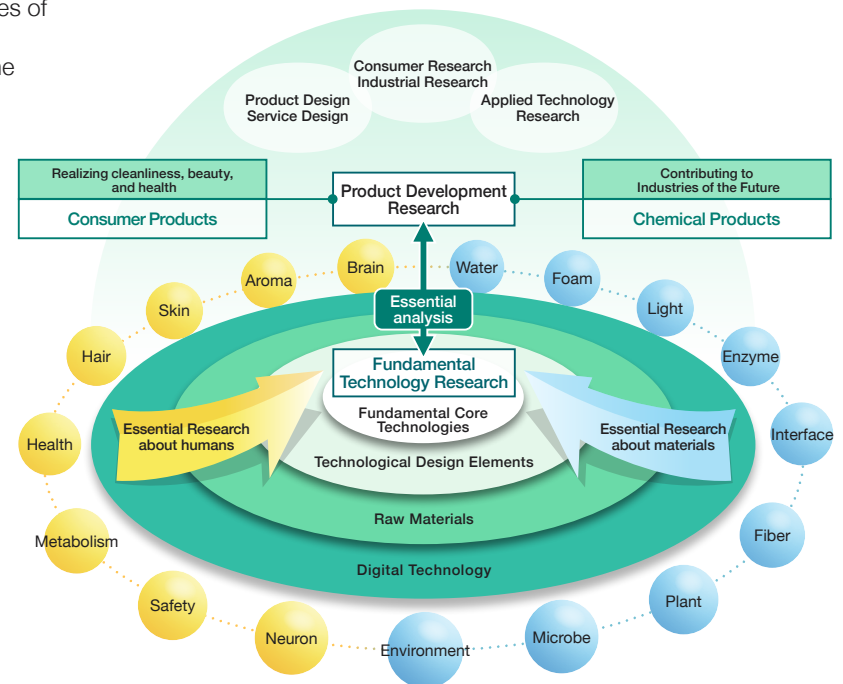
The experience, knowledge, and data gained in global markets feed the next set of hypotheses and application designs, enabling technologies to continue evolving. By

systematically capturing this cycle as intellectual property and know-how, we will establish Exclusive Uniqueness that is difficult to replicate.

## Redesigning Value from Core Technologies

At the center of Kao's core technologies is Precision Interface Control Technology. A symbolic example is Precision Cleansing Technology, which we continue to refine. Rather than competing on cleansing power alone, we have shifted the competitive axis by redefining cleansing quality.

### Kao's Research and Development Activities





Value Creation

Research Strategy

This technology washes hair while delivering repair and protective ingredients. It removes causes of irritation while leaving behind ingredients the skin needs. In clothing care, it removes dirt while modifying fiber surfaces to reduce wrinkles and tangling. In semiconductor back-end processes, it removes only impurities while protecting semiconductors reaching into advanced industries. We convert micro-level interface control into macro-level solutions for each application, translating research into broad business competitiveness.

### Building a Global Growth Model from Local Markets

At the same time, technologies refined in one area do not

automatically work worldwide. To grow globally, we must deepen the market-in perspective and address regional challenges head-on. Rather than rolling out technologies as they are, we redesign how value is created locally. We deepen our understanding of lifestyles, usage patterns, and social issues, then refine technologies into value that is indispensable in each region. On this foundation, we reproduce the winning formula established in one region by reconfiguring it for others and for different issues. This cycle is the growth model that drives *Global Sharp Top*. R&D reconfigures technologies around core capabilities such as Precision Interface Control Technology, adapting them to regional characteristics and translating that value into the most suitable form.

By deploying this proven model as established technological assets, we will achieve not one-off gains but sustainable global growth and lasting corporate value.

#### ✔ Kao's 140 Years of Precision Cleansing Technology (Precision Interface Control Technology)



case study

## Redefining the Quality of Cleansing How Lamellar Technology Creates Competitive Advantage

### THE ANSWER



**Azusa Nishimura**

Hair Beauty Products Research, Business Development Research Center, R&D

The high-premium hair care market\* has been expanding, and a growing number of consumers were asking, 'How do I choose?' Drawing on more than 100 years of hair research, we set out to create an 'answer' that consumers could truly experience — a new shampoo that builds the foundation for beautiful hair while washing.

### Breaking the Cleansing-Care Trade-off

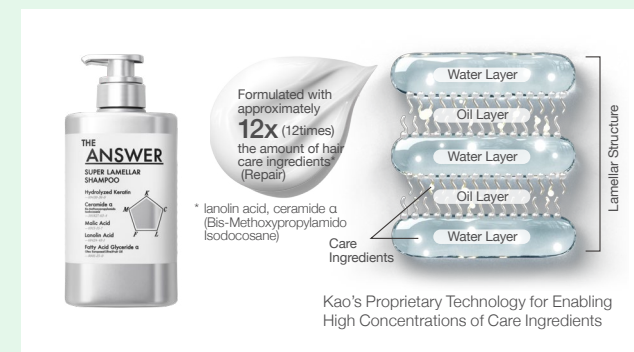
The key was expertise in lamellar structure cultivated through skin care research. We focused on lamellar structure, in which

water and oil layers alternate. However, loading a high concentration of water-insoluble care ingredients while maintaining foaming and easy rinsing was far from straightforward. Through trial and error, we achieved both cleansing performance and care delivery, and established Lamellar Platform Technology.

Usage studies confirmed a positive emotional response at every stage, from the moment they took the shampoo in their hands until after drying their hair. Continued use also deepened confidence in achieving beautiful hair. User evaluations and market share confirm that technological value has translated into real impact, with share in the high-premium market\* reaching 1.7% in the first half of 2025 and 3.0% in the second half.

\*High-premium market: products priced at 1,400 yen or more, based on the selling price of pump-type shampoo/conditioner products, Intage SRI+

#### ✔ Lamellar Platform Technology



Lamellar Platform Technology is now being prepared for global rollout. We will optimize formulations for regional hair types and preferred finishes. Starting from proprietary technology, we adapt and deliver value for each market. This mechanism is Kao's Exclusive Uniqueness and the source of competitiveness that drives sustained global growth.

For more information [News release: Established a lamellar-structured shampoo formulation technology that replenishes lipids to the hair.](#)



Value Creation

# SCM Strategy

# Building an Integrated Global Supply Network with Cutting-Edge Technologies



**Toshiteru Komatsu**  
Managing Executive Officer,  
Senior Vice President,  
Manufacturing and Engineering, Global

## Global Sharp Top Strategy: Key Points

We are building a resilient, end-to-end supply chain foundation to support global growth, while improving ROIC through Smart SCM innovation and globally unified performance management.

## Global Optimization for Growth and Earning Power

The mission of Manufacturing and Engineering is to advance sustainable *Yoki-Monozukuri* and help enrich everyday life for people and society. We go beyond production, working closely with business, sales, and R&D to build a competitively advantaged supply chain with a strong global presence, driving long-term corporate value. Under the *Global Sharp Top* strategy, we support the business by delivering both growth and earning power. Under the Global One SCM framework, we continue to

evolve our supply chain by sharing best practices and pooling expertise globally.

## Three Challenges Driving Supply Chain Evolution

To deliver on this, technology development, supply and demand planning, manufacturing, and logistics must be integrated, moving from regional to end-to-end optimization while ensuring safe, stable, and highly productive operations. We are focusing on three key challenges.

First, we are making effective use of the assets we have built to date: sites, technologies, operations, and talent. In doing so, we strengthen our sources of value: safety, quality, sustainability, speed, and cost. In safety and quality, for example, we rapidly share issues across the organization to prevent recurrence and connect them to predictive and preventive measures. In sustainability, we are building factory infrastructure that is resilient to disaster risk, reducing waste, and curbing losses on asset disposal through more precise supply and demand planning. To achieve carbon zero in 2040, we are also developing energy-saving technologies, introducing solar power generation, and advancing CO<sub>2</sub> capture and utilization technologies in collaboration with external partners.

Second, we are building unique competitive advantages and increasing added value. To support our business and R&D strategies, we propose implementable production technologies and provide end-to-end support from development through production. At the Incubation Center Tokyo (Tokyo Plant), which supports new product and service development from the production side, we are also strengthening co-creation-driven development, shortening lead times and bringing higher value-added products and solutions to market faster.

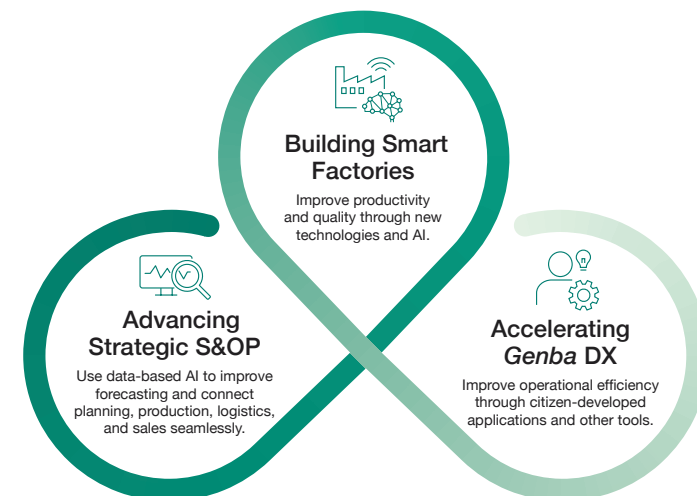
Third, we focus on operations and talent development.

We are strengthening interdepartmental collaboration across Europe and the Americas, Asia, and Japan, while developing global talent and promoting standardized operations and the transfer of technologies and know-how.

## Building Efficient and Advanced Operations through Smart SCM

To accelerate these efforts, we are driving Smart SCM innovation by leveraging digital technologies and robotics.

### Smart SCM Accelerating the three challenges





Value Creation

SCM Strategy

Through three core initiatives, we are optimizing the full supply chain with an eye on the future and building more efficient and advanced global operations.

The first core initiative is building Smart Factories to improve productivity and quality. We are enabling faster product launches through simulation and AI, strengthening real-time monitoring for anomaly prediction and detection, and expanding automation and the use of robots to reduce labor intensity.

The second initiative is the advancement of Strategic S&OP (Sales and Operations Planning). Using data and AI-driven demand forecasting, we are seamlessly linking supply and demand planning, production, logistics, and sales across the value chain.

The third initiative is accelerating Genba DX. More than 1,000 citizen developers have created over 3,000 applications,

improving operations from Japan and Asia to Europe and the Americas. A culture of Genba-driven improvement is taking root globally.

Our strength lies in integrating these initiatives under Global One SCM, enabling us to scale best practices and continuously evolve within a common global framework. Smart SCM innovation directly enhances corporate value by improving asset efficiency and earning power through ROIC. By visualizing and managing globally unified KPIs — including supply chain costs, operating rates, and inventory — we drive continuous improvement. For example, reducing inventory improves inventory efficiency, while raising operating rates enhances fixed asset utilization. By replicating proven approaches across sites, we contribute to better asset efficiency and stronger earning power.

### Continuous ROIC Improvement and Global Growth

The supply chain environment continues to evolve, with rising raw material, labor, and logistics costs. In response, we are rigorously eliminating waste while investing in areas that enhance long-term corporate value. Through safe, stable operations that fulfill our social responsibility, we support continuous ROIC improvement and global growth — powered by the vitality of every employee.

Teams across the Genba will work as one, take on new challenges, and continue to evolve the supply chain.

case study

## Local Production for Greater Agility and Efficiency

### A Three-Region Production Network for Tertiary Amines



Hirokazu Yamaguchi  
Global Technology,  
Manufacturing Plant Center,  
Manufacturing and Engineering

Tertiary amines are a core product in the Chemical Business, and their derivatives are used in many consumer products as bactericides, detergents, and preservatives. At Kao, along with the high quality enabled by our proprietary manufacturing process, we have expanded demand globally by leveraging our strengths in custom solutions that meet customer needs and deliver higher added value.

Tertiary amines embody Kao's *Global Sharp Top* strategy; however, further strengthening our production network is essential to meet expanding global demand. We increased production capacity in the Philippines in 2021 and in Germany in 2023 and completed a new production plant in the United States in 2025.

Expanding local production reduces transportation costs and shortens lead times from order placement to supply. Collaboration among sites also strengthens supply resilience and is helping us build a globally replicable profit model.

To date, our three sites in Japan, Germany, and the Philippines have supported one another from equipment start-up through operational stabilization. With the United

States now added, we will develop this into a three-region production network spanning Asia, Europe, and the Americas.

Within this three-region production network, we will maximize the use of assets such as technologies, talent, and operations, and enhance value in safety, quality, sustainability, speed, and cost through their combined strengths. By supporting the *Global Sharp Top* strategy from the production side, we will further strengthen our global presence.



Tertiary Amine Plant in the United States



# Beautiful Science.

Solving the  
issues that  
matter.



Where science  
touches life.



Dispersion Control Technology



Precision Cleansing Technology

[p25](#)

Smart Foam Technology

[p28](#)

Sustainable Packaging



Hygiene Living Care



Health Beauty Care



Cosmetics



Chemical



# One science → many solutions.

Each of our breakthroughs unlocks a spectrum of solutions, circulating across Kao's portfolio of businesses. From Consumer to Chemical.





# Precision Cleansing Technology

Our Precision Cleansing Technology selectively removes what shouldn't be there — and protects what should. Trusted with the planet's most important surfaces.

# semiconductors

# skin

# soil





# In safe hands.

Whether caring for the complexity of human skin, preserving the integrity of soil systems, or enabling the reliability of advanced semiconductor structures, our cleaning technology removes unwanted contaminants with targeted precision.

This balance is critical: clear skin supports wellbeing and confidence; clean soil underpins healthy ecosystems; pristine semiconductors safeguard the data and memories that power modern life. Across each of these vital domains, our technology operates with accuracy and restraint — delivering cleanliness without compromise, and ensuring what is essential for maximum performance remains untouched.

## skin



**Removes:**  
Dirt and oil



**Preserves:**  
Skin

**Why this matters:**

Selectively lifts away excess oils, dirt, and impurities—while preserving what your skin needs.



## semiconductors



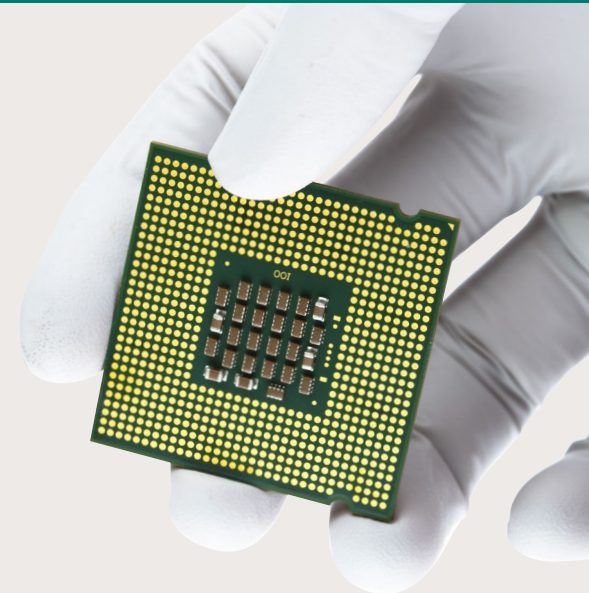
**Removes:**  
Contaminants



**Preserves:**  
Surface

**Why this matters:**

Cleaning hard-to-reach micro spaces without damaging the substrate - so performance stays high and memories last longer.



## soil



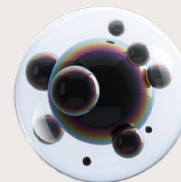
**Removes:**  
Oil



**Preserves:**  
Soil

**Why this matters:**

No need to remove or transport contaminated soil. Kao's technology enables on-site cleaning, significantly reducing oil contamination and cutting CO<sub>2</sub> by approximately 30%\* compared to conventional excavation methods — giving industrial brownfield sites a second life.

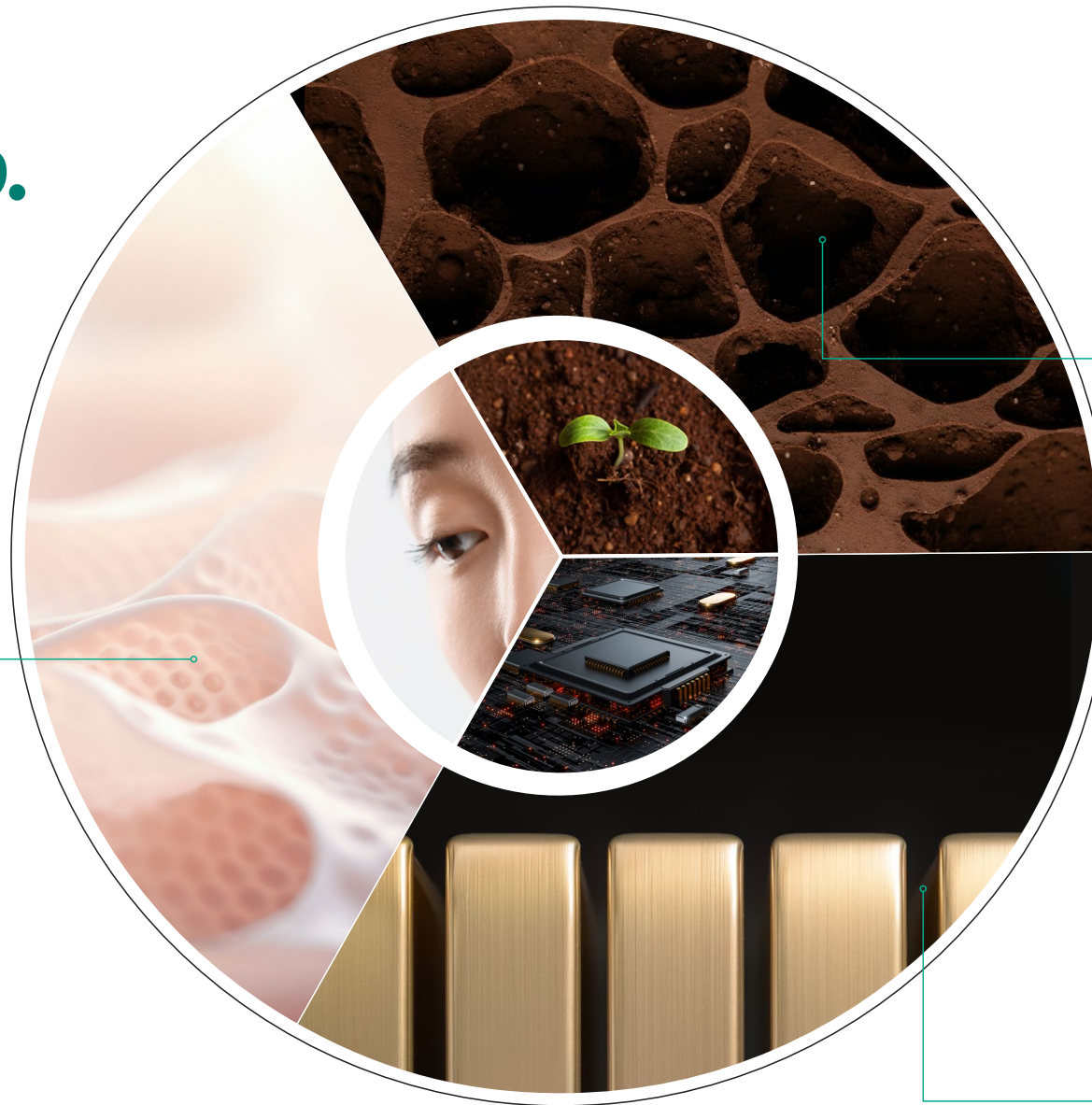


\*Based on life-cycle assessment in pilot testing.



# Reaching into every micro-gap.

In true Kao form, we excel at designing solutions for tiny spaces. Where others stop, we go deeper — reaching what was once out of reach, removing only what should not be there while keeping the surface as it was, for longer.



## ...gaps thousands of times thinner than a human hair.

### Skin micro-gaps 40–80 micrometers (µm)

Working at microscopic levels, our precision cleaning removes build-up that blocks your skin — selectively clearing dirt and unhelpful oils.

### Soil micro-gaps 1–20 micrometers (µm)

Even in spaces 3–70 times thinner than a human hair, we remove oil deep within the soil on site. This is a technology expected to help remediate former industrial sites and gas stations.

### Semiconductor microgaps Sub-100 nanometers (nm)

*CLEANTHROUGH* removes contaminants without damaging the delicate surfaces of the semiconductor.

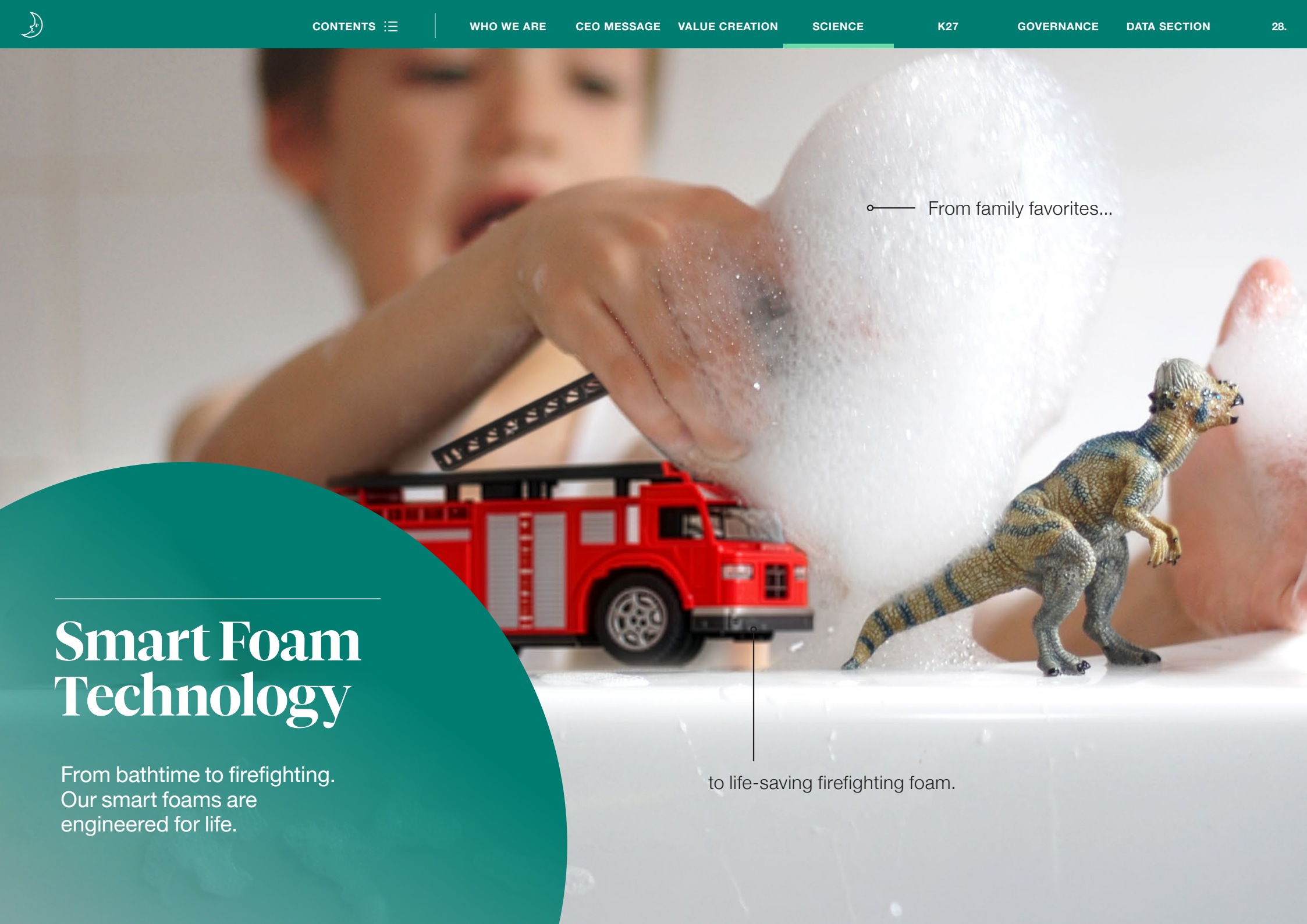


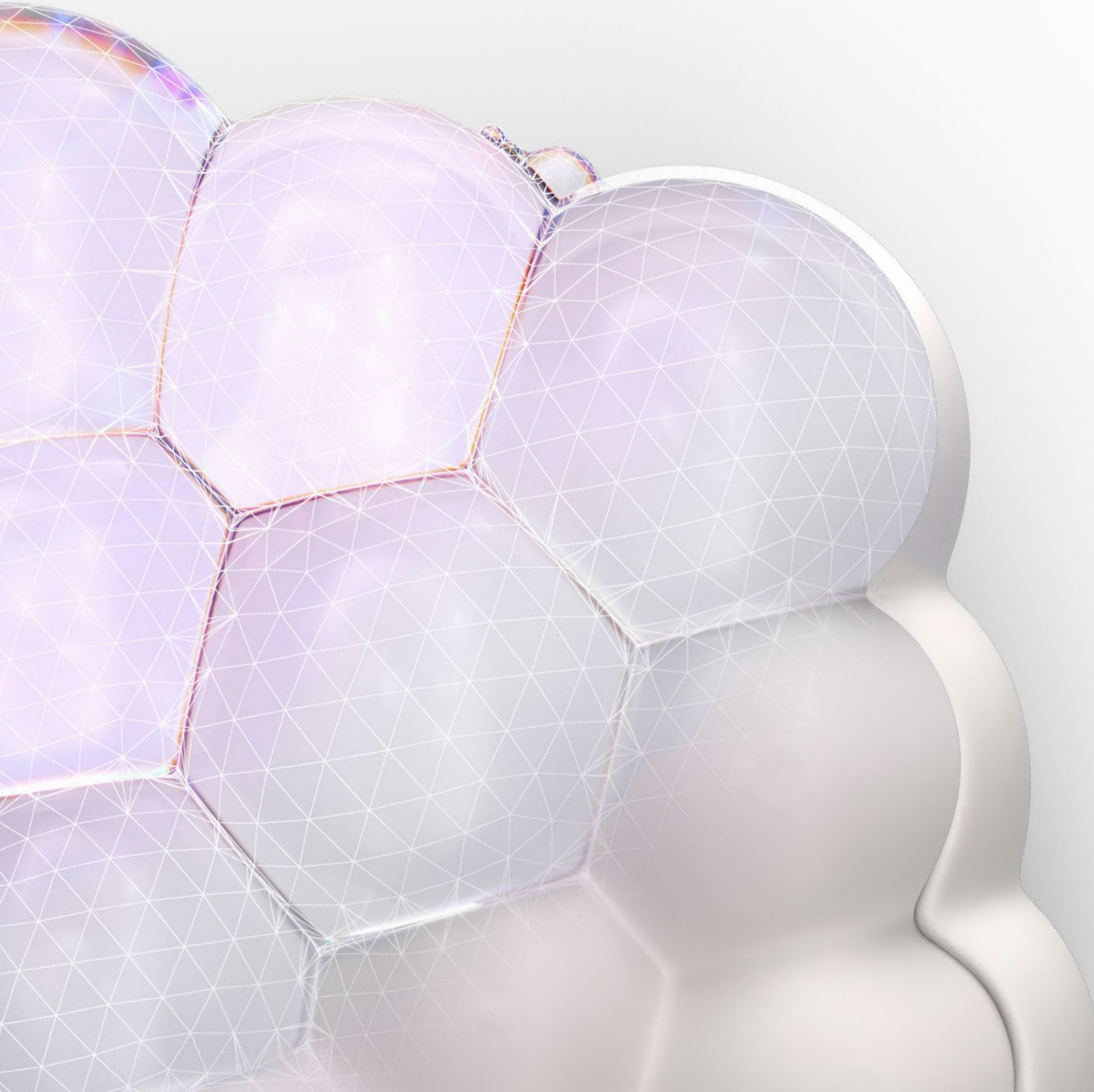
○ From family favorites...

# Smart Foam Technology

From bathtime to firefighting.  
Our smart foams are  
engineered for life.

to life-saving firefighting foam.





**By precisely controlling the interface between the air and liquid, Kao determines how foam is born, how it behaves, and when it disappears.**

**A foam that clings. A foam that collapses on command. Both by design.**

Generation



Function

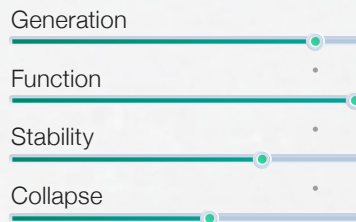
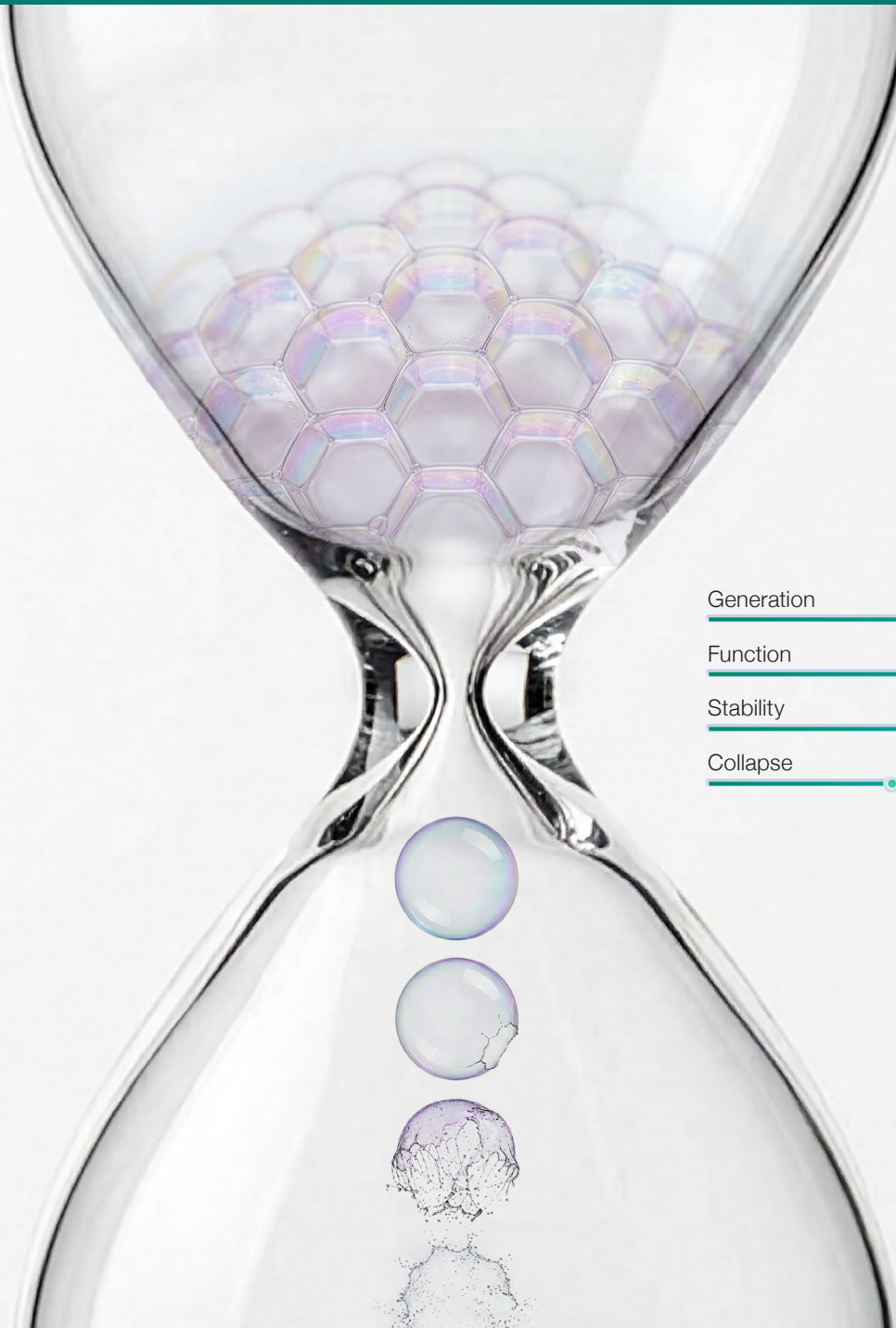


Stability



Collapse





Fast collapse

Slow collapse



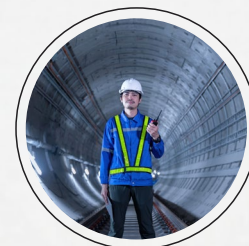
**Use: Household cleaning**  
*CuCute* foams up fast, actively capturing grease. Designed to collapse rapidly on rinsing.  
 Works with approximately 20% less water than our previous formulation.



**Use: Skincare**  
*Bioré Foam Stamp* is engineered to hold shapes. Turning handwashing a fun habit for kids.  
 Winner 2021 Kids Design Award.



**Use: Household cleaning**  
 Kao's smart foam clings to hard-to-reach areas under the rim, removing grime without scrubbing.  
 Over 25 million bottles shipped.



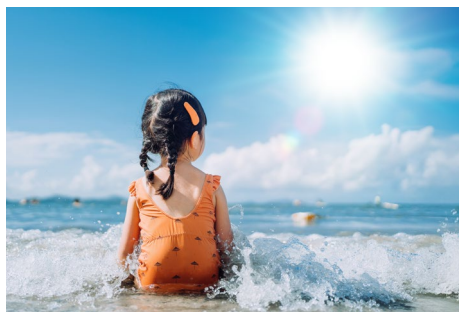
**Use: Tunnel construction**  
 Kao's foaming agent for shield tunnelling maintains high foam stability throughout excavation operations while achieving higher soil fluidity at lower dosage.  
 Improved performance on site.



**Use: Firefighting**  
 PFAS-free firefighting foam that delivers performance equivalent to conventional PFAS-based foams.



# 2026 update: Global expansion of uniform spread technologies.



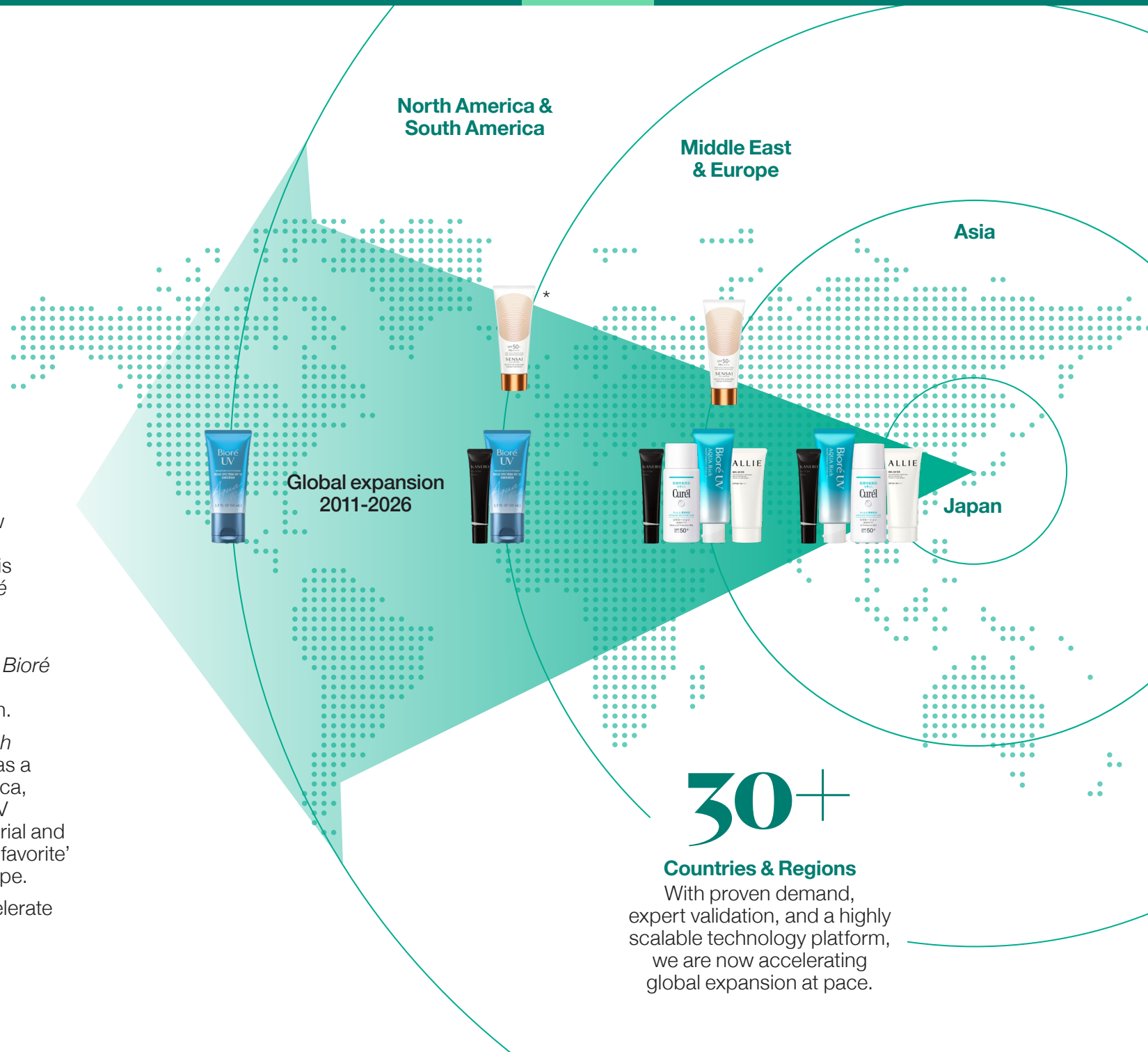
Kao's micro-spreading technology is now used in over 30 countries—marking a step-change in scaling what works. This is translating into strong demand, with *Bioré UV* sales up 209% YoY in AEMEA.

Proven by the world's most discerning consumers and competitive UV markets, *Bioré UV Aqua Rich Essence* is the No.1 FMCG product among inbound tourists to Japan.

In the UK and Europe, *Bioré UV Aqua Rich Essence* is highlighted by leading media as a standout daily sunscreen. In North America, it is consistently reviewed for its strong UV protection and lightweight feel, with editorial and consumer reviews describing it as a 'cult favorite' gaining traction across the U.S. and Europe.

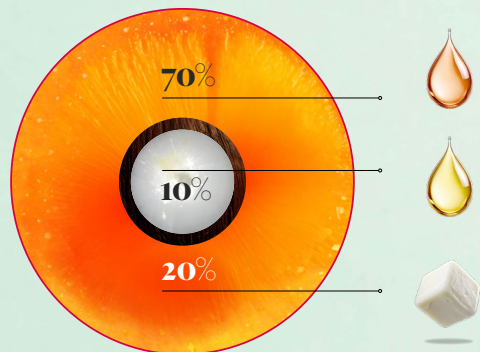
This provides a strong foundation to accelerate global expansion at pace.

\* *SENSAI* launched in Europe in 2020 and in Asia in 2025.





# 2026 update: Bio IOS® coming to fruition.



In the 2025 report, we explained how our Bio IOS® technology turns previously unused palm fruit into high-performance surfactants—lowering impact, cost, and workload, while increasing margins, performance, and sustainability.

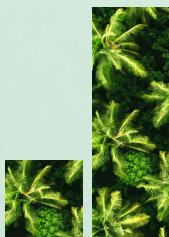
The palm leaf shows how this single innovation is branching into multiple product lines - with more growth to come.

Usable oil / acre

↑ **3X**

Yield increase / fruit

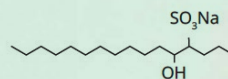
↑ **20%**



Margins / Performance / Sustainability

### A New Class of Surfactants

A scientific breakthrough in the early 2000s unlocked a new surfactant platform - now applied across multiple products and categories of everyday life.



**April 2019**  
Bio IOS® integrated into *Attack*. 38% lower energy consumption.  
47% reduction in COD load.



**May 2024**  
Formulation of anti-tangling water veil.  
Reducing time and workload. Increases life-span of clothing.



**April 2025**  
Expansion into skincare.  
Selective cleaning of sebum.  
Hydration-retaining veil.



**October 2025**  
Expansion into haircare.  
Gentle cleansing for hair and scalp.



# K27 and Beyond

Earning today. Building tomorrow.  
Strengthening the financial foundation  
while advancing to the next stage of growth.

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Management Financial Strategy 35

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Global Consumer Care Business Strategy 38

Hygiene Living Care Business 40

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Chemical Business Strategy 50



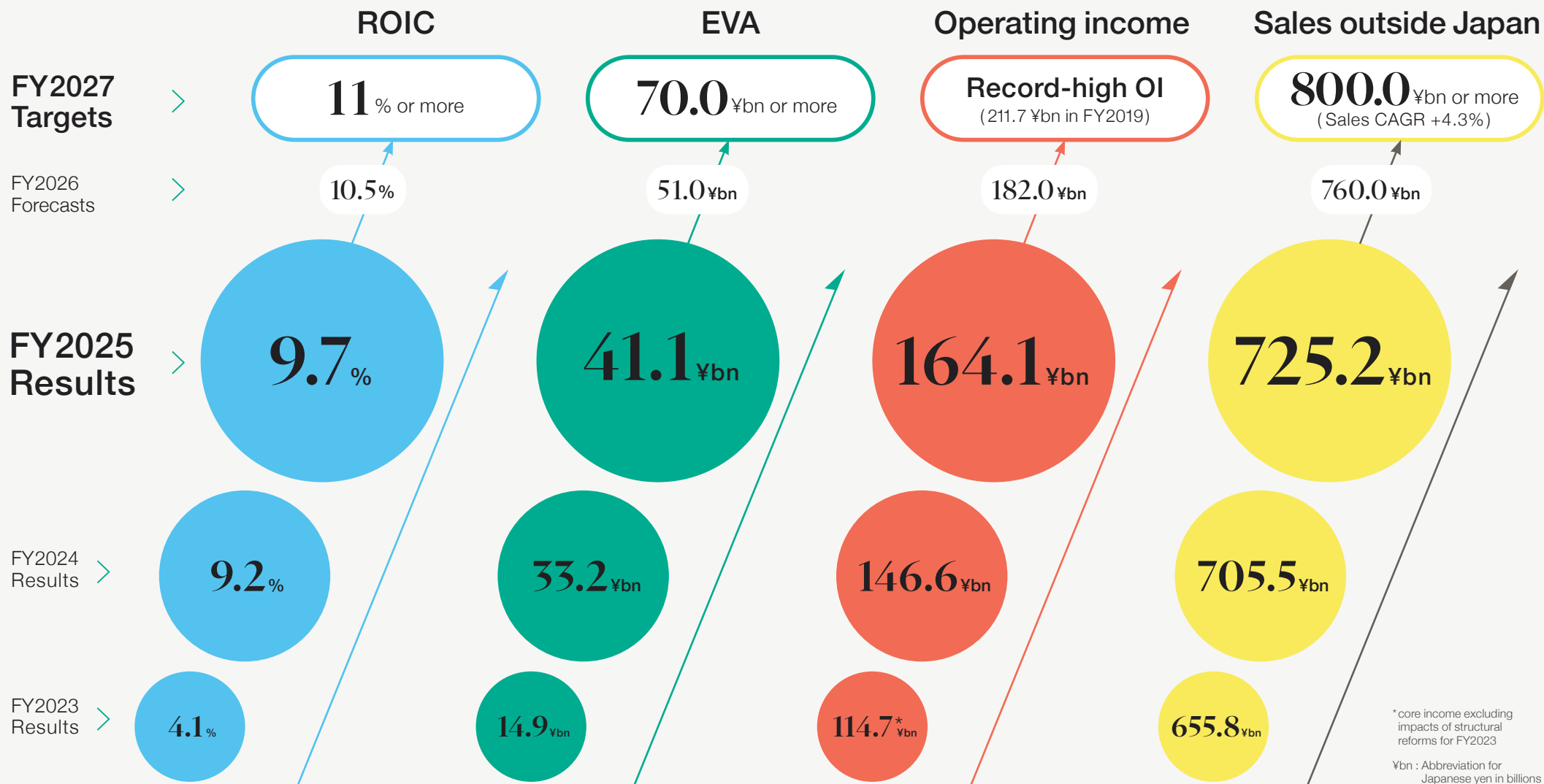


K27 Progress on Key Indicators

At the midpoint of K27 in FY2025, structural reforms are delivering results.

# A Repeatable Earnings Model Taking Shape

On this foundation, Kao is shifting into a phase of global growth.



\* core income excluding impacts of structural reforms for FY2023

¥bn : Abbreviation for Japanese yen in billions



## K27

Driving Capital Efficiency and Profitability

## Management Financial Strategy

# Turning Earning Power into Growth, Shaping the Future



**Masakazu Negoro**

Representative Director,  
Senior Managing Executive Officer,  
Responsible for Management Finance Unit

## FY2025 Achievements: Building a Repeatable Earnings Model

FY2025 marked the midpoint of Mid-term Plan K27. Structural reforms advanced starting FY2023 under three pillars – reorganizing less efficient business units, restructuring human resources, and enhancing earning power – and we have delivered clear results despite geopolitical risks and inflation.

Most importantly, these improvements are not temporary. The mechanisms that lift gross profit margins have taken root, and our earning power has evolved into a repeatable model.

At the same time, we are only halfway there. The GC Business\* in Japan regained competitiveness, while some businesses outside Japan fell short of plan. The Chemical Business also continues to face market changes.

In FY2026, we will accelerate the turnaround of these businesses while moving the high-value-added businesses we have incubated into a phase of profitable growth. We are maintaining disciplined capital allocation while balancing growth investment with shareholder returns.

\* GC Business: Global Consumer Care Business

## Driving Stronger ROIC through Domain-Based Portfolio Management

In K27, we classified all businesses into three domains: "Stable Earnings," "Growth Drivers," and "Business Transformation." We also set ROIC targets for each domain.

In FY2025, profitability improved in each domain. The Fabric & Home Care Business achieved an operating margin of 19.1%, reinforcing its role as a core cash flow generator. The Cosmetics Business also improved substantially. Operating income rose to 10.4 billion yen as structural reform expenses ran their course and investment was concentrated in six priority brands. Portfolio reform has moved from planning to results, and we have entered a phase in which improvement is clearly visible in the numbers.

## Full-Scale FP&A in Action: Elevating Management through Better, Faster Decisions

FP&A (Financial Planning & Analysis), which began full-scale operation in FY2025, is beginning to demonstrate its value as a strategic finance function that produces the right numbers and enables the right decisions.

Business divisions and FP&A work together to assess each business's ROIC, fixed costs, inventories, and invested capital in an integrated manner. As data-based discussion advances, decision-making is becoming faster and more accurate.

## FY2026: Turning Earning Power into Solid Growth

Our initiatives to date have strengthened the growth foundation of the GC Business in Japan. Overseas, however, some businesses still require structural improvements.

FY2026 is built around three reinforcing priorities: (1) sustaining the earnings base in Japan, (2) lifting profitability across the portfolio, and (3) driving profit growth through our incubation businesses. We are defending and extending our pricing power

### Improvement Results for Capital Efficiency and Profitability by Business Area (vs. FY2024 Results)

	Sales Growth Rate <sup>1</sup>	Improvement in Operating Income (Like-for-like growth <sup>2</sup> )	Improvement in ROIC <sup>3</sup>
<b>Stable Earnings</b> <ul style="list-style-type: none"> <li>Fabric and Home Care</li> <li>Personal Health</li> </ul>	+ 3.5%	+6.7¥bn <sup>5</sup>	+ 1.4 pts
<b>Growth Driver</b> <ul style="list-style-type: none"> <li>Skin Care • Cosmetics • Chemicals</li> <li>Business Connected (Commercial-use hygiene products)</li> </ul>	+ 5.1%	+4.9¥bn (+11.2¥bn)	+ 0.1 pts
<b>Business Transformation</b> <ul style="list-style-type: none"> <li>Sanitary</li> <li>Hair Care (Including products for hair salons)</li> </ul>	(0.3)%	+4.2¥bn (+5.1¥bn)	+ 1.1 pts
<b>Total</b>	+ 3.7%	+17.4¥bn <sup>4</sup> (+24.7¥bn)	+ 0.5 pts

<sup>1</sup> On a like-for-like basis, excluding the effect of translation of local currencies into Japanese yen

<sup>2</sup> Excluding the impact of one-time income and expenses in 2024 (+7.2 ¥bn). Breakdown of main items: 1) Gain on transfer: pet care business +4.3 ¥bn, beverage business +6.3 ¥bn; 2) Structural reform expenses for subsidiaries in the Americas and Europe (3.4 ¥bn)

<sup>3</sup> Business-area ROIC is an internal indicator for strengthening management in each business. Focused on improvement rates, it is calculated using operating assets such as inventory and fixed assets as invested capital in the denominator. Consolidated ROIC is positioned as a major KPI for the overall Kao Group. It is calculated using invested capital based on the Consolidated Statement of Financial Position in the Annual Securities Report as the denominator.

<sup>4</sup> A portion of expenses was allocated as corporate expenses.

<sup>5</sup> ¥bn : Abbreviation for Japanese yen in billions



K27

Driving Capital Efficiency and Profitability

Management Financial Strategy

Turning Earning Power into Growth, Shaping the Future

and value-added strategies in Japan, confronting structural challenges overseas head-on, and accelerating profit contribution from our incubation businesses.

Under our ROIC target of 10.5%, we aim to deliver results in both earnings quality and capital efficiency and make the path toward the final year of K27 even more certain.

(1) Sustaining Growth in the GC Business in Japan through High Added Value

We continue to invest in people for growth, while broader personnel, logistics, and other costs continue to rise. Even in this environment, we are increasing profit in absolute terms by shifting toward high-value-added products through product mix improvements and price revisions backed by brand strength.

Through cost reductions and productivity improvements, we will absorb increases in fixed costs and achieve sustained profit growth. The GC Business in Japan will continue to serve as the earnings base that supports K27.

(2) Resetting Overseas Businesses for Profitable Growth

In the Fabric care business in Asia, especially in Indonesia, where challenges remain, we will leverage the volume base supported by a broad range of consumers while shifting our focus toward higher-value-added areas. By redesigning product mix and strategy, we will improve growth quality and expand profitably.

In the Americas and EMEA markets, particularly in the Salon Business, we plan to further optimize the business portfolio. By concentrating management resources where our strengths can be fully leveraged, we plan to transform the earnings structure into one that supports sustainable growth.

FY2026 will be a year in which we steadily build that foundation and strengthen our earning power further.

(3) Scaling Incubation Businesses into Growth Engines

In FY2026, we plan to accelerate profit expansion so that the businesses in which we have invested can develop into solid

growth engines from FY2027 onward.

The Cosmetics Business will place overseas growth at the center of its strategy. In Asia, with Thailand as a foothold we will accelerate the rollout of priority brands across ASEAN. For Curél, we plan to expand the business in the Americas and EMEA by centering marketing on dermatological evidence.

In the Skin care business, in addition to Bioré UV products, which continue to deliver double-digit growth in the Americas and EMEA, we will strengthen the rollout of new cleansing products. In the United States, we will also broaden our appeal to younger consumers through the revitalization of Jergens.

In the Chemical Business, we plan to optimize the supply chain under a three-hub structure made possible by the startup of the U.S. plant for tertiary amines. In electronic materials, demand from generative AI and data centers will support double-digit growth. As such, we are actively shifting the portfolio toward high-margin semiconductor-related products.

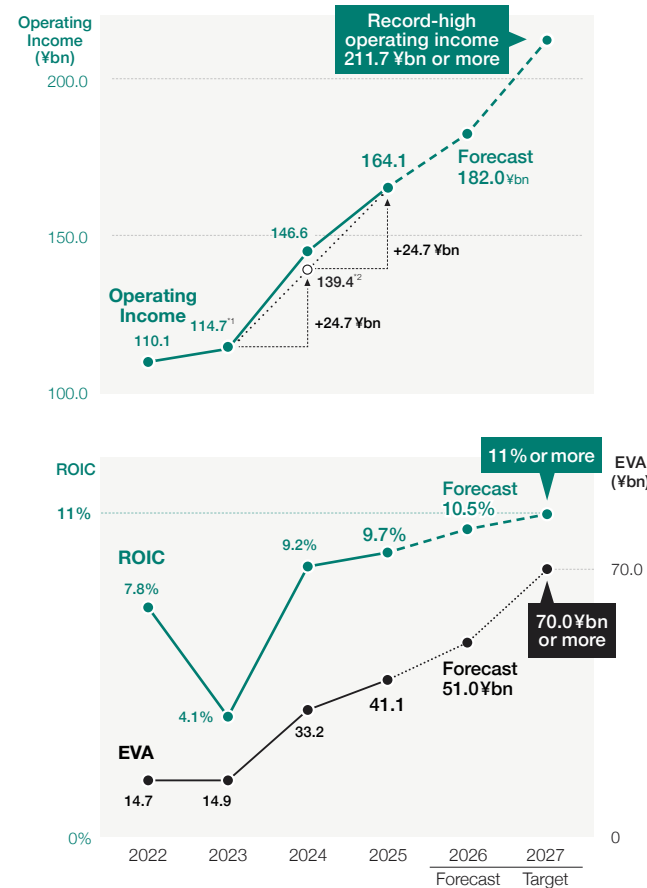
Capital Policy: Directing Investment toward Competitiveness and Growth

In our capital policy, we value how efficiently we can reinvest the cash we create and continue generating returns that exceed the cost of equity. We place at the center of management not only earnings scale, but also capital efficiency and value creation, using EVA as our common language for making capital allocation decisions.

Underpinned by its capacity to generate over 200 billion yen in operating cash flow annually, the Kao Group conducts disciplined capital allocation prioritizing investments that contribute to stronger competitiveness and business expansion. EVA serves as our common language for making capital allocation decisions, and we manage capital based on the following principles:

- Strategic investments and M&A will emphasize value creation that exceeds the cost of capital.
- We will not hold surplus funds over the long term. We will keep the equity ratio at or below its current level, and utilize debt financing as necessary for M&A.

K27 Progress



<sup>1</sup> FY2023 figures are calculated based on core income.  
<sup>2</sup> Excluding the impact of one-time income and expenses in 2024 (+7.2 ¥bn). Breakdown of main items: 1) Gain on transfer: pet care business +4.3 ¥bn, beverage business +6.3 ¥bn and 2) Structural reform expenses for subsidiaries in the Americas and Europe (3.4) ¥bn

- When investment opportunities in strategic investments expected to generate value in excess of the cost of capital are temporarily limited, we will flexibly deploy share repurchases from the perspective of improving capital efficiency.



## K27

Driving Capital Efficiency and Profitability

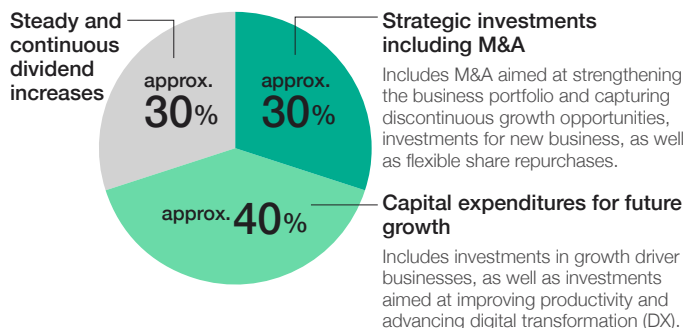
## Management Financial Strategy

## Turning Earning Power into Growth, Shaping the Future

Cash allocation is managed flexibly, taking into account the business environment, investment opportunities, and capital efficiency. Rough benchmarks are approximately 30% for strategic investments including M&A, approximately 40% for capital expenditures for future growth, and approximately 30% for steady and continuous dividend increases. Strategic investments also include flexible share repurchases.

#### Use of Cash Flow

Underpinned by its capacity to generate over 200 ¥bn in operating cash flow annually, the Kao Group conducts disciplined capital allocation.



#### Shareholder-Related Measures

	2025 Actual	2026 Plan
<b>Dividends</b> Dividends per share	36th consecutive dividends ¥154	37th consecutive dividends (on a pre-share split basis) ¥156*
<b>Share repurchases</b>	80.0¥bn	To be determined flexibly
<b>Share split</b>	None	2-for-1 share split of ordinary shares

\*This amount does not take into account the impact of the 2-for-1 ordinary share split scheduled to take effect on July 1, 2026. For the fiscal year ending December 31, 2026, the Kao Group plans to pay a second quarter-end dividend of 78 yen per share prior to the share split and a year-end dividend of 39 yen per share after the share split.

Our principal investment areas are the Chemical and Beauty Care fields. We control the total amount based on ROIC and allocate capital flexibly in response to environmental changes.

#### Share Repurchases & Share Split; Enhancing Capital Efficiency and Shareholder Access

In FY2025, as part of strategic investments, we carried out the repurchase and retirement of shares totaling 80.0 billion yen. This demonstrated our commitment not to retain excessive cash on hand and to use capital more efficiently.

In FY2026, we will implement a share split. By lowering the investment unit, we aim to broaden access, expand our investor base, and demonstrate our commitment to improving capital efficiency while strengthening shareholder engagement.

For more information [p72 Financial Highlights](#)

#### On Track for K27: Positioned for What's Next

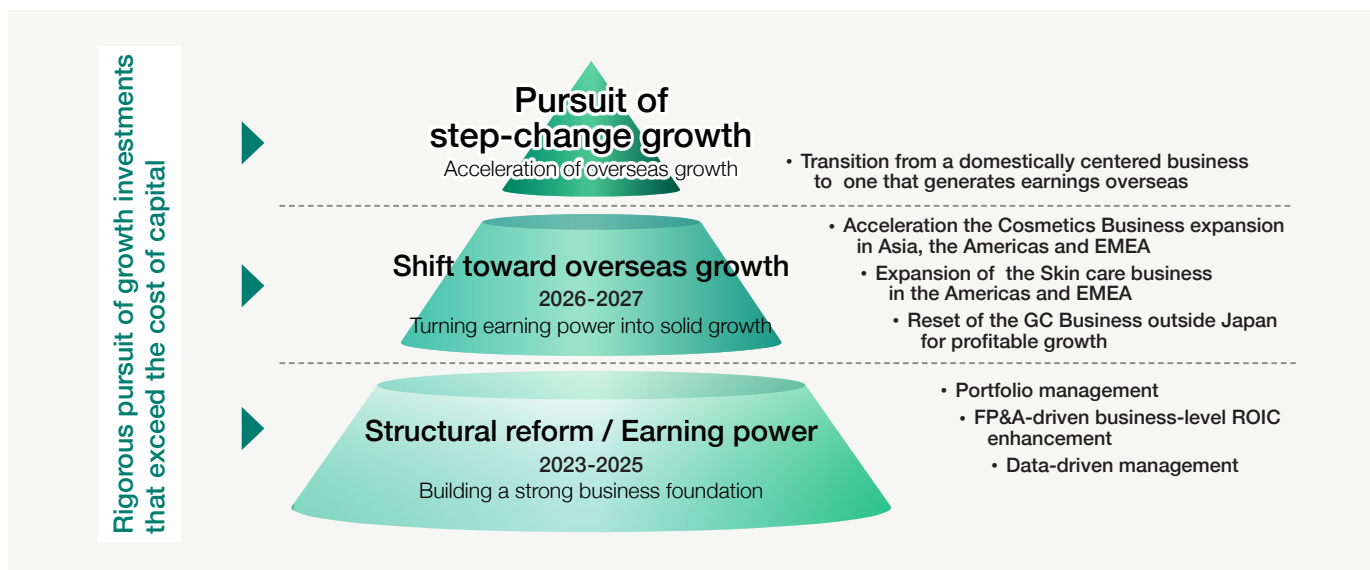
The ROIC of 9.7% achieved in FY2025 indicates that we are

moving in the right direction. However, this is only a milestone. Our sight is firmly set on achieving K27 and on continuing to evolve into a company that contributes to people's *Kirei* around the world while combining high profitability with growth potential.

The share split and continued dividend increases are also part of our ongoing commitment to build a long-term relationship of trust with our shareholders and share sustained value creation. We will use the cash we create under disciplined capital allocation to raise corporate value through the expansion of EVA.

The Kao Group will continue to pursue the enhancement of corporate value through sustained value creation.

By further strengthening our earning power and advancing our strategic finance capabilities, we will make the achievement of K27 more certain. Beyond that lies a future of step-change growth through a deeper business portfolio and focused investment in growth areas.





### K27

Build *Global Sharp Top* Business

## Global Consumer Care Business Strategy

# Driving Earning Power and Sustainable Growth through a Global Scrum



**Toru Nishiguchi**

Representative Director, Senior Managing Executive Officer, Responsible for Global Consumer Care Business, Global

### Further Strengthening Earning Power to Fuel Growth

2025 marked a year in which we began to deploy growth investments, building on the earning power solidified in Japan.

In Japan, we improved profitability through premiumization, scrum-based product development and manufacturing, and enhanced execution through closer collaboration between Japan and international markets. This generated the resources to fuel forward-looking global growth.

At the same time, we concentrated resources on priority businesses and accelerated development in key overseas markets. In *Bioré UV*, we expanded sales through evidence-based communication grounded in proprietary technologies.

In the Cosmetics Business, we improved profitability by concentrating investment in six priority brands and accelerating global growth. A ROIC perspective has taken root across the organization, establishing a growth engine in which investment and profitability reinforce each other.

Although some international markets faced challenging conditions, we improved investment efficiency and advanced Kao's winning formula, building a foundation for future expansion.

### Enhancing Growth Power through Science-based Marketing and DX

Our growth capability means reinvesting cash into high-potential areas and expand both revenue and profit sustainably.

Kao's strength lies in a repeatable growth model built on Science-based Marketing and DX. Using data, we turn consumer insights into integrated value propositions — from product design to in-store and digital delivery. We then test, learn, and refine in rapid cycles to drive results.

This model is supported by data-driven management and a global scrum-based operating structure. Product launch speed and execution accuracy in retail and e-commerce have improved as a direct result.

We are increasingly able to scale what works across markets. Internationally, we are beginning to attract new customers, renew key brands, and achieve both market share gains and margin improvement.

### Strengthening the Organization, Accelerating Deployment, and Winning Globally

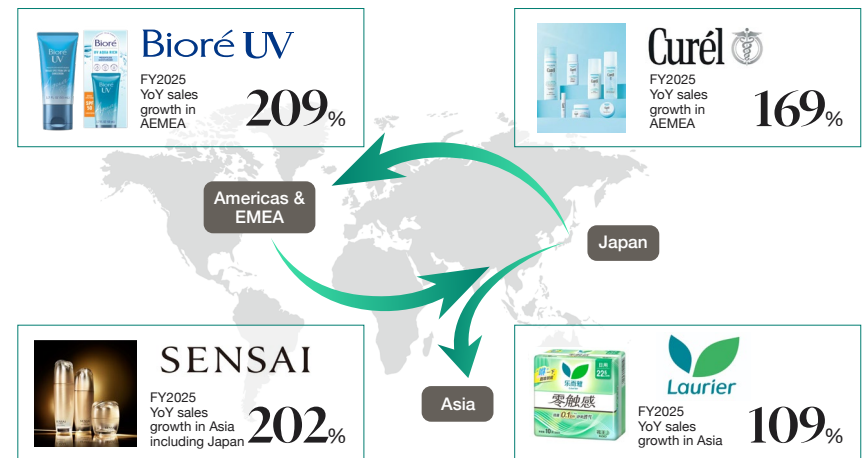
In 2026, Kao will move to a new stage of growth. Centered on the *Global Sharp Top* strategy, we will strengthen our ability to replicate success and accelerate deployment across countries and regions.

We have completed organizational reforms that clarify missions by business and region, enabling faster execution of the strategy.

Through these initiatives, we are scaling proven approaches globally and strengthening our market presence and position. By leveraging our teams, scrum-based working structures, ROIC management, and Science-based Marketing, we will further strengthen earning power.

Through these actions, Kao will deliver sustained growth toward K27 and beyond, while creating meaningful value for consumers around the world.

#### ▼ Kao Globalization Highlights 2025





K27

Build Global Sharp Top Business

Global Consumer Care Business Strategy

case study

## Supercharging DX Innovation and Profitable Growth



Rebecca McBride

Executive Officer  
Vice President,  
Global Consumer Care  
– Americas and EMEA –  
AEMEA Digital Marketing  
Growth Center

### Enhancing Brand Advantage Through Science-based Marketing and DX

We position digital experience and e-commerce as core drivers of our next phase of global growth. This is not about promoting DX alone. By integrating Kao's Science-based Marketing, data capabilities, and on-site execution with DX, we strengthen brand competitiveness and create new revenue opportunities.


Finally, by combining science with digital, and on-site capabilities with technology, we advance initiatives as "One Kao." Through this collective strength, we are well positioned to deliver tangible value to consumers and society, along with more *Kirei* moments.

#### Driving New Customer Growth with Enhanced E-commerce Experiences

Fall 2025 Streaming TV Campaign for ORIBE

YoY Growth of New Customers

345%



### Evolution of Marketing Through Data and DX

As a new initiative in Global Consumer Care, we established the AEMEA DX Marketing Center of Excellence. Our mission is clear. We embed digital experience and innovation at the core of brand building, consumer engagement, and business operations. This builds on Kao's long-standing Science-based Marketing and accelerates profitable growth.

To realize "One Kao," we work closely with teams in Japan while integrating data, technology, and creativity. We strengthen Kao's ability to build repeatable models by combining real-time consumer data with on-site knowledge through digital capabilities. This enables measurable and sustainable impact for both consumers and the business.

We also collaborate with global platform partners and deploy best practices to increase speed to market and maximize marketing ROI. These efforts support faster and more accurate decision-making, even in rapidly changing market environments.

case study

## Building Sustainable Competitive Advantage Through Science-based Marketing



Hirofumi Ito

Executive Director  
President,  
Marketing Innovation, Global  
Consumer Care, Global

### Advancement of Science-based Marketing Through DX and AI

Since its founding, Kao has stayed close to consumers' lives, addressing challenges through products and services. At the core is Science-based Marketing, grounded in evidence, which we have refined over more than half a century. By integrating real-world data and rapidly cycling through hypothesis, experimentation, and validation, we have established repeatable decision-making patterns.

Today, this approach is advancing further through continued investment in DX and AI. We analyze purchase data to understand brand loyalty and cross-purchasing patterns, and complement this with consumer insights from social listening and AI-driven research, improving both the quality and the speed of decision-making.

### Driving Growth Through "Four Visualizations"

We are elevating marketing into a driver of corporate growth by applying four key dimensions.

First, we map causal relationships to clarify how initiatives contribute to brand value and ROIC. Second, we assess performance by quantifying results using metrics such as user numbers, market share, and revenue. Third, we visualize growth plans by defining medium- to long-term growth stories and aligning organizational direction. Fourth, we codify knowledge by systematizing internal and external expertise into assets utilized globally.

By bringing these capabilities together, we identify winning patterns in Japan and Asia and translate earning power into growth. Going forward, the Marketing Innovation Center in Japan and the DX Marketing Center in AEMEA will operate as an integrated team. Our shared ambition is to implement Science-based Marketing globally and accelerate sustainable business growth.

#### Four Strategic Lenses to Accelerate Agile Collaboration

<p style="font-size: 2em; font-weight: bold;">1</p> <p><b>Causal Relationships</b></p> <p>Linking marketing and corporate value</p>	<p style="font-size: 2em; font-weight: bold;">3</p> <p><b>Growth Plans</b></p> <p>Support for Growth Story Development and Execution</p>
<p style="font-size: 2em; font-weight: bold;">2</p> <p><b>Performance</b></p> <p>Drive results through company-wide collaboration</p>	<p style="font-size: 2em; font-weight: bold;">4</p> <p><b>Knowledge</b></p> <p>Systematize knowledge for global use</p>



**K27**  
Build Global Sharp Top  
Business

Hygiene Living  
Care Business

## Earning in Japan, Redesigning for Asia



**Rie Haraoka**

Senior Executive Officer,  
President, Global  
Consumer Care -  
Hygiene Living Care  
Business, Global

### Global Sharp Top Strategy: Key Points

- Strong brand loyalty underpins a solid business in Japan.
- In Asia, we focus on priority markets where we can win with locally relevant brands and products.
- We are strengthening earning power in Japan while building a stronger global brand presence.

### Strengthening Domestic Earning Power Through High Value-Added Products

The Hygiene Living Care Business is the core business that supports Kao's earnings. Even in a mature domestic market, sales have continued to grow and brand scores have improved, and loyalty has significantly increased.

A key driver of success is our focus on high value-added products. In Fabric and Home Care, leading brands such as *Attack ZERO Perfect Stick*, *CuCute CLEAR Foam Spray*, and *Bath Magiclean AirJet* continue to deliver new value to consumers. These products reflect changes in consumer lifestyles, including the increase in working women, single-person households, and seniors, as well as rising demand for time efficiency.

We incorporate these diverse needs into our product design. At the same time, we maintain a lineup where high value-added and basic products coexist, to ensure broad consumer support. Strong brand trust continues to encourage trial of higher value-added products and expands our loyal consumer base. This creates a virtuous cycle.

We support this cycle through a scrum system in which functions collaborate to solve issues. Teams share goals and make decisions quickly, increasing the speed from product development to launch. This has created hit products and improved capital recovery. As a result, we have established a reproducible profit model that strengthens earnings power.

### Our Go-to-Market Approach for Asia

The Japanese market faces population decline, and further premiumization has limits. Sustainable growth requires a shift away from a Japan-centric model.

In Asia, we redesign strategies based on market maturity and brand penetration. Even popular Japanese brands may have limited awareness in some Asian markets. We therefore adapt our go-to-market approach so that it aligns with each brand's stage of penetration.

Our key priorities are focus and co-creation. We select priority countries and categories, concentrate resources, and build a growth trajectory in markets where we can win. This is not contraction. It is a redesign of the growth foundation,

leveraging strengths developed in Japan.

Co-creation with external partners is also becoming more important. We continue to strengthen our capabilities in technology development and consumer-led value development. At the same time, we collaborate with partners that have strong local distribution and networks to expand efficiently.

*Laurier* is the most advanced example. We define priority products by country and region and review strategy, marketing, and production systems. We have shifted from a localization-centered approach to a global model that deploys proven strategies and models across markets. As a result, the overseas sales ratio now exceeds 60%, and both sales and profits are growing at double-digit rates.

We use the earnings power built in Japan as a driver to develop growth capability in Asia. This approach enables us to create value and drive sustainable business growth.



K27

Build Global Sharp Top Business

Hygiene Living Care Business

Expanding Global Presence

Hygiene Living Care products are used by people of all ages and genders. We therefore have a responsibility to serve a wide range of consumers.

Kao employees share a commitment to enriching everyday life. This culture has driven the continuous creation of high-quality products. While global conditions evolve, this core commitment remains unchanged.

Products that have earned the trust of Japanese consumers and achieved strong loyalty may offer opportunities for broader expansion. By leveraging strengths refined in Japan while adapting to local consumer needs, we will build reproducible growth models in targeted markets and steadily expanding our global brand presence.

Attack (Laundry Detergent)

No.1 Domestic Share

\*INTAGE SRI+ Laundry Detergent Market (Heavy-Duty Detergents), January 2025 to December 2025, Value Basis



CuCute (Dishwashing Detergent)

Share Exceeds 50%

(Year-on-Year +1.1%)

\*INTAGE SRI+ Dishwashing Detergent Market, January 2025 to December 2025, Value Basis

Laurier (Sanitary Napkins)

Overseas Sales Ratio Exceeds 60%

(Year-on-Year +2%)

2025 Results



case study

Accelerating Growth with "Global-One Laurier"

Thailand "Laurier"



Tida Kitithammastian

Marketing, Kao Industrial(Thailand)

Defining Priority Products and to Achieve a Growth Trajectory

In Thailand, the pull-on shorts-type sanitary product market was expanding rapidly, making timely response the top priority.

Consumers seek more convenient, easy-to-wear products, and competition is intensifying. We moved quickly to develop a new pull-on shorts-type sanitary range with clearly defined, distinctive value. Based on deep consumer insights, we achieved strong leakage prevention, improved fit, and ease of use.

The range has been well received since launch, with high repeat sales. Sales in Thailand doubled year on year, and collaboration with retail partners expanded distribution.



Scene from a Team Meeting

"Global-One Laurier" is an initiative in which all countries work together to drive profitable growth in Asia. It shifts from localization-driven partial optimization to brand-level optimization.

We maintain close dialogue with the Japan headquarters to align with Laurier's global brand strategy while responding to local needs. Clear local decision-making authority has strengthened trust and collaboration.

These results are confirming that Laurier has entered a clear growth trajectory in Thailand.

Our next priority is to enter the incontinence care market and maximize customer lifetime value. By addressing both menstrual and incontinence care, we will deliver on Laurier's brand purpose, "Nurturing Women's Limitless Life," and continue to build long-term relationships with our consumers.



**K27**  
Build Global Sharp Top Business

**Cosmetics Business**

# Focus to Win and Accelerate Global Growth



**Tomoko Uchiyama**

Senior Executive Officer,  
President, Global Consumer Care-Cosmetics Business Representative  
Director, President, Kanebo Cosmetics Inc.

## Global Sharp Top Strategy: Key Points

- In 2025, we strengthened earning power, streamlined operations, and built growth capability, establishing a repeatable winning formula.
- We are accelerating international expansion through three proven models, driving growth in areas where we can win.
- We are evolving as Kao's growth engine under a one-team structure that separates strategy development from on-site execution.

## Shifting Management to Focus on Where We Can Win

In 2025, we implemented full-scale structural reforms toward achieving K27. Focusing on where we can win drove a ¥14.1 billion profit increase. The Cosmetics Business is now the growth engine driving Kao to its next stage.

We leverage reliable evidence based on skin science research and sensory-driven aesthetic value. With this foundation, we are shifting to winning decisively in our chosen markets.

There is always a temptation to expand into brands, countries and regions showing momentum. At this stage,

however, we are deliberately narrowing our focus to areas with clear growth potential, concentrating both human resources and capital investment to strengthen execution and results.

In selecting these areas, a well-founded conviction that we can win is critical. I visited multiple countries to assess market size, consumer behavior, and competitive environments. We assessed our probability of winning from multiple perspectives and built a clear path to success.

Thailand is one such market. Consumer interest in cosmetics is high, and the retail environment supports high value-added products. In addition to department stores, many beauty shops sell cosmetics on an open-floor, self-selection basis. A strong affinity for Japanese culture also aligns well with Kao brands.

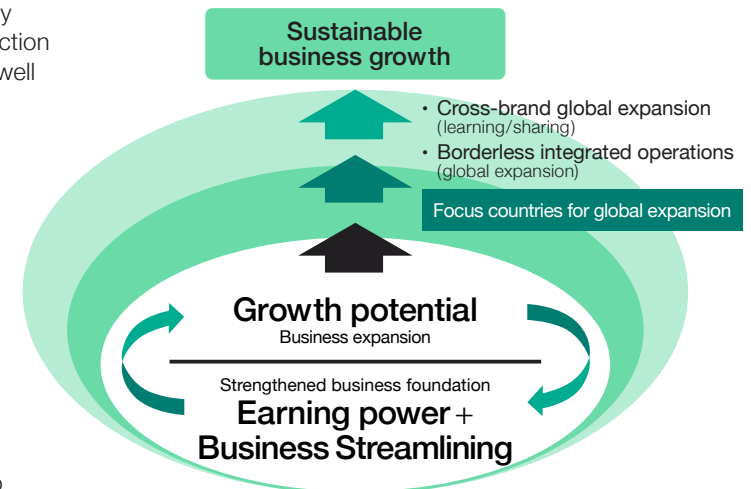
For KANEBO, we positioned Thailand as a model country for our Asia growth strategy. Together with local distribution partners, we ran promotions around our core cream product that sparked consumer interest and deepened brand understanding. As a result, we expanded sales and attracted younger customers.

For Curél, we identified strong potential to win even in Europe's highly competitive dermocosmetics market, given that approximately 40% of consumers have dry, sensitive skin. We are also

advancing product development that adapts to common European skin needs.

To avoid a one-time success, we are standardizing decision criteria, product design, and deployment processes. At the same time, we are building a highly repeatable business model that can be scaled across regions while leveraging local characteristics.

- ✓ A self-sustaining cycle of capital acquisition and investment for sustained growth

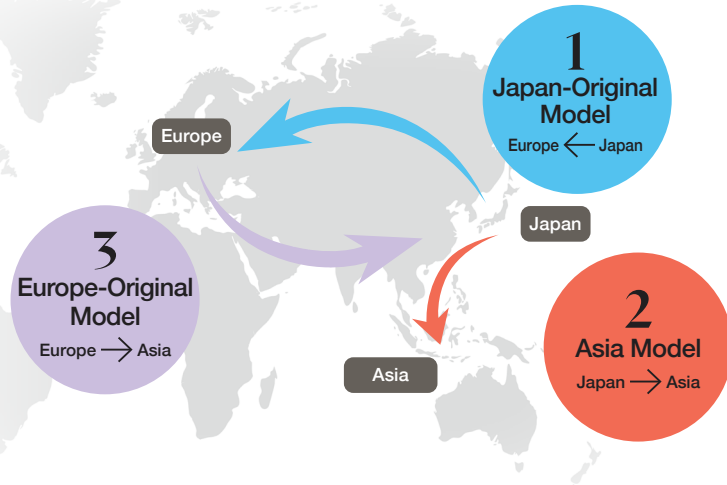




K27  
Build Global Sharp Top  
Business

Cosmetics  
Business

Global Expansion Models



### A One-Team Structure to Sustain Momentum

Kao's Cosmetics Business stands out for connecting research, marketing, production, and sales end to end. Few companies globally manage the full process from product creation to consumer delivery while enabling localization.

Through organizational reform, functions now operate as one team. When issues arise, stakeholders share information, assess risks, and respond quickly. Ongoing dialogue builds mutual understanding, broadens perspectives, and strengthens trust, deepening team cohesion and execution speed.

To sustain momentum as one team, we will clearly separate strategy development, which sets direction, from on-site execution, which delivers results.

### As Kao's Growth Engine

The Cosmetics Business has entered an acceleration phase, moving to capture returns. We are building on our winning formula and delivering with greater speed and precision as a core driver of Kao's growth.

By focusing on our chosen markets, we are raising execution precision and repeatability, validating our choices and strengthening performance.

We also have a clear competitive advantage: reliable evidence and sensory-driven aesthetic value. By continuously creating value and bringing hope to each individual, we are becoming a truly unrivaled presence, driving Kao's global growth.

case  
study

## Implement Our Winning Formula Locally and Deliver Results

### Europe: *Curél*



Linda Karlin  
Senior Director, Marketing & Strategy,  
Consumer Care Business, EMEA

In Europe, approximately 40% of consumers identify as having dry, sensitive skin, making it a market where *Curél's* value can be maximized. The brand's ceramide research and its position as the No.1 brand in Japan for dry, sensitive skin provide strong credibility, reinforcing trust in its quality and scientific foundation.

Winning here required clearly defining where to compete and how to enter, given that consumer needs and distribution

networks vary by country.

Anchored in deep local-market insights, we thoroughly assessed market size, growth potential, competitive conditions, and key channels. The U.K., where dry, sensitive skin prevalence is high and consumers are receptive to new brands, was chosen as the initial launch market, followed by France and Germany.

Pharmacies were selected as the primary channel, serving as points of consultation for skin concerns and a foundation for building trust. Evidence-based communication helped pharmacists fully appreciate the brand's scientific credentials.

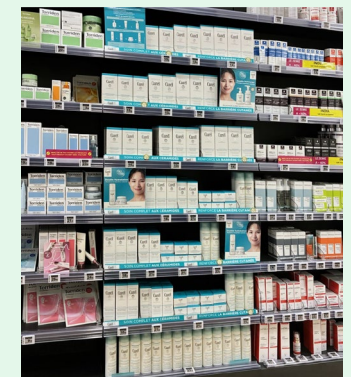
Trust-building elements, including Japanese product quality and user feedback, further reinforced brand credibility.

The approach established in Europe has become a core

model with high reproducibility across regions and brands.

We are now in the "Trust Economy," where well-informed consumers increasingly value proof over claims and, amid trend fatigue, seek simple, reliable care.

*Curél* uniquely meets all of these needs. By combining brand strengths with our winning formula, *Curél* will deliver consistent results as we expand into new markets.



Gaining shelf presence in a highly competitive French market



**K27**  
Build Global Sharp Top Business

**Health Beauty Care Business**

# Global Integrated Management Driving Step-Change Growth



**Takatoshi Hatase**

Senior Executive Officer, President, Global Consumer Care - Health Beauty Care Business, Global

## Global Sharp Top Strategy: Key Points

- Stepping up to a globally integrated operating model in 2026.
- Sharpening brands with exclusive uniqueness and maximizing their value through a structured portfolio approach.
- Focusing resources where we can win to drive profitable global growth.

## Brand Portfolio Strategy: Exclusive Uniqueness

The Health Beauty Care Business has a portfolio of brands with exclusive uniqueness. We have clarified each brand's role and growth path by organizing the portfolio into three tiers: "Global Flagship," "Global Pillar," and "Regional Star." Based on this framework, we define priority categories and regions and concentrate investment.

*Bioré* is positioned as a "Global Flagship" brand driving global growth. While already present in many markets, we are further defining its core value and are strengthening marketing with compelling content tailored to each country.

The global campaign for *Bioré UV* is a defining initiative. Through new global programs that capitalize on buzz in Europe and the U.S., as well as Japan and Asia, we are expanding our fan base and accelerating growth.

*Oribe*, a "Global Pillar," has established strong brand value in the U.S. through an omnichannel strategy across salons, retail, and e-commerce. We are deploying this model in Europe to drive further growth.

*MegRhythm* achieved record-high global sales following rebranding across Japan and Asia last year. We will grow steam-based blood circulation health solutions, primarily in Japan and Asia, by communicating clear benefits such as easier sleep onset, backed by credible efficacy data.

*The Answer*, a "Regional Star," has gained strong consumer support by combining Kao's 100 years of hair care research with scientific marketing. It has driven the return to the No. 1 manufacturer share in Japan's in-bath category.

## Advancing Global Integrated Management to Win Worldwide

The Health Beauty Care Business is a core driver of Kao's global growth. While performance in Japan remains steady, international operations have not yet fully realized their potential. To address this gap head-on, we have launched full-scale global integrated management in 2026. As the

newly appointed head, drawing on my diverse global experience, my mission is to elevate the business to its next stage of growth.

A key requirement is a structure in which the Japan headquarters and regions operate as one team under clearly defined roles and responsibilities. Success depends on establishing a globally consistent strategy and ensuring disciplined execution in each region. To achieve this, we are integrating Kao's talented global resources and adopting a cross-functional (scrum) team approach.

Information and content on health and beauty care now spreads instantly across borders through social media. To maintain and strengthen brand trust, we need globally consistent branding. We are aligning product development and marketing globally to sharply improve both quality and speed.

## Global Integrated Management: Forging the Future

Global integrated management is still at an early stage, but the organization is steadily moving from local optimization to enterprise-wide optimization. Priority areas for investment and growth, as well as regional priorities for each brand, are becoming clearer across the organization. Individual roles and contributions are also becoming more defined.



K27

Build Global Sharp Top Business

Health Beauty Care Business

We are also working to strengthen value for consumers, employees, and the business simultaneously. This means delivering perceived quality that keeps consumers coming back, creating an environment where employees can see their impact globally—and accelerating growth in Asia, Europe, and the U.S. by pooling expertise through integrated management.

Our ambition is to grow international operations to match or exceed Japan in scale.

Health Beauty Care Brand Formation



Concrete Results Emerging

Bioré UV AEMEA Sales 209%

In-Bath High Premium – Hair Care Sales approx. 8x

case study

Building a One and Only Global UV Care Brand

Bioré



Koichi Higashi

Global Consumer Care Business Health Beauty Care Skin Care Business, Asia (International)

The global campaign communicates the Bioré UV brand message simultaneously worldwide and advances global growth. Following entry into Korea, we held the “YOUR ONE AND ONLY. Bioré Global Event” in Seoul (Seongsu) in March.

We released the new brand film for Bioré UV and invited influencers from approximately 10 countries and regions. By linking the event with product value, we expanded UGC (user-generated content). As a result, social media posts rose

to approximately 220%. This momentum is now driving accelerated global rollout.

Accelerating Brand Growth Through Global Integration

Interest in skin damage and health risks associated with ultraviolet exposure is rising globally, driven by climate change. Bioré UV leverages advanced UV protection technology and redefines sunlight as a source of personal empowerment. Through the global message "SUNLIGHT IS YOUR SPOTLIGHT," we empower people everywhere to enjoy the sun with confidence.

To execute this initiative, all stakeholders must share a common purpose and mindset. Headquarters defines the



Scene from the event in Seongsu

core value of Bioré. Each region develops initiatives based on local insights. By delivering consistent brand value worldwide, we will accelerate growth and establish a “One and Only” brand that becomes an indispensable part of daily life.



**K27**  
Build Global Sharp Top Business

**Sales Strategy**

# Accelerating Growth with Global Retail Chains



**Yoshio Nakao**  
Senior Executive Officer, President, Global Consumer Care, Japan, Representative Director, President, Kao Group Customer Marketing Co., Ltd.

**Global Sharp Top Strategy: Key Points**

- In Japan, as the shift from quantity to quality accelerates, Kao leads the market by opening untapped markets, premiumization, and larger-size products.
- Business and sales operate as one, sharing issues and results to achieve both growth and earning power.
- By viewing Japan and Asia as one market, Kao captures all-bound demand, turning inbound visitors into loyal customers globally, and accelerates growth with global retail chains.

efficiency across the system have become increasingly important. This makes deeper collaboration with retailers increasingly critical.

Retail partners are also evolving through the use of shopper data and the expansion of private brands into stronger branded offerings. Sales plays a leading role—proposing ideas to business units and refining brands through a cross-functional (scrum) approach that turns market insight into action.

Kao also uses retail partner data to build direct, long-term connections with each customer. Rather than focusing on short-term sales, we work to grow our base of loyal customers and increase Lifetime Value. This approach supports a repeatable revenue model and the continuous enhancement of earning power.

\* Lifetime Value

## Leading the Market in Japan by Expanding Kao's Fan Base and Maximizing LTV\*

In Japan, rising prices and consumption polarization are accelerating the shift from quantity to quality. In an environment where volume growth is limited, growth depends on offering value that consumers recognize and accept.

Kao has led the market by pioneering untapped segments, premiumization, and larger-size products. These efforts expand our fan base and maximize Lifetime Value.

Kao positions physical stores as the "most powerful retail media." Even as digital channels evolve, purchase intent peaks in store. Product performance is shaped by how it is presented from the consumer's perspective.

For this reason, Kao works with retail partners not only at the category level but also to design the overall store environment.

## Delivering Value as the Final Runner in the Value Chain

Kao's strength lies in its fully integrated value chain, from procurement of raw materials to production, shipment, and sales. As the customer-facing function at the end of this value chain, the sales division delivers products and their value directly to consumers through retailers—the point where value becomes revenue.

Sales does more than sell products. Together with retail partners, Kao builds greater value for consumers. As logistics challenges and labor shortages intensify, redesigning the path from factory to shelf and improving

Adapting to change:  
**3 consecutive years of market share growth**

Market Development	Premiumization	Larger Sizes

\* From July 2023, Kao has exceeded the same month of the previous year for 30 consecutive months (Kao's share in the toiletry market in Japan, household products/ Japan, INTAGE SRI+, KAO+NIVEA)



K27

Build Global Sharp Top Business

Sales Strategy

Close integration between business units and sales divisions is essential. Sales participates from the planning stage, and decisions are made through a steering board. This cross-functional (scrum) structure has delivered results in high-premium areas such as cosmetics and hair care. By sharing both results and challenges from a common perspective, Kao strengthens execution. This unified approach underpins the Global Sharp Top strategy, enabling both growth and earning power.

Not Where to Sell, but What Products Should Be Proposed

Kao is beginning to see tangible results in Japan in achieving both growth and earning power. The next phase is to scale this model globally, which requires a shift in perspective. Kao

views Japan and Asia as a single market and approaches it with an All-Bound mindset.

Kao captures inbound demand while also creating connections through experiences and information in Japan so that consumers continue to choose our products after returning home. It also builds expectations before visits. By linking physical stores and digital touchpoints before, during, and after travel, Kao drives growth across Asia.

To support further growth, Kao is accelerating expansion with global retail chains. Global distribution companies operating across countries offer significant scale and influence. Rather than focusing on where to sell products, Kao identifies what products to propose for global expansion. By feeding back sales insights into manufacturing, Kao strengthens its global competitiveness.

Connecting Distribution and Business to Strengthen Products and Brands

Sales connects retail partners with business divisions and consumers with brands. It aligns business strategies with distribution and feeds market insights back into the business. By continuously sharpening this capability, Kao enhances its products and brands.

Through co-creation with retail partners, Kao eliminates waste, inconsistency, and overburden. This strengthens earning power and enables reinvestment in future growth. Kao is also expanding the model developed in Japan to global retail chains. Through these initiatives, Kao accelerates global growth and enhances corporate value.

case study

Becoming a Brand of Choice Through the "All-Bound" Strategy

Turning Inbound Customers into Kao Fans



Chinatsu Yoshida
Kao Group Customer Marketing Co., Ltd.
Sales Division

"All-Bound" is a strategy to turn inbound customers into Kao fans through the purchasing experience, encouraging continued purchases after they return home and building a brand that is chosen globally.

At the stores in Kyushu under my responsibility, we focus on whether customers feel engaged as they walk through the aisles and whether they can find products within limited time.

Best-selling products are placed near entrances and along high-traffic aisles. Together with retail partners, we design store environments where products are easy to find.

Kyushu receives many visitors from Korea. As stores are part of the travel experience, it is important to create shopping experiences that become part of travel memories. We make product value visible through Japanese-style decorations, POP displays, and Korean-language videos that I plan, produce, and edit.

To secure strong in-store placement, products must already be recognized and popular locally. In Korea, social media and word of mouth are highly influential. Kao therefore works with local influencers to build purchase intent before store visits.



In-store communication targeting international visitors

To expand the base of Kao fans, we continuously observe purchasing behavior and conduct in-store interviews, refining how we communicate to drive purchase intent.

I will continue to prioritize customer-centric in-store execution, extend the value of Kao's products and brands to new customers and markets, and strengthen the reasons consumers choose Kao worldwide.



**K27**  
Build Global Sharp Top Business

**AEMEA Region**

# Driving Growth Through Organizational and Brand Transformation



**Joe Workman**  
Executive Officer, President, Global Consumer Care, Americas and EMEA

**Global Sharp Top Strategy: Key Points**

- Reorganization into business-based and area-based structures enables standardization of workflows and data, and clarifies brand prioritization.
- Advance growth strategies centered on sharp top brands such as *Bioré UV* and *Jergens*, while strengthening brand equity.
- Establish cross-functional scrum teams and renew core systems to build a region that drives both sales and profit growth.

standardization of workflows and data, and enabled clearer brand prioritization. The unification of decision-making authority improved speed and agility. We also aligned performance metrics, which contributed to improved cost efficiency.

On this foundation, we are advancing growth strategies centered on sharp top brands in AEMEA. A prime example is *Bioré UV*, which we are rolling out in collaboration with headquarters. In North America, distribution through the largest membership-based wholesaler in the U.S. continues to grow. Following strong performance in Canada, we began expanding into the U.S. In Europe, we launched UV

mist products in the U.K., expanding usage occasions and strengthening brand equity. As a result, *Bioré UV* sales in the AEMEA region more than doubled year on year in 2025.

For *Jergens*, we are advancing a data-driven brand restage. We introduced *Jergens Bursts*, which offers a new sensory experience with bead-like lotion that melts on the skin, and *Jergens Shea Fusion*, which emphasizes fragrance. Both target younger consumers who are driving market growth. Combined with digital communication, these initiatives are delivering new brand experiences and are showing early signs of revitalization across the brand.

## Expanding into New Channels and Younger Consumers Through Sharp Top Brands

The AEMEA region has faced a challenging environment, including intensified competition in skincare and stagnation in the salon business. In response, in 2025 we focused on three priorities: rebuilding financial discipline, establishing an appropriate organizational structure, and strengthening connectivity across the organization. We positioned the year as a return to fundamentals and a rebuilding of the organizational foundation.

We reorganized the Global Consumer Care Business into a business-based structure centered on brands and products, and an area-based structure centered on regions and sales. This clarified regional differences, advanced the

Global Expansion of Brands Born in Diverse Markets (HLBC)





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Build Global Sharp Top Business

AEMEA Region

### Accelerating Decision-Making Through Cross-Functional Scrum Teams

In 2026, we aim to position the AEMEA region as a driver of Kao's sustainable growth in both sales and profits. Achieving this requires clear direction in the harmonization of business processes, growth strategies, and priorities.

This is the first time the region is being led under a single leader, and harmonization will not be easy. However, based on our experience managing diverse regions and businesses, we have found that despite different backgrounds, people largely share the same underlying motivations and ways of thinking. Clear and consistent communication, together with mutual respect and trust, forms the foundation of a strong organization. At the core of this is the Kao Way.

Our key priorities for 2026 are the alignment of priorities, the maintenance of financial discipline, and the simplification of decision-making. To achieve this, we will form cross-functional scrum teams with clear objectives. We will also advance the renewal of core systems and build a globally consistent data infrastructure to respond to a rapidly changing business environment. These efforts will enhance transparency in financial and performance management and enable faster and more accurate decision-making across regions and brands.

### Delivering Innovative Value to Consumers in Collaboration with Headquarters

Our aim for the Europe and Americas region is to evolve into a region that aligns with Kao's strategic objectives, consistently outpaces market growth and enhances

profitability. In collaboration with headquarters, we will accelerate growth under efficient operations and strong leadership.

In executing the *Global Sharp Top* strategy, particularly in the skincare and hair care categories, we will create products with exclusive uniqueness based on Kao's distinctive research and technology. We will also strengthen brand competitiveness in global markets.

By uniting all members across the Europe and Americas region, we will create value from the consumer's perspective, achieve sustainable growth and improved profitability, and contribute to Kao's global growth.

case study

## Rebuilding Touchpoints With Younger Consumers Through Digital Engagement

### Jergens Bursts



**Stephanie Kimutis**

Associate Director, Marketing, Consumer Care Kao USA

Growth in the U.S. hand and body lotion market is being driven by consumers aged 18 to 25. However, we had not delivered products that resonated with this segment. We also lacked presence across the full purchase journey, as we had not selected appropriate advertising platforms.

In response, we adopted a social media-led marketing approach for *Jergens Bursts*. We launched the product through social commerce, enabling direct purchase within

social media apps. We also deployed short-form videos featuring creators and influencers.

These initiatives generated approximately 98 million impressions. They also created opportunities for younger consumers to engage with the *Jergens* brand. Strengthening our presence on social media led to increased demand at retail, with consumers actively seeking the product in stores.

At the same time, we established ongoing monitoring of social media reviews to follow the PDCA cycle. This allowed us to quickly identify areas for improvement. As a result, we improved logistics and updated the bottle color, and accelerated formulation improvements through collaboration with the R&D team.



Through this initiative, we established a model that links awareness generated through social media to in-store purchases. Going forward, we will strengthen new product development and refresh packaging designs. Through these efforts, we aim to evolve the brand into one that younger consumers choose to carry and use in their daily lives, supporting sustainable growth of the *Jergens* brand in the U.S.



**K27**  
Build Global Sharp Top Business

**Chemical Business Strategy**

# Accelerating Our Transformation to a Market-Resilient Business Structure



**Hiromitsu Hoshikawa**

Senior Executive Officer,  
President, Chemical Business, Global

## Global Sharp Top Strategy: Key Points

- Strengthening global supply and expanding strategic options to build resilience amid a shifting external environment.
- Shifting the portfolio from oleochemical-derived materials toward higher-value derivatives and downstream solution-based businesses.
- Focusing investment on businesses with global potential, technological differentiation, and strong domain competitiveness.

## Supporting Consumer Products and Delivering Value to Industrial Customers

Kao's Chemical Business has built its strengths through an integrated portfolio spanning oleo chemicals — such as fatty acids, higher alcohols, and tertiary amines derived from natural oils and fats including coconut oil and palm kernel oil — to a wide range of surfactants. This portfolio supports Kao's consumer products business from the raw materials side while providing value to industrial customers across diverse fields.

The business environment has changed significantly in recent years. In addition to fluctuations in raw materials

markets, geopolitical risks, trade policies, regulatory tightening, and technological developments are evolving simultaneously, increasing in both scope and speed.

Against this backdrop, we are broadening our strategic options to strengthen resilience to market fluctuations, while increasing the value we provide.

We are strengthening our global supply system by diversifying production sites for key raw materials. In 2025, we established a new tertiary amines facility in the United States, creating a three-region production system across the Americas, Europe, and Asia. This reduces dependence on a single site and builds operational flexibility against geopolitical and other risks. It also enables us to adjust supply routes based on demand and conditions, supporting both stable supply and cost optimization.

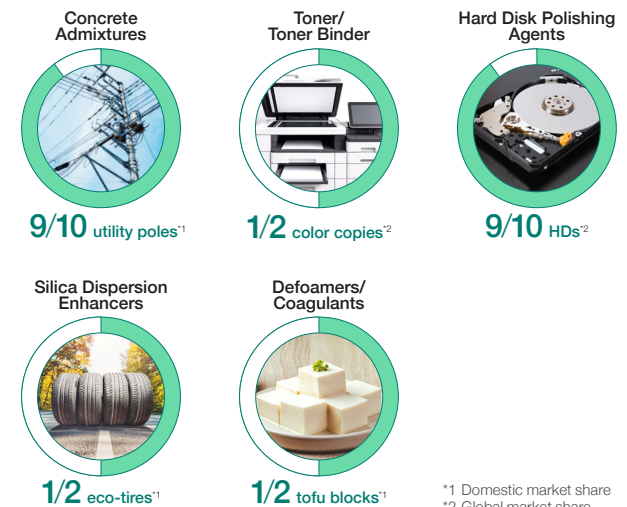
We are also taking forward-looking measures to address tightening global regulations. We are enhancing raw material procurement, including traceability, while diversifying inputs, including bio-based options. These efforts are building sourcing and logistics capabilities that customers will continue to choose under evolving regulatory environments.

In addition, rather than relying solely on in-house capabilities, we are accelerating market development with experienced partners, including in regulatory response.

## Shifting to a High Value-Added Solution Business

While strengthening these foundations, our highest priority is to build a business structure that is less exposed to market volatility.

### High Market Share in Each Field and Differentiated High-Performance Kao Chemicals



<sup>1</sup> Domestic market share  
<sup>2</sup> Global market share



## K27

Build *Global Sharp Top*  
BusinessChemical  
Business  
Strategy

Specifically, we are reducing dependence on operations highly affected by oil and fat prices while growing higher-value derivative businesses that generate more consistent earnings. This is shifting the portfolio toward solution-based businesses, where we solve customer challenges through tailored formulations, process design, and application expertise based on Kao's Exclusive Uniqueness technologies.

We use *Global Sharp Top* as a key filter for portfolio selection. We assess whether a business can compete globally, deliver growth, be differentiated through our technologies, and demonstrate strong competitiveness in specific domains.

Through this lens, we evaluate our businesses and shape investment, development, partnerships, and sales structures to drive portfolio expansion.

In 2026, we have identified semiconductors, ink, and

agrochemicals as focus areas. Each is positioned to drive the next generation of *Global Sharp Top*.

With clear strategic priorities, we are allocating assets to high-potential areas and accelerating the evolution of the overall portfolio.

We have also implemented organizational restructuring aligned with *Global Sharp Top*. We established a new Cosmetics Business Division to expand derivative businesses and consolidated businesses focused on solving social issues into the Functional Materials Business Division. By focusing personnel and research resources and clarifying roles, we have improved execution of the PDCA cycle. Clear definition of *Global Sharp Top* has also made it easier to align frontline teams on the priorities and direction required of each business.

We evaluate all business units using the same criteria. For

those that do not meet the criteria, we consider restructuring business models and operations accordingly.

## Driving Selection and Focus to Enhance Corporate Value

The Chemical Business will continue to provide a stable supply of high-quality products to industrial customers and remain the platform supporting Kao's consumer products business.

At the same time, we are accelerating our own transformation under the *Global Sharp Top* strategy.

Building on our strong technological base and applying rigorous selection and focus, we are transforming into a business that delivers stable, sustainable value and strengthening Kao's corporate value over the medium to long term.

case  
study

## Supporting Semiconductor Value Through Surface Science

### Chemicals for Semiconductor Manufacturing Processes



Yasushi Ogura

Global Project Manager,  
Information Materials

Kao leverages its strengths in surface science, developed through cleaning skin and clothing, to provide products and solutions for semiconductor manufacturing. This field exemplifies our transition to a high value-added solution-based business.

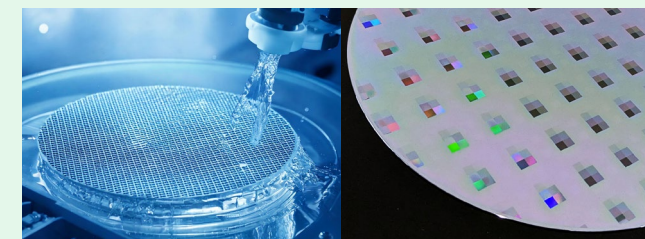
We deliver value through quality design, process compatibility, and reliable delivery, supporting the ever-evolving digital infrastructure of society.

The semiconductor field demands a high level of certainty in both quality and supply. Kao's strength lies in analyzing microscopic phenomena that are difficult to observe directly.

Using surface science, we analyze and characterize these phenomena as far as possible, interpret invisible factors as hypotheses, and reflect them in product design.

We have established global manufacturing and sales systems that provide a supply foundation resilient to demand fluctuations and external changes.

When launching new operations, we clarify roles, quality assurance, and decision-making frameworks. This builds shared understanding, strengthens trust, and supports stable operations.



Strong demand in the semiconductor field is driving growth, with value increasingly determined at invisible interfaces. Redefining these interfaces as a "designable value layer" positions us to capture next-stage growth.

At each site, we will build stronger capabilities across business, marketing, R&D, and quality assurance, consistently delivering differentiated value centered on surface science and further enhancing our global presence.



# Governance

Governance that works — and earns trust.  
Grounded in credibility and effectiveness,  
enabling the next leap of strong growth.

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Governance

Roundtable Discussion  
with Outside Directors

# Toward the Next Step Change — Kao's Growth Strategy and Governance



**Sarah L. Casanova**  
Outside Director

**Eriko Sakurai**  
Outside Director



**Takaaki Nishii**  
Outside Director

Following the rebuilding of its management foundation, Kao now stands at a critical turning point in its next phase of growth. What Kao needs is not simply an extension of the past, but Step-Change Growth.

What role will the Board of Directors have in driving this forward? Three Outside Directors discuss where Kao stands today and where it is headed.



## Results of Transformation: The Foundation for Growth Is Taking Shape

**Sakurai** Over the past several years, Kao's management structure has changed significantly. To deliver results and achieve further growth, the company has reviewed leadership appointments not only at the executive level but also at the business-unit level. It has also built an organization that can execute. New leadership structures are also beginning to take shape overseas, and I believe the foundation for developing a global growth strategy is steadily being established.

**Nishii** 2025 was a difficult year in terms of the external environment, including geopolitical risks and inflation. Even so, the company navigated those conditions while improving profitability and increasing its growth rate. It was



“  
We will support efforts  
to further accelerate the  
speed of decision-making.  
”

particularly symbolic that the Cosmetics Business focused on six brands, applied region-specific strategies and began to deliver results. Behind that progress were strong marketing capabilities and strong brands. I believe the direction Kao should take in its next phase of growth is beginning to come into view.

**Casanova** While leading in the Japanese market, Kao is further strengthening its foundation by moving forward with the development of new initiatives such as DX and AI. I believe these will be extremely important for future growth.

## Kao's Strengths and Challenges: How Should Decision-Making Evolve?

**Sakurai** Kao's strength lies in its deep understanding of consumers. It understands, based on data and science, which consumers support which brands and why they choose them. It is extremely important to avoid making choices or accelerating speed without sufficient visibility. Kao's strength is its ability to make decisions based on consumer understanding. However, while that capability is strong in Japan, there is probably still room for improvement in whether the same level has been achieved overseas.

**Nishii** Kao is a company that makes decisions carefully. I do not see that as a weakness, but rather as one of the company's characteristics. Its management style places importance on the certainty of growth once a decision has been made. That is Kao's management style. However, in Europe and the U.S. markets, where Kao has not yet established as strong a position as it has in Japan, it will be important to consider how that approach should evolve.

**Casanova** What I have felt strongly over the past year is the need to further accelerate decision-making. In global markets, the pace of competition is extremely fast. For a company to continue growing, speed of decision-making is critical. This is where the investment in DX and AI will begin to bear fruit—the company must move to the next stage and leverage that investment to accelerate the actual speed of business.



“  
Kao has the strengths  
to win globally.  
Now we must sharpen them.  
”

## The Next Growth Challenge

**Sakurai** Over the past several years, Kao has first focused on strengthening its financial foundation and restoring business performance. As a result, it has become clearer where the seeds of growth lie. Going forward, the company is at the stage of turning those seeds into actual growth. I believe global growth, along with the creation of new value based on AI and science, will become the next core pillar for Kao. At the Board of Directors as well, discussions continue with a view to the long-term vision Kao seeks to achieve.

**Casanova** While maintaining our leadership in the Japanese market, the question is how we can strengthen our presence in Europe and the U.S. That is the challenge we now face.

**Nishii** I believe we are now at the stage where the question is how to realize that growth. There are less than two years remaining in Mid-term Plan K27. 2026 will likely be a year in which Kao raises its growth to the next level.



“ I believe true growth is, ultimately, a step change. ”

### The Evolution of the Board of Directors: Governance Supporting Growth

**Sakurai** The role of the Board of Directors changes depending on the phase a company is in. During the business recovery phase, it was important to maintain financial discipline. From here, however, discussions on future direction will become even more important. I see the Board of Directors as a compass, showing the direction of a company's future.

I will assume the role of chairperson this year, and I intend to maintain close communication with the President & CEO while ensuring that the Board of Directors engages in thorough discussions on important themes.

**Nishii** Over the past year, the diversity of the Board of Directors has expanded even further. With the addition of new members, more strategic discussions have taken place on matters such as branding and consumer understanding. With those perspectives added, discussions have also deepened on where resources should be concentrated and through which brands growth should be achieved.

As the Board of Directors, I believe we must continue to engage fully in these discussions. At the same time, looking beyond K27, another major theme is how to develop the global human capital that will lead the next phase of growth.

**Casanova** I often ask, regarding the consumers and the markets, “What do we know, what are we assuming, and what do we still need to learn?” I believe it is important to keep asking such questions. What matters is for the Board of Directors to focus on the areas that are truly important. If everything is treated as equally important, then nothing is important.

By focusing discussions on the growth drivers that matter most, I believe the Board of Directors can deliver much greater value.

**Sakurai** Human capital will be an extremely important focus area for Kao going forward. As these discussions deepen further, I believe new perspectives such as those brought by Mr. Okuyama, who joined as an Outside Director, carry great significance.

I hope that the Board of Directors in 2026 will continue to evolve further.

### The Next Step Change: Realizing Global Growth

**Nishii** The *Global Sharp Top* set out in K27 represents, I believe, a direction in which Kao can further strengthen its existing advantages. Going forward, discussion will center on where to drive innovation and in which brands and categories Kao can build world-class strengths. That discussion will lead to the next phase of growth.

**Sakurai** In that sense, I believe Kao could afford to pursue growth more aggressively. To achieve growth at the next stage, another step change will be necessary. As the Board of Directors, we want to discuss a bold vision together with the executive side and support that challenge.

**Casanova** Kao has enormous potential. It has strong brands, outstanding technologies, and excellent human capital. There are major opportunities in global markets. However, to achieve results on an entirely different level, it cannot continue doing things the same way it has in the past. It also needs the courage to change its approach. As the Board of Directors, we intend to fully support that challenge and help Kao expand its presence globally.





# Corporate Governance Structure

## Ongoing Enhancement of Systems and Operations as a Top-Priority Management Issue

### Basic Policy

To sustainably enhance long-term corporate value and realize a *Kirei* World in which all life lives in harmony, Kao prioritizes corporate governance while management continuously works to strengthen systems and operations in alignment with our corporate philosophy, the Kao Way.

For more information [Kao Corporate Governance Policy](#)

### Reasons for Choosing the Audit & Supervisory Board Structure

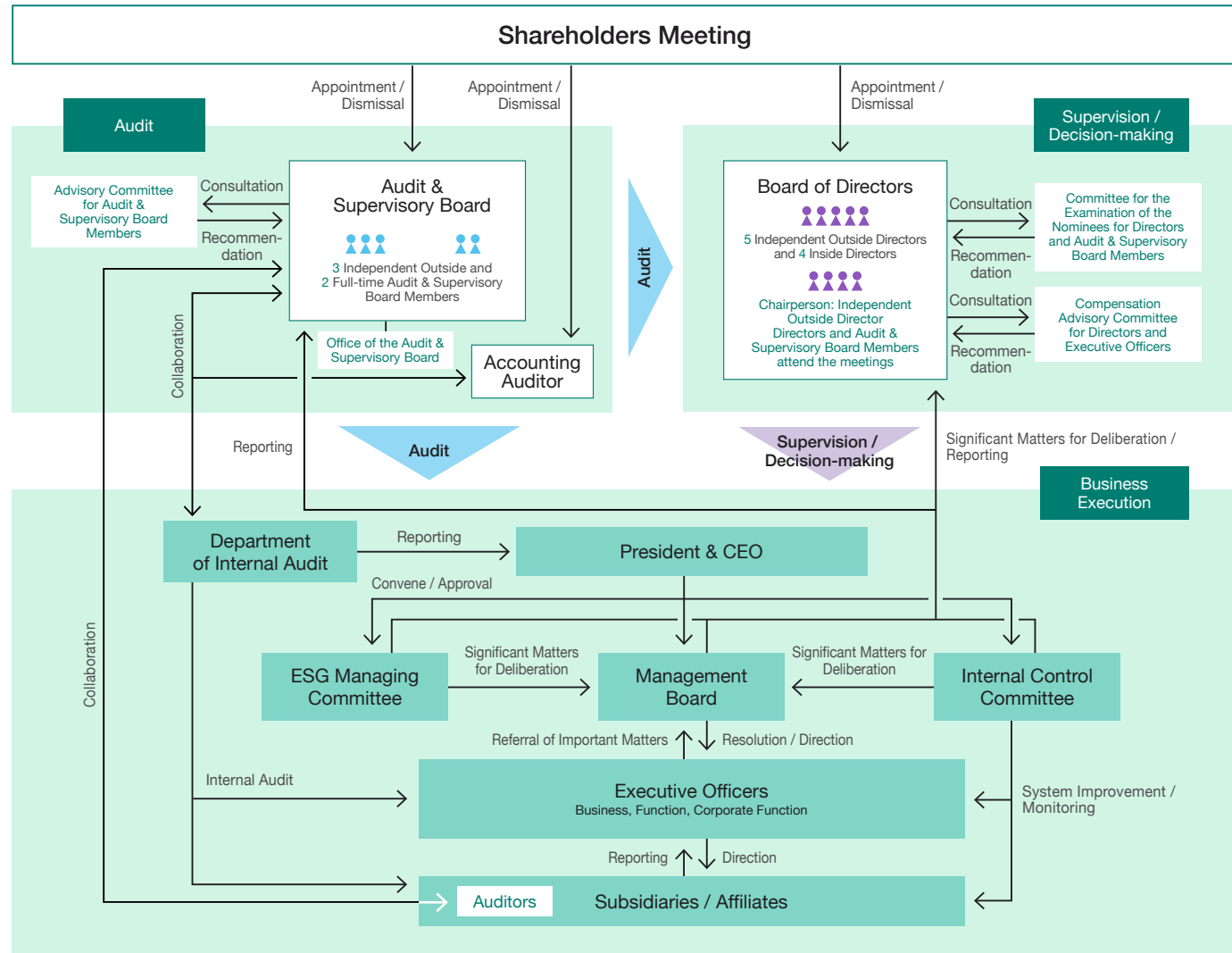
We have adopted the Audit & Supervisory Board structure for the following reasons:

- The expertise of Outside Audit & Supervisory Board Members, including attorneys, certified public accountants and academics, enhances Board diversity and strengthens supervision and auditing.
- Independent Audit & Supervisory Board Members who are not Directors do not vote on Board proposals, allowing them to objectively audit Directors' execution of duties.
- Full-time Audit & Supervisory Board Members collect daily information that informs audit reports and is shared with Outside Directors as needed.

We are committed to continually assessing the optimal structure for our governance bodies.

### Corporate Governance Structure

(As of March 26, 2026)





## Governance

## Corporate Governance Structure

## Main Deliberated Items and Activities of Each Governance Body

Governance Body	Main deliberated items and activities
Board of Directors	Deliberation and oversight of management direction including business strategy, human capital, and sustainability (including supply chain); decisions on important business execution matters such as investments; review of internal control status and policies for the development of internal control; confirmation of the risk management framework, including cybersecurity and geopolitical risks; status of IR and SR activities; decisions on the executive structure; final decisions on nominations and compensation; and evaluation of the effectiveness of the Board of Directors.
Audit & Supervisory Board	Attendance at meetings of the Board of Directors, the Management Board, and other important meetings; collaboration with the Accounting Auditor, the Department of Internal Audit, and Audit & Supervisory Board Members of Group companies; and on-site audits of business divisions and Group companies.
Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members	Deliberation on the size, composition, and diversity of the Board of Directors (including the skills matrix); deliberation on the qualities and capabilities required of the President and CEO, Directors, and Audit & Supervisory Board Members; review of the suitability of candidates for Directors and Audit & Supervisory Board Members; discussion of succession planning; and recommendations to the Board of Directors.
Compensation Advisory Committee for Directors and Executive Officers	Deliberation on the compensation system and compensation levels for Directors and Executive Officers; review of ESG-related compensation indicators; and recommendations to the Board of Directors. The evaluation of the President and CEO is conducted solely by all Outside Directors, excluding the President. The President and CEO attends, in an advisory capacity, deliberations on the compensation of Executive Officers other than himself.
Compensation Advisory Committee for Audit & Supervisory Board Members	Deliberation on the appropriateness of the compensation level for Audit & Supervisory Board Members and on the transparency of the decision-making process; and recommendations to the Audit & Supervisory Board.

● Important matters deliberated by the Management Board, ESG Managing Committee, and Internal Control Committee that meet specified criteria are reported to or resolved by the Board of Directors.

Management Board	Decisions on important matters of business execution; decisions on significant investment matters, including ESG investments; the risk framework (selection of risk themes and owners) and related judgments; and deliberation on important internal control matters. The Management Board reports all deliberated matters to the Board of Directors, which provides oversight.
ESG Managing Committee For more information <a href="#">Sustainability Report P64</a>	Deliberation and approval of disclosures related to the quantitative assessment of financial impacts based on the TCFD framework; the disclosure policy for the Kao Sustainability Report; deliberation and approval of disclosures including the progress of KLP KPIs; and deliberation and approval of additions, revisions, and new KPIs under the KLP. The committee is advised by the ESG External Advisory Board, which is composed of external experts. The committee reports its activities to the Board of Directors twice a year, and the Board provides oversight.
Internal Control Committee	Ensuring the reliability of financial reporting; and reporting on and advancing the activities of internal control functions and related committees.(The following committees are established under it: Information Disclosure, Compliance, Information Security, Risk and Crisis Management, Responsible Care Promotion, and Quality Assurance.) The Internal Control Committee reports its activities and status to the Board of Directors once a year, and the Board deliberates on the underlying policies.
Department of Internal Audit	Internal audits across the overall management activities of Kao and Group companies, from the standpoint of legal compliance, the appropriateness of financial reporting, and the effectiveness and efficiency of operations; and information sharing and collaboration with Audit & Supervisory Board Members and the Accounting Auditor.



# Board of Directors' Activities

## Robust Deliberation and Oversight for Decisive Decision-Making

### Active Oversight Supporting Sustainable Corporate Value

The Board of Directors of Kao focuses on key management issues to enhance corporate value over the medium to long term. Through these efforts, the Board supports appropriate risk-taking by management and enables timely and decisive decision-making. The Board conducts focused discussions on priority themes, including strategy, business portfolio, human capital, and risk, while continuously deliberating on fundamental management issues such as improving capital efficiency, advancing global growth, and strengthening brand strategy. These discussions enhance the quality and effectiveness of decision-making. In addition, the Board reviews proposals from management from multiple perspectives, requesting revisions and providing clear guidance as necessary. This process strengthens oversight, improves decision quality, and mitigates risk.

#### ● Main Discussions and Activities

The Board conducted focused discussions, monitoring, and oversight activities on the following themes.

#### Monitoring of the Progress of the Mid-term Plan and Issues

The Board receives regular reports on business-specific ROIC and monitors profitability and capital efficiency from a medium- to long-term perspective. It also conducts focused discussions on underperforming businesses and growth strategies. The Board has repeatedly reviewed the progress of the Cosmetics Business toward renewed growth, and discussed brand strengthening and market development in the Global Consumer Care Business. When necessary, it has requested the management to review initiatives and strengthen execution. The Board monitors the progress of the Mid-term Plan K27 and engages in discussions to enhance the likelihood of achieving its targets. It also considers strategies beyond K27 from a medium- to long-term perspective.

#### Human Capital Strategy

The Board reviews reports on employee engagement survey results and discusses actions based on the findings. It continues to deliberate on the progress and outcomes of key human capital initiatives, including the OKR (Objectives and Key Results) system and internal job posting system. The Board has confirmed that diverse challenges across the Group are increasing and that collaboration through dialogue is being strengthened. In addition, the Board reviewed the framework for the selection and development of next-generation senior management and confirmed steady progress.

#### Establishment and Operation of the Internal Control System

The Board confirmed that the Internal Control System is appropriately designed and operating effectively. As overseas business expansion accelerates, the Board discusses initiatives to further strengthen the system, including clarifying regulations and enhancing the effectiveness of subsidiary management on a global basis. The Board continues to review and strengthen global governance to support sustained growth.

#### Off-Site Meetings

The Board conducted off-site meetings to further enhance the quality of its discussions. In a setting different from regular Board meetings, Directors engaged in open and constructive discussions on medium- to long-term management issues. They exchanged views on key themes, including the Global Consumer Care Business, underperforming businesses, talent strategy and development, and corporate branding. These discussions deepened shared understanding among Directors and contributed to more substantive and forward-looking strategic discussions, strengthening the Board's ability to support sustained growth.





Governance

# Board Effectiveness Evaluation

## Accelerating PDCA to Enhance Board Effectiveness

### Board Effectiveness Evaluation Initiatives

Kao has conducted an annual evaluation of the effectiveness of the Board of Directors since fiscal 2015 to strengthen its functions. In fiscal 2024, it conducted interviews with selected Directors and implemented a third-party evaluation of Board effectiveness, which is planned to be conducted every three years, enhancing both the quality and objectivity of the evaluation process. In fiscal 2025, a peer review process among Directors was introduced to confirm that each Director fulfills the roles expected of them.

#### Key Observations from the Effectiveness Evaluation

The evaluation highlighted several key areas for further discussion and improvement.

- To achieve K27 and sustain growth beyond it, the Board recognized the need to deepen discussions on the positioning of strategic investments and strengthen verification of their effectiveness. It also identified the need for further discussion on strategic focus in global businesses, including clearer articulation of regional issues and the future direction of the business portfolio.
- In human capital strategy, initiatives such as current-state analysis and the development of a talent pool are progressing. The Board identified the need to advance discussions on human capital investment from a medium- to long-term perspective. This includes the development, recruitment, and placement of core leaders. Additional discussion is also required on global talent management and succession planning, along with further refinement of related processes.
- Regarding the appointment of the President and key executives, the Board identified the need to further develop the process. This includes clarifying role expectations, expanding opportunities for engagement with candidates, formalizing documentation, and enhancing evaluation methods.
- The importance of dialogue with investors continues to grow. The Board confirmed the value of strengthening these engagements. Participation of Outside Directors in shareholder relations (SR) meetings was particularly meaningful, enabling external perspectives to be reflected in Board discussions.
- Under the new Board structure, diverse professional backgrounds are increasingly contributing to the Board's strength. The Board also recognizes its culture of accepting differing opinions as a key strength.

### Board of Directors

	FY2025 initiatives	Current evaluation and future initiatives
Composition	<ul style="list-style-type: none"> <li>Appointment of female and non-Japanese Directors, achieving 30% female representation.</li> <li>Selection based on required skills using a skills matrix to guide Board composition.</li> </ul>	<ul style="list-style-type: none"> <li>Diversity has steadily progressed across gender, nationality, and skills.</li> <li>Board composition will continue to be reviewed in alignment with medium- to long-term strategy.</li> </ul>
Discussion and Monitoring Functions	<ul style="list-style-type: none"> <li>Discussions on business transformation in challenged businesses, as well as on global strategies and overseas management structures.</li> <li>Strengthening oversight functions, including improvements to monitoring indicators aligned with K27.</li> <li>Sharing and assessment of candidates' track records, strengths, and development status in President succession planning. Establishment of engagement opportunities with Outside Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening and evolution of processes for selecting candidates for President succession and other key talent.</li> <li>Continued discussions on structural reform and overseas business growth strategies, and strengthening of strategy execution and verification.</li> <li>Enhancement of governance and monitoring of overseas subsidiaries.</li> </ul>
Dialogue with Shareholders	<ul style="list-style-type: none"> <li>Holding of a business strategy briefing for the Cosmetics Business, identified as a challenged business.</li> <li>Conducting SR meetings with participation from Outside Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Recognition of the significance of Outside Directors' participation in investor dialogue and its continuation.</li> </ul>

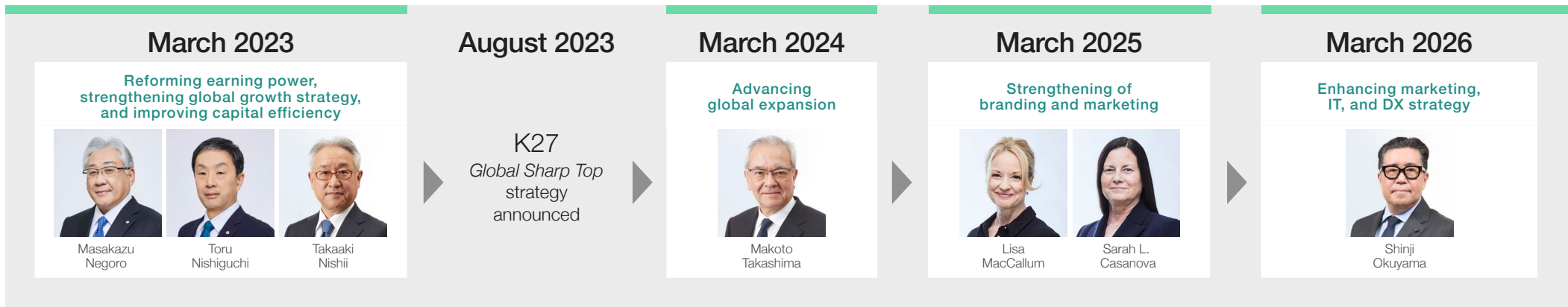
### Committee for the Examination of the Nominees and Compensation Advisory Committee

	FY2025 initiatives	Current evaluation and future initiatives
Composition	<ul style="list-style-type: none"> <li>Confirmation of progress in President succession planning and advancement of related discussions.</li> <li>Clarification of matters delegated from the Board of Directors to the committees.</li> </ul>	<ul style="list-style-type: none"> <li>Further progress is required in succession planning for the President. The committees will continue to deepen discussions on the selection of candidates for key executive roles that will support the successor.</li> </ul>



# Board Composition and Nomination Aligned with Strategy Execution

Accelerating Global Growth through Strategic Director Candidate Nomination



## Approach to Board Composition and Nomination

Kao designs the composition of the Board of Directors based on the knowledge, experience, and capabilities required for strategy execution, as well as diversity, ensuring alignment with strategic priorities in both decision-making and oversight. The composition is continuously reviewed to maintain an appropriate balance that reflects each director's expertise and experience, thereby strengthening the Board's ability to provide informed judgment and sustain governance quality. Kao appoints Directors with expertise in areas critical to sustainable growth, including global management, branding, and finance, enhancing the quality of discussions and supporting effective evaluation of strategic initiatives. The Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members deliberates on Board composition and defines the skills and experience required, ensuring alignment with evolving strategic requirements.

## Nomination Process

The Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members conducts fair and objective reviews of candidates. It consists of all Outside Directors and one Outside Audit & Supervisory Board Member, ensuring independence and transparency.

The process includes the following steps:

- (1) Discusses the desired composition, including required skills and Board size, based on strategy and the business environment
- (2) Selects candidates who align with the composition policy

- (3) Conducts interviews following document screening
- (4) Deliberates on required experience, expertise, mindset, and qualities
- (5) Submits recommendations to the Board of Directors

The Board of Directors determines candidates, respecting the Committee's recommendations and reinforcing disciplined governance. Reappointment candidates undergo an annual review, incorporating mutual evaluations among directors. Internal Director candidates are also evaluated by Outside Directors, and these results inform reappointment decisions.

## Director Nomination Aligned with Strategic Priorities

In 2025, Kao identified the need to strengthen branding, marketing, and digital strategy as critical to achieving global growth. Based on this, the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members considered candidates with relevant expertise.

As a result, Kao appointed Mr. Okuyama as an Outside Director. He brings extensive experience in marketing and management across industries, including roles in Japan and Asia at a global consumer goods company, experience in portfolio transformation at a food manufacturer, and leadership at a global IT company.

This appointment builds on initiatives since 2023 to reform earning power, improve capital efficiency, and strengthen global expansion, branding and marketing. Kao positions Board composition as a key enabler of strategy execution, enhancing both advisory and oversight functions, and supporting sustained corporate value growth.



# Succession Planning

The Board and Committee Actively Engaged in Formulating, Implementing, and Evaluating Succession Planning

## Approach to Succession Planning

Succession planning, including for the President & CEO, is positioned as a critical management priority that underpins Kao's sustainable growth. The Board of Directors and the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members lead ongoing deliberations and provide oversight of this process. Kao has established a framework that enables the timely and appropriate selection of top management. Kao systematically develops and evaluates multiple candidates for the President & CEO, as well as for the executive leadership team supporting this role.

For executive leadership, Kao evaluates and nominates candidates based on two key criteria. The first is a deep understanding of the Kao Group's business and management environment necessary for strategy formulation. The second is the experience and capability to execute Board-determined strategies with strong and timely leadership.

## Succession Planning Process

The President & CEO defines the qualification requirements for the next President & CEO from a medium- to long-term perspective, taking into account Kao's management environment, and prepares a list of successor candidates and development plans aligned with these requirements.

The Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members deliberates on three elements. These are (1) qualification requirements, (2) the list of successor candidates, including their experience, evaluation, and qualities, and (3) development plans, while also monitoring implementation. The details and outcomes of these deliberations are reported to the Board of Directors.

Based on these deliberations, the President & CEO reviews the candidate list and development plans as appropriate and implements development measures.

The status of implementation is reported regularly, at least annually, to the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, which conducts ongoing monitoring.

## Succession Planning Operational Process



## Deliberation on Succession Planning

The Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, led primarily by Outside Directors, deliberates on succession planning with a focus on the following perspectives:

- The appropriateness of qualification requirements in light of the medium- to long-term strategy and the business environment.
- The composition of the executive leadership team, including the President & CEO, and priorities for strengthening the team.
- The status of strategic development assignments aligned with the experience and qualities of successor candidates.
- The continuous and multifaceted evaluation of successor candidates.
- Ongoing opportunities for engagement with the Board of Directors and committee members.

In alignment with talent strategy and development, Kao strengthens its initiatives and oversight to ensure the systematic development and appropriate nomination of talent responsible for sustainable growth and medium- to long-term corporate value enhancement.



## Governance

# Skills Matrix of the Directors and Audit & Supervisory Board Members

A Board United by Purpose, Strengthened by Diverse Expertise

	Inside Directors				Outside Directors					Inside Audit & Supervisory Board Members		Outside Audit & Supervisory Board Members		
	Yoshihiro Hasebe	Masakazu Negoro	Toru Nishiguchi	Lisa MacCallum	Eriko Sakurai	Takaaki Nishii	Makoto Takashima	Sarah L. Casanova	Shinji Okuyama	Yasushi Wada	Mami Murata	Saeko Arai	Junya Naito	Shuji Tamaki
Term of office	10 years	3 years	3 years	1 year	4 years	3 years	2 years	1 year	–	3 years	1 year	2 years	1 year	–
Gender	Male	Male	Male	Female	Female	Male	Male	Female	Male	Male	Female	Female	Male	Male
Nationality	Japan	Japan	Japan	Australia	Japan	Japan	Japan	Canada	Japan	Japan	Japan	Japan	Japan	Japan
Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members					○	○	○	◎	○				○	
Compensation Advisory Committee for Directors and Executive Officers	○				○	◎	○	○	○					
Experience, knowledge, and expertise	Management	●			●	●	●	●	●					
	Global	●	●	●	●	●	●	●	●	●		●	●	●
	Consumer goods industry	●		●	●		●		●		●			
	Chemical industry	●	●			●								
	Branding			●	●				●	●		●		
	Human capital strategy	●			●	●	●		●	●				
	R&D	●												
	Environment / Society	●	●		●	●			●	●	●	●		
	IT / DX	●			●				●				●	
	Legal / Risk management							●		●			●	●
	Finance / Accounting		●		●		●	●					●	



## Governance

## Skills Matrix of the Directors and Audit &amp; Supervisory Board Members

	Position(s) / Profile	Main Reasons	
Inside Directors	Yoshihiro Hasebe	—	<ul style="list-style-type: none"> <li>• Experience in the Company's Research and Development (including experience in global operations, and knowledge of fundamental and applied technologies and matter cycle research) (Doctor of Engineering)</li> <li>• Experience at the Company's overseas business promotion projects</li> <li>• Experience as the Company's Senior Vice President of Strategic Innovation Technology</li> <li>• Experience as the Company's officer responsible for Human Capital Development</li> </ul>
	Masakazu Negoro	Responsible for Management Finance Unit	<ul style="list-style-type: none"> <li>• Experience in the Company's Chemical Business and management experience at overseas subsidiaries (Chemical Business)</li> <li>• Experience at the Company's Procurement, Global (including promotion of sustainability activities in procurement)</li> <li>• Experience as the Company's officer responsible for Accounting and Finance</li> </ul>
	Toru Nishiguchi	Responsible for Global Consumer Care Business, Global; President, Global Consumer Care, Asia	<ul style="list-style-type: none"> <li>• Experience in the Company's Consumer Products Business</li> <li>• Experience in management and global marketing at the Company's overseas subsidiaries</li> <li>• MBA</li> </ul>
	Lisa MacCallum	Founder and President, Inspired Companies Pty Ltd.	<ul style="list-style-type: none"> <li>• Experience leading business transformations and brand repositioning for a leading global sporting goods company</li> <li>• Experience advising on brand purpose, strategy, employee experience, ESG communications, and the impact of digitization</li> <li>• Chartered Accountant with major firm experience</li> </ul>
Outside Directors	Eriko Sakurai	Former President, Dow Chemical Japan Limited	<ul style="list-style-type: none"> <li>• Experience as the head of a global division and the regional head of a major U.S. chemical company</li> <li>• Experience in overall human resources strategy, including compensation, development, and assignment in global businesses</li> <li>• Knowledge of sustainability</li> </ul>
	Takaaki Nishii	Former Director, Representative Executive Officer, President & CEO, Ajinomoto Co., Inc.	<ul style="list-style-type: none"> <li>• Experience as the top executive of a major global food company (mid-term ROIC management results)</li> <li>• Experience in restructuring overseas subsidiaries</li> <li>• Experience in the human resources department</li> </ul>
	Makoto Takashima	Chairman of the Board, SMFG	<ul style="list-style-type: none"> <li>• Experience as the top executive of a major global financial institution</li> <li>• Experience in international and corporate planning departments</li> <li>• Experience in risk management and legal affairs in bank management</li> </ul>
	Sarah L. Casanova	Former Representative Director, President and CEO, McDonald's Company (Japan), Ltd.	<ul style="list-style-type: none"> <li>• Experience managing the Japanese company of a major global restaurant chain</li> <li>• Experience as a head of various countries and regions, including Japan</li> <li>• Marketing experience in various countries and regions</li> <li>• MBA (Marketing / HR focus)</li> </ul>
	Shinji Okuyama	President, Google Japan G.K.	<ul style="list-style-type: none"> <li>• Experience as an executive at the Japanese subsidiary of a global consumer products company</li> <li>• Experience leading initiatives addressing social issues at a global IT company</li> <li>• Experience as a representative for a global IT company</li> <li>• Experience as a marketing leader at a major global food manufacturer</li> </ul>
Inside Audit & Supervisory Board Members	Yasushi Wada	—	<ul style="list-style-type: none"> <li>• Experience in the Company's Product Quality Management</li> <li>• Experience at the Company's global production sites</li> <li>• Experience in the Company's process engineering development and plant management</li> </ul>
	Mami Murata	—	<ul style="list-style-type: none"> <li>• Experience in the Consumer Products Business</li> <li>• Experience in overseeing Strategic Public Relations (including social contributions) and serving as Deputy Head of the Marketing Innovation Division</li> <li>• Experience as Executive Director of The Kao Foundation for Arts and Sciences</li> </ul>
Outside Audit & Supervisory Board Members	Saeko Arai	Certified Public Accountant	<ul style="list-style-type: none"> <li>• Certified Public Accountant</li> <li>• Experience as a representative of a U.S. corporation</li> <li>• Experience as a partner of an IT venture company</li> </ul>
	Junya Naito	Lawyer	<ul style="list-style-type: none"> <li>• Attorney-at-Law, Japan and New York, U.S.A.</li> </ul>
	Shuji Tamaki	Former member(Full-time), chairperson of Audit & Supervisory Board, OMRON Corporation	<ul style="list-style-type: none"> <li>• Experience in global risk management at a governance-leading Japanese company</li> <li>• Experience as an Executive Officer in charge of Legal Affairs and as an Audit &amp; Supervisory Board Member (Full-time) / Chairman</li> </ul>



Governance

# Executive Compensation

## Enhancing Medium- to Long-Term Corporate Value and Sharing Value with Stakeholders

### Purpose of Executive Compensation

Executive compensation levels and structures are determined in line with the following objectives.

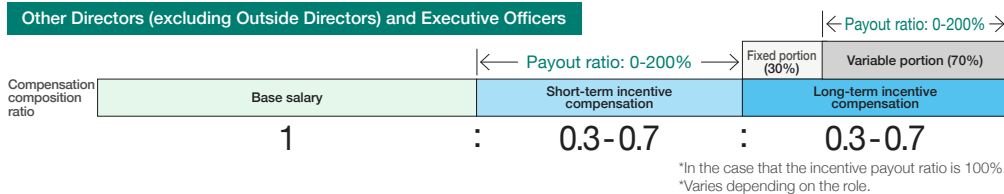
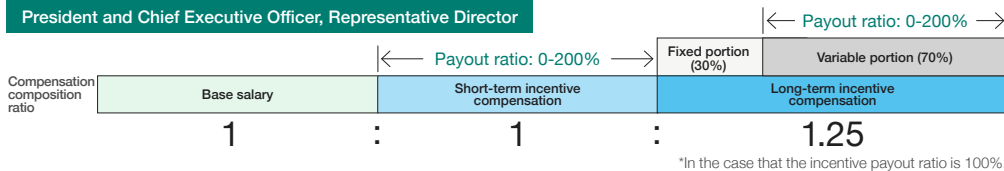
- Secure and retain diverse and excellent talent to establish and improve competitive advantages.
- Promote prioritized measures for continuous increases in corporate value.
- Share interests in common with shareholders and other stakeholders.

### Composition of Executive Compensation and Composition Ratio

Compensation for Directors and Executive Officers, excluding Outside Directors, consists of base compensation, short-term incentive compensation, and long-term incentive compensation. Outside Directors receive base compensation and non-performance-linked stock compensation. Audit & Supervisory Board Members receive base compensation only.

Non-performance-linked stock compensation for Outside Directors was introduced in April 2026. In addition to strengthening oversight and advice from an independent standpoint, this program promotes share ownership and supports initiatives that enhance corporate value while aligning interests with stakeholders.

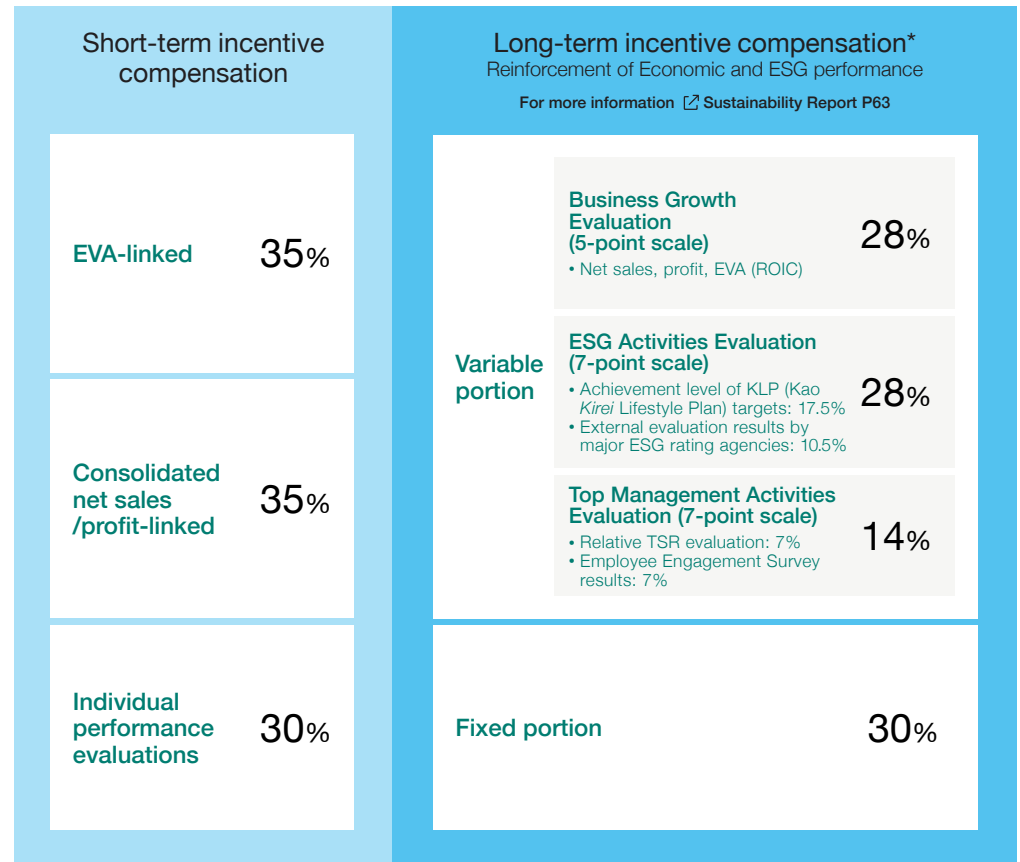
#### Compensation Structure



The levels of compensation for Directors, Executive Officers, and Audit & Supervisory Board Members are determined each year after ascertaining the levels of other major manufacturers of a similar size, industry category, and business type to Kao and other companies that are comparable to Kao in terms of the direction of management strategies and business form, using officer compensation survey data from an external survey organization.

### 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.



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.



# Stakeholder Engagement

## Enhancing Corporate Value Through Dialogue via IR, SR, and PR

### Integrating Stakeholder Dialogue into Management

Kao's Directors and management value listening to stakeholders, including shareholders and investors, and engage in constructive dialogue with an open approach.

Insights from these dialogues are shared with the Board of Directors as necessary and reflected in management decisions when they enhance corporate value. The outcomes are also disclosed transparently. Kao provides multiple opportunities for dialogue, including online and on-site events for

shareholders, to deepen understanding and build trust.

### Communicating Kao's Strategy Through IR Activities

Kao continuously enhances its disclosure based on insights from dialogue with institutional investors. This includes clarifying key issues and improving the visibility of capital allocation. In addition to quarterly earnings announcements, Kao holds more than 350 investor meetings and briefings annually. In 2025, Kao held a cosmetics strategy briefing to outline business recovery and mid-term strategies.

These efforts contributed to Kao being ranked first in the 2025 Awards for Excellence in Corporate Disclosure (Cosmetics & Personal Care category) by the Securities Analysts Association of Japan, reflecting proactive dialogue led by top management and a consistent approach to investor dialogue.

Insights from these engagements are regularly reported to the Board of Directors and used to refine management strategies and further enhance disclosure.



Preparing for IR Interviews

### Ongoing Dialogue with Major Shareholders, Strengthening Our Governance

Kao conducts ongoing individual meetings between management, Directors, and major shareholders to engage in constructive dialogue. In 2025, members of management, including the President & CEO, and Outside Directors met with major shareholders to exchange views on the Board's positions on agenda items of the Annual General Meeting of Shareholders, the status of follow-up on issues raised previously, the Board's initiatives, strengthening corporate governance, and strategies to enhance capital efficiency, among other topics.

Kao also held ongoing dialogue (four times a year) with shareholders who have submitted shareholder proposals. These dialogues, involving the President & CEO, members of management, Outside Directors, and the IR division, covered topics such as the progress of Mid-term Plan K27, marketing strategy, and key management issues.

Insights gained from these dialogues also informed deliberations by the Compensation Advisory Committee for Directors and Executive Officers and the Board of Directors on the introduction of non-performance-linked stock compensation for Outside Directors. The proposal was submitted to the Annual General Meeting of Shareholders in March 2026 and was approved.

### Engagement with Individual Shareholders

Kao engages with individual shareholders through both online and on-site events. At

the Sumida site event, participants experienced *Yoki-Monozukuri* and received direct explanations from employees.

Feedback indicated an improved understanding of Kao's research capabilities and its commitment to the environment and society, while direct interaction with employees further deepened engagement with the business.

Kao will continue to expand dialogue opportunities and leverage insights gained to enhance communication and support sustained corporate value growth.



Event Showcasing Kao's *Yoki-Monozukuri*

### FY2025 Engagement Results

IR interviews

**407** sessions\*

\* Including overseas IR roadshow.

SR interviews

**49** sessions

Shareholder briefings

Online: **700** participants (two briefings)

Onsite: **105** participants (one briefing)

### Key Strategic Topics in Stakeholder Dialogue

- Progress of Mid-term Plan K27
- ROIC
- Growth and global expansion
- Pricing
- Marketing
- Talent and organization
- Capital allocation
- Agenda items of the 119th Annual General Meeting of Shareholders
- Corporate governance structure

# Audit & Supervisory Board Activities

Ensuring a Sound Management Foundation Through Dialogue with people on-site (*Genba*)

Kao has adopted a company structure with an Audit & Supervisory Board in accordance with Japan's Companies Act. Corporate Auditors, as members of the Audit & Supervisory Board, are elected at the General Meeting of Shareholders and, from an independent position without concurrently serving as Directors, audit the execution of duties by Directors and Executive Officers. They conduct these audits by attending key management meetings and through site visits and interviews with each division and Kao Group company. Through these activities, the Audit & Supervisory Board works to strengthen governance that supports Kao's sound and sustainable growth and uphold stakeholder trust.

## Audit Policy

To achieve the Mid-term Plan K27, Kao is advancing the Reform of Earning Power and aims to become a *Global Sharp Top* company by strengthening *Yoki-Monozukuri* and maximizing employee vitality. The Audit & Supervisory Board shares management's sense of urgency and recognizes the need to accelerate global growth. Based on this shared understanding, the Audit & Supervisory Board conducts audit activities that remain attentive to expectations from stakeholders and society. These activities focus on confirming progress in the implementation of K27 and monitoring the company's responses to risks in the management environment.

## Structure and Activity Framework of the Audit & Supervisory Board

The Audit & Supervisory Board consists of five Corporate Auditors: two Full-time Corporate Auditors and three Outside Corporate Auditors. The Full-time Corporate Auditors bring extensive in-house executive experience and broad organizational knowledge. The Outside Corporate Auditors contribute leadership experience, specialized expertise, and deep insight. Together, they share audit-related information in a timely manner and deliberate from diverse perspectives. The Office of the Audit & Supervisory Board is established directly under the Audit & Supervisory Board. This office supports the duties of Corporate Auditors, and its members also serve concurrently as Corporate Auditors of subsidiaries.

## Deliberations of the Audit & Supervisory Board

- Number of meetings: 10  
Corporate Auditor attendance rate at 100%, with an average meeting time of 2 hours and 15 minutes
- Matters resolved: 18  
Audit policies, key audit items, annual plans, audit reports, and related matters
- Matters discussed: 16  
Audit findings, revision of the policy for selecting Corporate Auditor candidates, confirmation of the effectiveness evaluation process, and related topics

In addition to formal meetings, the Audit & Supervisory Board also engages in active discussions on themes such as the skills of Corporate Auditors and Group Governance.

## ● Matters of Particular Focus in Audit Activities

### Key Audit Items

1. Execution of duties by Directors and Executive Officers
2. Effectiveness of Group Governance
3. Development and operational status of the Internal Control System
4. Proactive disclosure

### Proactive Contribution of Perspectives

Corporate Auditors proactively contribute their perspectives on decision-making processes and resolutions at key management meetings, including meetings of the Board of Directors and Management Board. They also hold regular exchanges of views with Directors and Executive Officers on the key audit items. These discussions help improve governance and reinforce the quality of management decision-making.

### Dialogue with the *Genba*

Corporate Auditors place strong emphasis on understanding conditions at the *Genba*. Through site visits and interviews with each division and Kao Group company, they confirm how management strategies are being implemented, identify proactive initiatives, and understand issues faced at the *Genba* as well as requests to management. After completing these visits and interviews, Corporate Auditors share their comments by classifying them as guidance items, requests, advice, or excellent initiatives. This feedback enables each organization to apply it to its own activities and strengthen operational improvement.



On-site inspection and interviews at Molton Brown factory in the UK.

FY2025  
Site Visits and Interviews conducted:

101

At least one Outside Corporate Auditor participated in approximately 70% of the sessions.



Governance

Audit & Supervisory Board Activities

Major Initiatives in FY2025

- For K27, the Audit & Supervisory Board confirmed that initiatives undertaken by each business to establish *Global Sharp Top* are progressing steadily. In the Cosmetics Business, which serves as a growth driver, the Audit & Supervisory Board verified how deeply growth strategies had been implemented at the *Genba* and assessed the effectiveness of structural reforms through site visits, interviews, and participation in key meetings. With respect to the Reform of Earning Power, ROIC has taken root not only in business divisions but also in functional divisions. The Audit & Supervisory Board confirmed numerous examples of its use and shared effective practices with the Board of Directors.
- The Audit & Supervisory Board also reviewed the results of audits conducted over the past 15 years through Three Types of Audits\* covering 90 subsidiaries subject to audit. Based on this review, priority audit areas for the future were identified and shared with the Department of Internal Audit. Governance of overseas subsidiaries will continue to be monitored closely as an important theme supporting further global business expansion.

\* Audit & Supervisory Board, Accounting Auditor, and the Department of Internal Audit

Evaluation of the Effectiveness of the Audit & Supervisory Board

The Audit & Supervisory Board conducts audits centered on key audit items and evaluates the effectiveness of its activities from multiple, objective perspectives. In addition to self-evaluations by each Corporate Auditor, the Audit & Supervisory Board reviews opinions from Directors and other relevant parties. Based on these inputs, the Audit & Supervisory Board identifies positive aspects and expectations for the future and discusses them extensively. As a result of this evaluation, the Audit & Supervisory Board concluded that it is functioning effectively overall. Key themes identified through the evaluation will be reflected in the audit policy, key audit items, and activity plans for the following year to further strengthen the effectiveness of audit activities.

For more information [NOTICE OF THE 120th ANNUAL GENERAL MEETING OF SHAREHOLDERS P56-58](#)



Outside Audit & Supervisory Board Member

Junya Naito

Corporate Culture and Strengths Identified through Audit Activities

The Board of Directors is composed of members with diverse experience and expertise aimed at achieving *Global Sharp Top*. It operates in an open atmosphere where Corporate Auditors, as members of the Audit & Supervisory Board can speak freely and engage in active discussion. I value applying my expertise in external legal affairs and compliance while maintaining a global perspective. I seek to recognize objectively what is strong by global standards, while also offering perspectives that may at times challenge the views of the executive side.

The Audit & Supervisory Board is also pursuing proactive initiatives. Through repeated on-site audits and interviews at operational sites, we identify risks and issues and encourage improvements. At the same time, we conduct our own effectiveness evaluations and work to ensure highly transparent governance.

Through dialogue with operational sites, one impression stood out most strongly. Each employee takes pride in the company's products and manufacturing, and the quality of our products is truly one of Kao's greatest strengths.

As expressed in the Kao Way, walking the right path and confronting challenges directly without turning away will support the Kao Group's medium- to long-term growth and the enhancement of corporate value.

Feedback from the Board of Directors and Executive Officers

Logical opinions based on the independent perspectives and expertise of Outside Corporate Auditors, together with observations grounded in the *Genba* knowledge and historical context of Full-time Corporate Auditors, are highly valuable.

Insights gained through site visits and interviews provide a clear understanding of actual business conditions. Since the truth of any business lies at the *Genba*, increasing opportunities for such sharing would be beneficial.

Hearings conducted by Corporate Auditors function effectively in identifying real issues and formulating countermeasures. They also provide positive feedback, making them valuable opportunities that contribute to improving member motivation.



Governance

# Risk and Crisis Management

## ERM\*1 Supporting Strategy and Execution in Times of Uncertainty

Kao addresses the diverse and complex risks it faces not only as threats but also as opportunities. Since introducing Enterprise Risk Management (ERM) in 2016, Kao has continued to strengthen risk management on a global basis. Appropriate risk management reduces potential physical damage and financial losses while supporting new challenges and increasing the likelihood of business success, thereby enhancing global corporate value.

### Kao's ERM

Kao's ERM integrates the perspectives of the *Genba* and management. Through risk surveys conducted at the *Genba* and interviews with management, Kao identifies and assesses key risks that could hinder the achievement of the Mid-term Plan K27, along with related response issues. Based on this assessment, risks with a particularly significant impact on management are designated as corporate risks and addressed through prioritized initiatives.

### Addressing Corporate Risks

For corporate risks, the Management Board determines risk themes and assigns risk owners (Executive Officers). Dedicated response teams are established to address each risk. The Risk and Crisis Management Committee reviews the effectiveness of response measures and monitors progress, while the Management Board reviews the themes annually.

Key themes include large-scale earthquakes and natural disasters (including BCP), cyberattacks, human capital, geopolitics, reputational risks, pandemics, and product quality issues.

For more information [Risk Management Activities](#)

### ● Response to Cyberattacks

Kao continues to strengthen cybersecurity through a combination of human, organizational, and technological measures. In addition to establishing organizational frameworks and promoting education and awareness through Information Security Committees in Japan and overseas, Kao is strengthening technological measures such as access control and authentication, monitoring and detection, and vulnerability management.

Kao is also enhancing backup systems in isolated environments and developing recovery plans while strengthening security across the entire supply chain. In addition, Kao aims to establish comprehensive digital trust\*2 by strengthening the protection of confidential and personal information and by enhancing measures to address risks associated with the use of AI and social media.

### Risk and Crisis Management

Kao defines risk as the effect of uncertainty on the achievement of management objectives and the execution of business activities. Based on this definition, Kao appropriately manages the risks and crises that may arise across management and business operations.

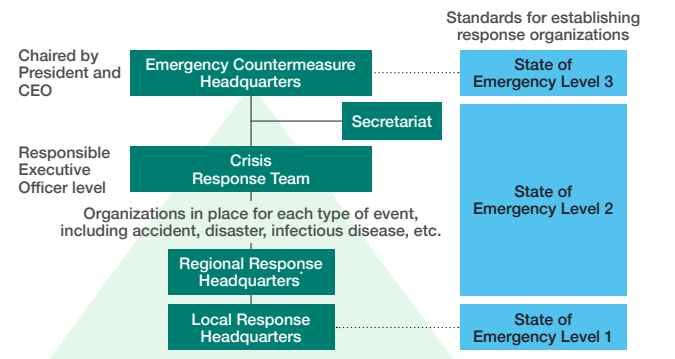
The Kao Risk and Crisis Management Policy defines the following priorities for response: protection of human life, environmental protection, maintenance of operations, and preservation of assets.

The Risk and Crisis Management Committee establishes the management framework and activity guidelines for risk and crisis management. Each department at headquarters and each global affiliate manages risks based on this framework and these policies. These activities are reviewed by the Management Committee and approved by the Board of Directors, while the Internal Control Committee confirms the effectiveness of risk and crisis management.

### Crisis Response

In the event of a crisis, response organizations appropriate to the level of emergency are established to minimize damage and losses.

#### ✔ Applicable Event: Accident, Disaster, Infectious Disease, etc.



\* Regional Response Headquarters: An organization that gathers local information, collaborates with and supports local offices, decides on regional actions, and provides instructions for these actions

#### State of Emergency Level

Level 1	Level 2	Level 3
Relevant divisions can respond on a local basis	Impact on operations at multiple divisions and locations	Company-wide impact, and on Kao's business

\*1 Enterprise Risk Management: Activities to identify and assess all major risks in an integrated and comprehensive manner, and implementing countermeasures that enhance corporate value.

\*2 A state in which consumers, customers, and employees can use digital environments with confidence



Governance

# Disclosure Aligned with TCFD Recommendations

Kao endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019 and has been disclosing information based on its recommendations. We recognize climate change as both a major risk to business continuity and an opportunity for growth.

We assessed financial impacts under the 1.5°C and 4°C scenarios, calculating potential losses if no actions are taken, such as price adjustments.

In palm oil procurement, we expect cost increases in both scenarios due to supply-demand constraints. To address this risk, Kao is promoting the development of sustainably designed high-performance raw materials, such as Bio IOS®, as well as alternative raw materials. These innovations not only mitigate risks but also create strategic differentiation and business opportunities. Mitigation opportunities include growing demand for water- and energy-saving products and plastic-reducing products in the Consumer Care Business, as well as products in the Chemical Business that help customers reduce climate-related risks. Adaptation opportunities include increased demand for UV care and self-tanning products in the Skin Protection Business, along with disinfectants, detergents, and repellents that help reduce infectious disease risks. In line with Kao's Sustainable Product Development Policy, we will continue to mitigate risks and create business opportunities through product innovation.

### Key Activities and Progress in FY2025

Key Activities and Progress																
<b>Governance</b>	<ul style="list-style-type: none"> <li>Kao's ESG governance structure features an organization joined by external members who supervise and advise management. Our structure also has reinforced functions for converting management decisions into innovation and initiatives that can be executed in a swift and targeted way.</li> <li>The ESG Steering Committees for decarbonization has held deliberations on carbon zero.</li> </ul>															
<b>Strategy</b>	<ul style="list-style-type: none"> <li>We aim to achieve both a sustainable society and business growth by contributing to society-wide emissions reductions through climate change mitigation and by adapting to a changing environment.</li> <li>Conduct scenario analysis of climate-related risks and opportunities based on the TCFD recommendations. See "Main Business Risks and Countermeasures" and "Key Business Opportunities" at the bottom for details.</li> </ul>															
<b>Risk management</b>	<ul style="list-style-type: none"> <li>The major risks related to climate change have been included in Kao's overall risk management process and are managed as part of our corporate risks.</li> </ul> <p>For more information <a href="#">p68 Risk and Crisis Management</a></p>															
<b>Metrics and targets</b>	<ul style="list-style-type: none"> <li>We have established our targets for 2030 and are taking action based on our policy of moving toward carbon zero by 2040 and carbon negative by 2050.</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>Target for 2030</th> <th>Results in 2025</th> </tr> </thead> <tbody> <tr> <td>% reduction in absolute scope 1+2 CO<sub>2</sub> emissions</td> <td>55% (base year: 2017) *1</td> <td>47%</td> </tr> <tr> <td>% of renewable energy in electricity consumption</td> <td>100% *2</td> <td>78%</td> </tr> <tr> <td>% reduction in absolute full lifecycle CO<sub>2</sub> emissions</td> <td>22% (base year: 2017)</td> <td>17%</td> </tr> <tr> <td>Contribution to greenhouse gas reduction *3*4</td> <td>10,000 thousand tons - CO<sub>2</sub></td> <td>4,485 thousand tons - CO<sub>2</sub></td> </tr> </tbody> </table>		Target for 2030	Results in 2025	% reduction in absolute scope 1+2 CO <sub>2</sub> emissions	55% (base year: 2017) *1	47%	% of renewable energy in electricity consumption	100% *2	78%	% reduction in absolute full lifecycle CO <sub>2</sub> emissions	22% (base year: 2017)	17%	Contribution to greenhouse gas reduction *3*4	10,000 thousand tons - CO <sub>2</sub>	4,485 thousand tons - CO <sub>2</sub>
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\*1 This has been approved by the Science Based Targets Initiative as one of the targets for the 1.5°C scenario.  
 \*2 We have become a member of RE100.  
 \*3 The seven greenhouse gases (GHG) agreed upon at COP 17 and CMP 7 under the United Nations Framework Convention on Climate Change.  
 \*4 The total emission reductions achieved across society due to products from the Kao Group.

### Main Business Risks and Countermeasures

Area of evaluation	Financial impact in 2050 (unit: billion yen)		Kao's actions
	1.5°C scenario	4°C scenario	
Potential carbon tax	(25.4)	(9.3)	Promote the use of renewable energy according to the 1.5°C scenario.
Introduction of restrictions on plastics	(7.9) Taxation	-	Reinforce efforts to support the transition to a society based on plastic recycling.
	(4.6) Mandatory use of recycled plastic	-	Promote Innovation for Reduction and Innovation for Recycling.
Fossil-based raw material price increase	-*5	-*5	Fossil-based raw material reduction.
Raw material price increase (palm oil)*6	(79.1)	(76.1)	Optimize palm oil and alternatives, and boost R&D.
Energy price increase	(1.1)	(1.1)	Encourage photovoltaic power system adoption.
Intensification of extreme weather	(0.4)	(4.6)	Develop a Business Continuity Plan-focused production system.

\*5 Raw material prices were already high due to geopolitical risks, thus they did not appear as a financial impact.  
 \*6 Future prices were estimated using multiple regression analysis based on past palm oil/kernel oil trends.

### Key Business Opportunities

Mitigation	<ul style="list-style-type: none"> <li>The Consumer Care Business: Expand the ethical products business (water-saving, energy-saving, plastic waste reduction, third-party certified label products, etc.).</li> <li>Chemical Business: Develop and sell products that help customers reduce climate change risks.</li> <li>Both businesses: Promote products utilizing CCUS (CO<sub>2</sub> utilization) technology.</li> </ul>
	<ul style="list-style-type: none"> <li>Enhance products that contribute to clean and comfortable living in higher temperatures (detergents, antibacterial products, antiperspirants, repellents, etc.).</li> <li>Enhance products that protect skin from sunlight (Skin Protection Business).</li> <li>Skin Protection Business (UV care, self-tanning, repellents, etc.) sales target in 2030: 100 billion yen</li> </ul>



# Data Section

The numbers speak. So does the performance.  
Financial and non-financial results demonstrating steady advancement and the potential for future growth.

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## Data Section

## Business Segments and Main Product Categories

		Net sales		Operating income	Operating margin	Main brands
		1,688.6¥bn YoY +3.7%	Share	164.1¥bn YoY +17.4¥bn	9.7% YoY +0.7pts	
Global Consumer Care Business	<b>Hygiene Living Care Business</b> • Laundry detergents • Fabric treatments • Kitchen cleaning products • House cleaning products • Paper-based cleaning products • Sanitary napkins • Baby diapers	549.3¥bn +1.1%	32.5%	81.3¥bn +5.5¥bn	14.8% +0.9pts	
	<b>Health Beauty Care Business</b> • Skin care products • Hair care products • Professional hair care products • Bath additives • Oral care products • Thermo products	432.9¥bn +2.2%	25.7%	39.1¥bn +4.7¥bn	9.0% +0.9pts	
	<b>Cosmetics Business</b> • Counseling cosmetics • Self-selection cosmetics	261.6¥bn +6.9%	15.5%	10.4¥bn +14.1¥bn	4.0% +5.5pts	
	<b>Business Connected Business</b> • Commercial-use hygiene products	39.2¥bn (3.2%)	2.3%	2.3¥bn (3.0)¥bn	5.8% (7.1)pts	
	<b>Chemical Business</b> • Oleo chemicals • Performance chemicals • Information materials	451.5¥bn +6.9%	24.0%	30.2¥bn (5.5)¥bn	6.7% (1.8)pts	

- Results for the fiscal year ended December 31, 2025
- ¥bn : Abbreviation for Japanese yen in billions
- Year-on-year growth rates for net sales are shown on a like-for-like basis, excluding the effect of translation of local currencies into Japanese yen.
- Net sales of the Chemical Business include intersegment transactions.
- Operating income of ¥164.1 bn includes corporate expenses and other items not allocated to each segment.

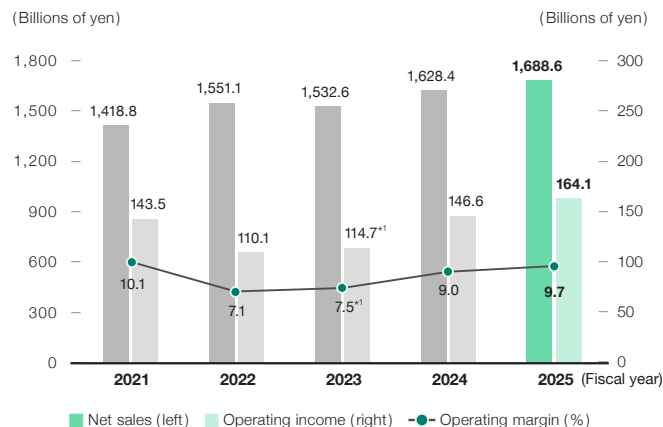


Data Section

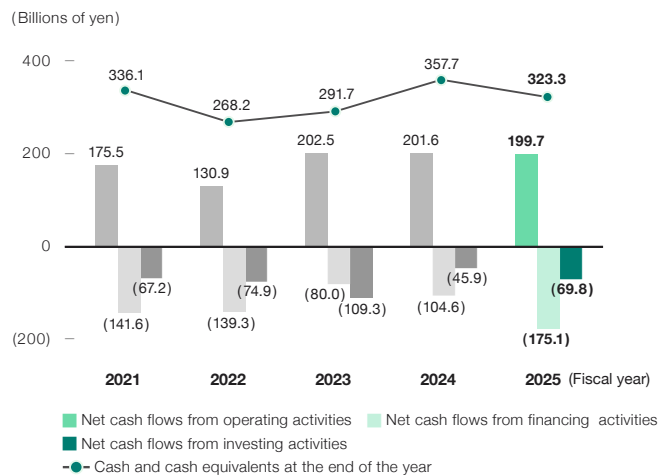
# Financial Highlights

Operating income increased through sales growth and improved profitability, generating solid operating cash flow. These funds support growth investments that enhance ROIC and EVA while sustaining shareholder returns and improving EPS and ROE to drive sustainable corporate value.

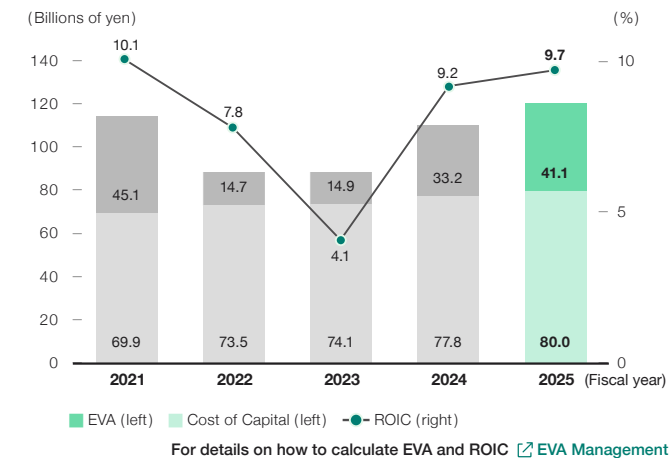
### Net Sales / Operating Income



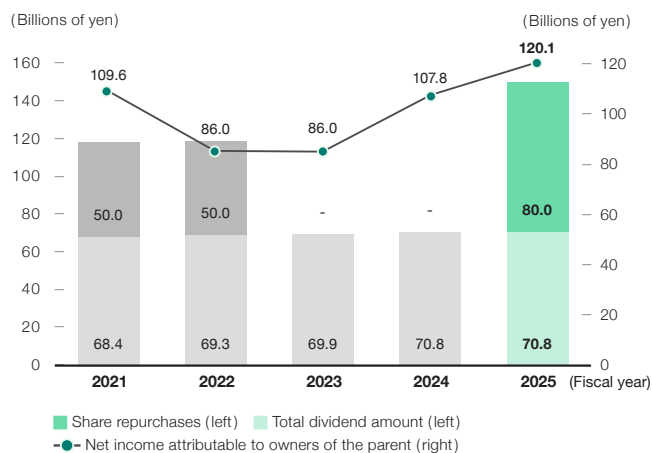
### Cash Flows



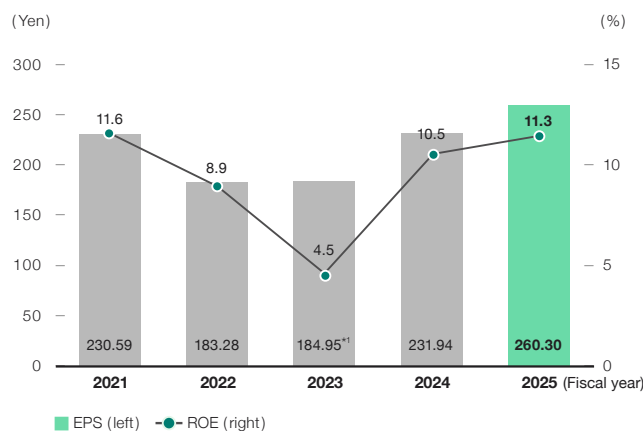
### ROIC\*2 / EVA\*3



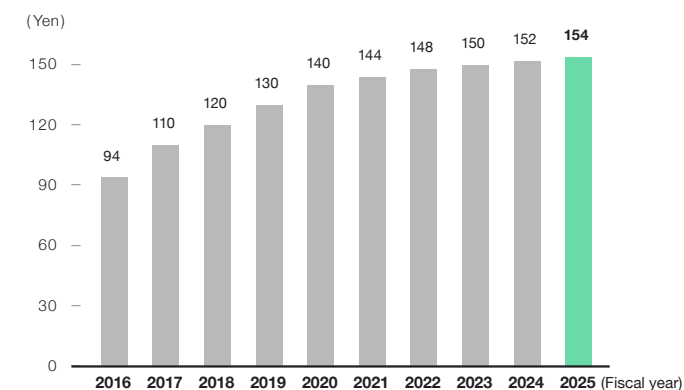
### Shareholder Returns\*4



### EPS\*5 / ROE\*6



### Cash Dividends per Share



\*1 Calculated based on "core income" excluding impacts of structural reforms for FY2023.

\*2 Return on invested capital

\*3 EVA® is a registered trademark of Stern Stewart & Co.

\*4 Excludes repurchase of shares of less than one trading unit and shares acquired through the Board Incentive Plan Trust ("BIP Trust").

\*5 Basic earnings per share

\*6 Ratio of net income to equity attributable to owners of the parent



## Data Section

## Trends in Key Management Indicators

IFRS (Millions of yen)

	FY2021	FY2022	FY2023	FY2024	FY2025
Net sales	1,418,768	1,551,059	1,532,579	1,628,448	1,688,633
Depreciation and amortization	87,341	89,738	89,595	88,422	85,841
Research and development expenses	58,993	60,601	62,575	62,092	61,127
(% of sales)	4.2	3.9	4.1	3.8	3.6
Advertising	74,847	74,664	75,841	88,270	92,346
(% of sales)	5.3	4.8	4.9	5.4	5.5
Operating income	143,510	110,071	60,035	146,644	164,069
(% of sales)	10.1	7.1	3.9	9.0	9.7
Income before income taxes	150,002	115,848	63,842	151,024	169,846
Net income	111,415	87,742	46,157	110,374	120,586
Net income attributable to owners of the parent	109,636	86,038	43,870	107,767	120,081
Net cash flows from operating activities	175,524	130,905	202,481	201,585	199,680
Net cash flows from investing activities	(67,232)	(74,911)	(109,302)	(45,902)	(69,767)
Free cash flow	108,292	55,994	93,179	155,683	129,913
Net cash flows from financing activities	(141,573)	(139,311)	(79,983)	(104,578)	(175,134)
Capital expenditures	87,766	94,567	93,178	93,530	101,136
Total assets	1,704,007	1,726,350	1,769,514	1,867,237	1,875,054
Equity attributable to owners of the parent	965,137	972,061	983,658	1,066,776	1,064,077
Ratio of equity attributable to owners of the parent to total assets (%)	56.6	56.3	55.6	57.1	56.7
Number of employees (people)	33,507	35,411	34,257	32,566	31,514
EPS (Basic earnings per share) (yen)	230.59	183.28	94.37	231.94	260.30
Annual cash dividends per share (yen)	144.00	148.00	150.00	152.00	154.00
Number of issued shares, including treasury shares, at the end of the year (in thousands of shares)	475,000	465,900	465,900	465,900	453,600
Share price at the end of the year (yen)	6,019	5,255	5,800	6,388	6,261
ROIC (Return on invested capital) (%)	10.1	7.8	4.1	9.2	9.7
EVA® (Economic Value Added)	45,127	14,669	14,920	33,243	41,130
ROE (Ratio of net income to equity attributable to owners of the parent) (%)	11.6	8.9	4.5	10.5	11.3

- EVA® is a registered trademark of Stern Stewart & Co.
- Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities
- Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.
- To standardize information disclosure globally, we have included full-time, indefinite-term, non-regular employees, etc., in the number of employees since FY2022. The number of employees in FY2022, based on the criteria applied to FY2021 totals 32,895.
- Core income, excluding impacts of structural reforms, for the fiscal year ended December 31, 2023, is as follows  
Core operating income: 114,706 million yen  
Core income before income taxes: 118,513 million yen  
Core net income: 88,262 million yen
- Provisional accounting treatment for business combinations was finalized during the fiscal year ended December 31, 2024. Accordingly, the Consolidated Statement of Financial Position for the fiscal year ended December 31, 2023 has been retrospectively restated.



Data Section

# External Evaluation

Kao addresses social issues while creating economic value through its business activities. International third-party organizations continuously evaluate these initiatives on environmental performance, supply chain management, and corporate ethics. We will continue these efforts to enhance sustainable corporate value.

## External Evaluations and Recognitions



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



The only company in Asia that has been recognized

# 20 consecutive years

20 consecutive years : Only 6 companies worldwide selected as one of the "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

女性が輝く先進企業 2019

Commended by Prime Minister



Certified 11 times



10 consecutive years



Highest rating



Silver

## SRI indexes



Adopted in 2025

2025 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2 consecutive years

2025 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

8 consecutive years

2025 CONSTITUENT MSCI NIKONKABU ESG SELECT LEADERS INDEX

9 consecutive years



FTSE4Good

18 consecutive years



FTSE JPX Blossom Japan Index

9 consecutive years



FTSE JPX Blossom Japan Sector Relative Index

4 consecutive years



8 consecutive years



MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index

3 consecutive years

• "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.  
• MSCI <https://www.msci.com/our-solutions/sustainable-investing>  
• FTSE <https://www.lseg.com/ja/ftse-russell/indices>  
• Morningstar® Japan Ex-REIT Gender Diversity Tilt Index: Morningstar, Inc., and/or one of its affiliated companies (individually and collectively, "Morningstar") has authorized Kao corporation to use of the Morningstar® Japan ex-REIT Gender Diversity Tilt Index Logo ("Logo") to reflect the fact that, for the designated ranking period, Kao corporation ranks within the top group of companies comprising the Morningstar® Japan ex-REIT Gender Diversity Tilt Index ("Index") on the issue of gender diversity in the workplace. Morningstar is making the Logo available for use by Kao corporation solely for informational purposes. Kao corporation's use of the Logo should not be construed as an endorsement by Morningstar of Kao corporation or as a recommendation, offer or solicitation to purchase, sell or underwrite any security associated with Kao corporation. The Index is designed to reflect gender diversity in the workplace in Japan, but Morningstar does not guarantee the accuracy, completeness or timeliness of the Index or any data included in it. Morningstar makes no express or implied warranties regarding the Index or the Logo, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Index, any data included in it or the Logo. Without limiting any of the foregoing, in no event shall Morningstar or any of its third party content providers have any liability for any damages (whether direct or indirect), arising from any party's use or reliance on the Index or the Logo, even if Morningstar is notified of the possibility of such damages. The Morningstar name, Index name and the Logo are the trademarks or services marks of Morningstar, Inc. Past performance is no guarantee of future results.

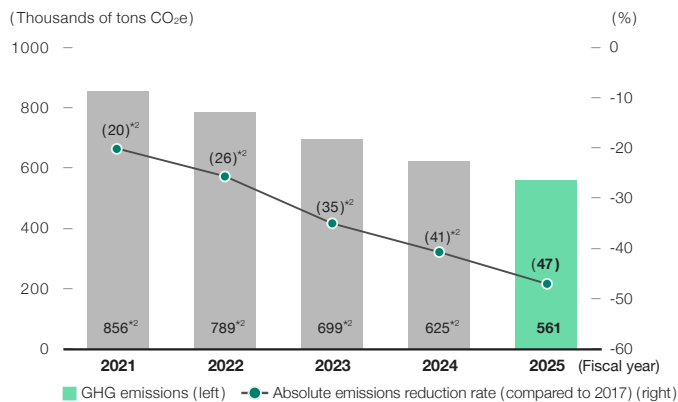


Data Section

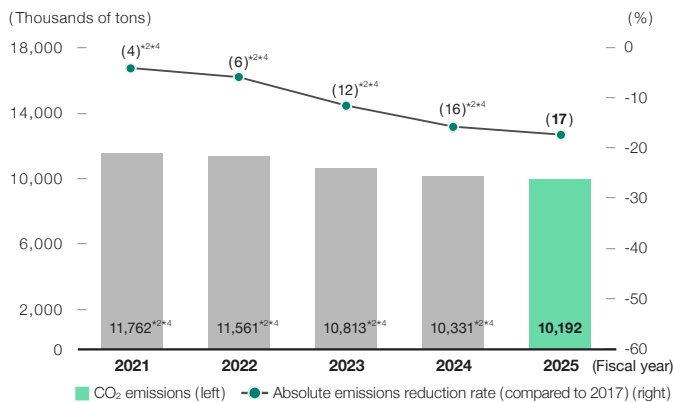
# Sustainability (ESG) Highlights

Greenhouse gas emissions and water use are steadily reduced across business activities and the product lifecycle. Progress is also advancing in plastic resource circulation, human rights due diligence, and gender equity in management. These initiatives support sustainable growth and long-term corporate value creation.

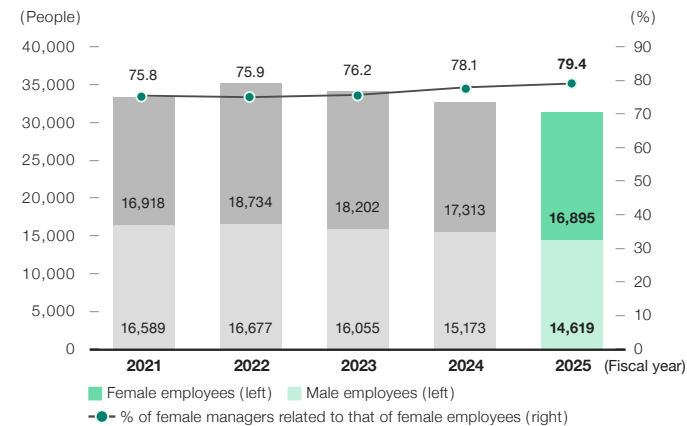
### Scope 1+2 CO<sub>2</sub> Emissions\*<sup>1</sup>



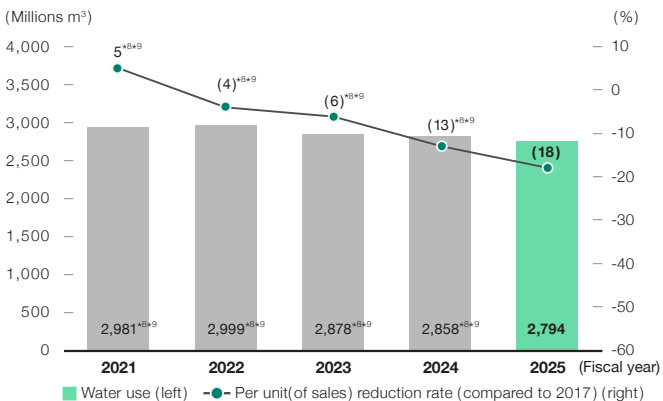
### CO<sub>2</sub> Emissions across the Full Lifecycle (Kao Group)\*<sup>3</sup>



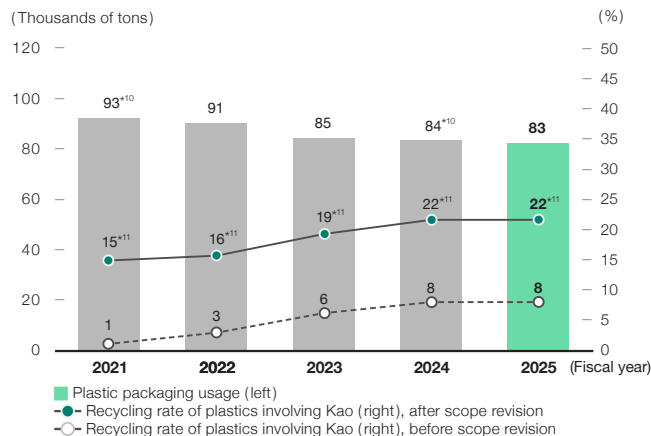
### Number of Employees by Gender\*<sup>5</sup> / % of Female Managers Related to That of Female Employees\*<sup>6</sup>



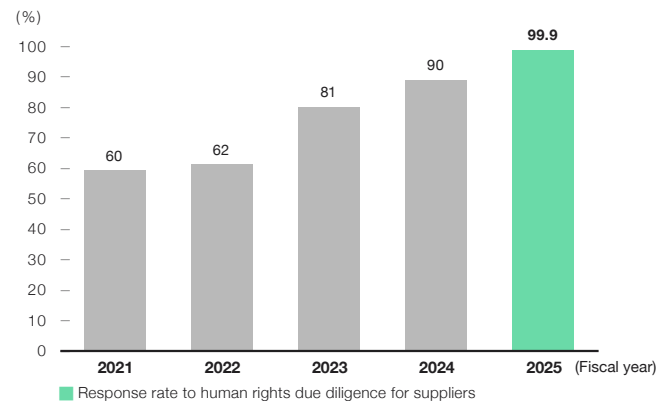
### Water Consumption Trends throughout the Product Life Cycle (Kao Group)\*<sup>7</sup>



### Plastic Packaging Usage / Recycling Rate of Plastics Involving Kao



### Response Rate for Human Rights Due Diligence (Risk Assessment of the Kao Group's Direct Material Suppliers)\*<sup>12</sup>



\*1 Boundary: All Kao Group sites including company cars in Japan. Gases included: The seven GHGs specified by the Kyoto Protocol (only CO<sub>2</sub> for sites outside Japan). \*2 Due to a review of the scope of calculations, the Scope 1 + 2 CO<sub>2</sub> 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 emissions in the base year and does not materially affect the overall trend. \*3 "CO<sub>2</sub> emissions over the entire product lifecycle" is calculated by multiplying the CO<sub>2</sub> emissions over the product lifecycle per unit volume of products sold both within and outside Japan (excluding Kao Group's production and logistics processes) by the annual sales volume of the product in question and adding up the actual amount of CO<sub>2</sub> emissions over Kao Group's production and logistics processes. However, this amount does not include emissions related to the use and disposal of Chemical products. \*4 To enhance the accuracy of calculations regarding Scope 3 CO<sub>2</sub> 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<sub>2</sub> 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 Employees seconded from Kao Group to outside are excluded, but employees seconded from outside to Kao Group are included. From 2022, employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees. \*6 This indicator shows the degree of achievement of the ratio of female managers relative to the ratio of female employees and is calculated as a weighted average based on the number of management positions at each Kao Group company. \*7 "Water use across the product lifecycle" is calculated by multiplying lifecycle water use of individual products, excluding use during manufacturing and distribution, by their annual sales quantity and the amount from Kao Group's manufacturing 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. \*8 To enhance the accuracy of calculations regarding 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 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. \*9 Due to a review of the scope of calculations, the Water consumption from Inogami Co., Ltd. (approximately 4 million m<sup>3</sup>/year) in the Kao Group is 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 missions in the base year and does not materially affect the overall trend. \*10 Revised reported results (recalculated by removing duplicate data). \*11 To more appropriately reflect Kao's ongoing efforts in resource circulation, the scope of the recycling rate calculation has been revised. The scope has been revised to include the volume of recycled plastic used in products as positive recycling, and the volume of recycling in society based on Extended Producer Responsibility (EPR) (specifically, the volume of material recycling under Japan's Containers and Packaging Recycling Law). The EPR-related recycling volume attributed to Kao is an estimated value allocated based on publicly available system-level data. For more information [Sustainability Report Zero Waste](#). Past data have also been recalculated using the same methodology. \*12 Number of suppliers that conducted risk assessments as a percentage of the number of suppliers with whom Kao did business within the applicable year.



# Corporate Overview and Stock Information

(As of December 31, 2025)

## Corporate Overview

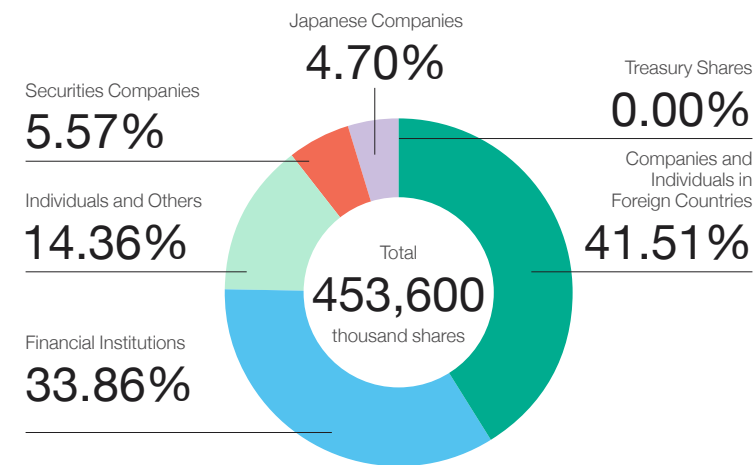
Company	Kao Corporation
Head Office	14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo 103-8210, Japan
Founded	June 19, 1887
Incorporated	May 21, 1940
Share Capital	85.4 billion yen
Employees	7,761 (number of employees in Kao Group consolidated companies: 31,514)
Subsidiaries	111 (of which 93 are subsidiaries outside Japan)
Associates	7 (of which 4 are associates outside Japan)



## Stock Information

Stock Listing	Tokyo Stock Exchange
Ticker Symbol Number	4452
Total Number of Authorized Shares	1,000,000,000 shares
Total Number of Issued Shares	453,600,000 shares
Number of Shareholders	192,868
Administrator of Shareholder Register	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

## Composition of Shareholders



## Status of Top 10 Shareholders

Shareholders	Number of shares (thousand shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	83,702	18.45
Custody Bank of Japan, Ltd. (Trust Account)	31,943	7.04
STATE STREET BANK AND TRUST COMPANY 505001	7,483	1.65
BNYM AS AGT/CLTS NON TREATY JASDEC	7,385	1.63
Japan Securities Finance Co., Ltd.	6,997	1.54
Oasis Opportunities Fund One SPC - ECHO SP	6,879	1.52
JP MORGAN CHASE BANK 385781	6,748	1.49
Nippon Life Insurance Company	6,691	1.48
BBH (LUX) FOR FIDELITY FUNDS - GLOBAL DIVIDEND POOL	6,010	1.32
Oasis Japan Strategic Fund Ltd.	5,791	1.28

· The number of shares may include the number of shares related to the trust business or the stock custody business.  
· The shareholding ratio is calculated based on the total number of issued shares minus the number of treasury stock.



# Editorial Policy and Disclosure Framework

## Editorial Policy

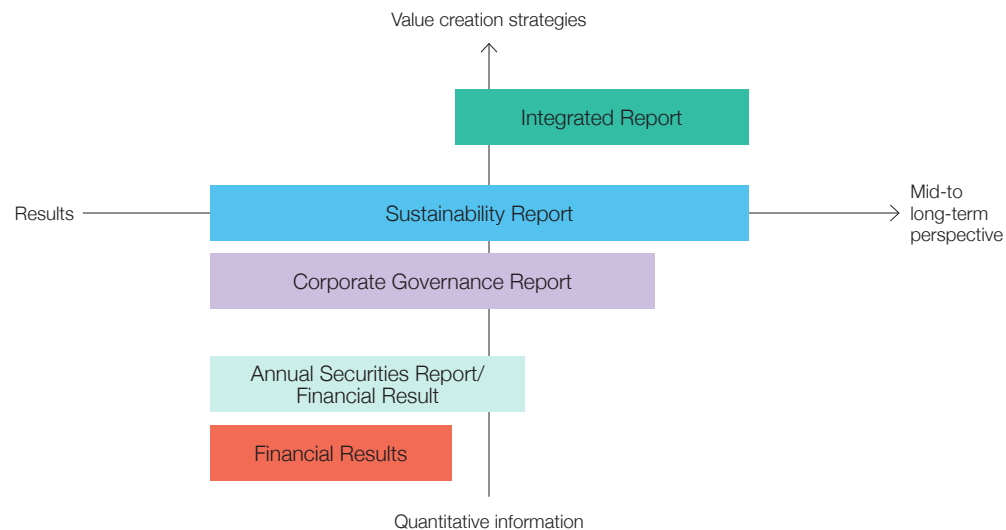
In the Kao Integrated Report 2026, Kao presents its current position as it advances steadily toward achieving K27 while embarking on full-scale global growth. The *Global Sharp Top* strategy continues to deliver results. Kao has translated its science-based Exclusive Uniqueness into competitiveness, contributing to improvements in ROIC and overall capital efficiency. This report explains how Kao is moving to the next stage of growth by balancing earning power with growth potential, while outlining its medium- to long-term growth trajectory.

In preparing this report, Kao referenced the International Integrated Reporting Framework advocated by the IFRS Foundation and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation 2.0. The report is structured to communicate strategy and medium- to long-term growth expectations clearly to a broad range of stakeholders, including overseas investors.

Kao will continue to enhance disclosure quality through ongoing dialogue. We aim to contribute to society while driving sustainable corporate value. This report is intended to serve as a foundation for further dialogue and co-creation with stakeholders.

## Kao's Information Disclosure Framework

Kao publishes the Integrated Report, Sustainability Report, and Annual Securities Report, each with a distinct role. The Integrated Report and Sustainability Report both present progress and data related to our sustainable initiatives and corporate strategies. Kao also provides supplementary information through its websites.



[ Reporting period ]	FY2025 (January 1 – December 31, 2025) * Some portions contain activities conducted prior to FY2025 and those planned for FY2026 and after (results and planned)
[ Organizations covered ]	Kao Group (Kao Corporation and its subsidiaries and affiliates) * Some data regarding the environment and society refer to Kao Corporation and its subsidiaries (noted in the text) * "Kao" refers to the Kao Group
[ Accounting standards ]	International Financial Reporting Standards (IFRS) applied from FY2016 onwards
[ Date published ]	June, 2026

Regarding the images in this report: Some images have been created using generative AI.

## Disclaimer on Forward-looking Statements

The 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 do not guarantee that Kao will achieve its targets. Actual results may differ materially from Kao's expectations due to various factors.

[Integrated Report](#)



[Sustainability Report](#)



[Annual Securities Report/ Financial Result](#)



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**KaO**

Kirei—Making Life Beautiful

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