

KAO INTEGRATED REPORT 2024

For the year ended December 31, 2023

An aerial photograph of a dense, lush green forest. A winding asphalt road with yellow lane markings cuts through the trees. A small white car is visible on the road. The image is part of a larger graphic with teal and blue geometric shapes.

Sustainability as the only path

kaO

◀ OUR ▶ PURPOSE

To Realize a *Kirei* World in Which All Life Lives in Harmony

We aim to create a *Kirei* life for people, society, and the planet through creation and innovation building a future where all life enjoys more fulfilling and enriched lives.

Three areas
of our value
creation



Kirei-Making Life Beautiful

We will contribute to *Kirei* that makes life shine for each and every person, *Kirei* that makes everyone smile in their everyday lives, and *Kirei* that realizes a sustainable ecology.

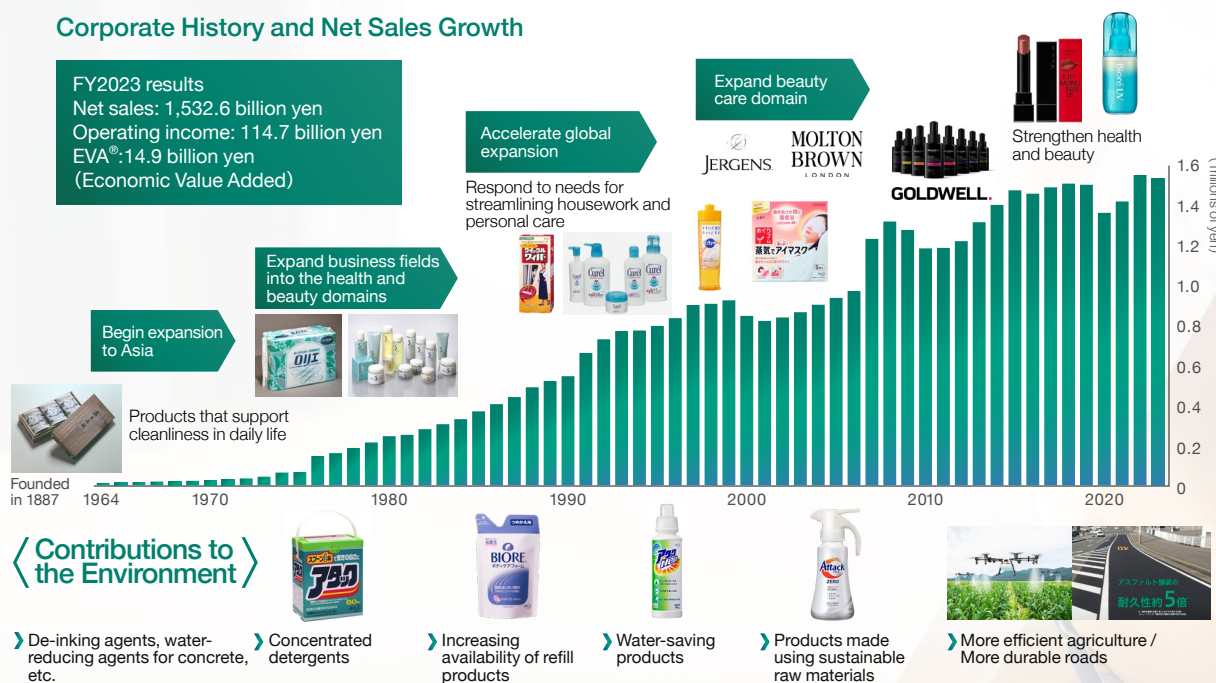
< OUR > DNA

Continuing to Expand through *Yoki-Monozukuri*

Yoki-Monozukuri represents our approach of staying close to people, society, and the planet while creating products and services that respond to their needs and enrich their lives. This is a deeply rooted value within Kao, and it serves as the driving force for our corporate growth. Going forward, we aim to maximize the power and potential of employees, evolve *Yoki-Monozukuri*, enhance corporate value through transformation to build robust business through investment, and become an essential company in a sustainable world.

Corporate History and Net Sales Growth

FY2023 results
Net sales: 1,532.6 billion yen
Operating income: 114.7 billion yen
EVA®: 14.9 billion yen
(Economic Value Added)



Become an Essential Company in a Sustainable World



◀ OUR ▶

CHALLENGE

Global Sharp Top Strategy to Accelerate Transformation

We will become the number-one essential, solutions-led company for individuals across the world. This is our *Global Sharp Top* Strategy. We view the entire world as our market, garnering consumer loyalty by refining the characteristics of our products and services, and aiming for top market share within specific segments. We will form scrum teams with internal and external members who share our philosophy and combine our wisdom to accelerate transformation to build robust businesses through investment.



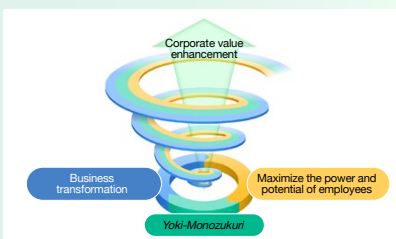
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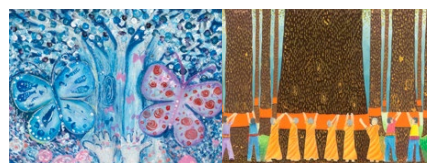


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Global Sharp Top Strategy to Accelerate Transformation

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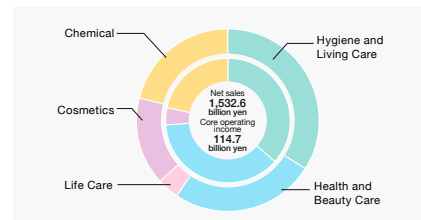
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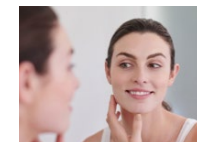
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TOP MESSAGE

Global Sharp Top

Striving to Be the One and Only Company Through Creation and Innovation

Y. Haselbe

Representative Director
President and Chief Executive Officer

A Company That Protects Future Lives

The global COVID-19 pandemic, the multipolarity and fragmentation of the international society with growing geopolitical risks, price hikes due to soaring raw material prices, and the issue of releasing treated water have profoundly impacted Japan's economy. Meanwhile, the global movement towards decarbonization and environmental conservation to create a sustainable society is becoming even more critical.

The Kao Group aims to realize a world in which all life lives in harmony. We are moving to become an indispensable part of a sustainable society as a company that protects future lives and cherishes the connection between people and society as well as the vibrant connections between people.

A Global Sharp Top Strategy That Propels Us Toward K27

In August 2023, we updated parts of the Mid-term Plan to accelerate global development and improve capital efficiency. Here, we announced K27, which has 2027 as the last year of the plan. Although our core plan has not changed, the *Global Sharp Top* strategy has been added to clarify our axes of growth.

Kao's strengths lie in our unique technologies, developed through pursuing *Essential Research*. These technologies have resolved customer concerns on a superior level by creating indispensable products or, in other words, creating value. We aim to be the one and only company in the world to provide sharp value proposals that customers wholeheartedly support. This is the essence of the *Global Sharp Top* mindset.

Four Frameworks for Transformation

We have specified four frameworks as strategies that guide us toward achieving K27.

The first framework is to strengthen and expand businesses that have high customer demand and profitability on a global scale.

The second framework is to develop talented individuals with exceptional skills and creativity to address important needs. These individuals will play central roles in promoting effective organizational management.

The third framework is to continually improve capital efficiency and profitability. We will strive to maximize the value of our management capital by investing in various categories and monitoring business efficiency based on business portfolios.

The fourth framework is focused on business development through co-creation with partners. This strategy will enable us to quickly and significantly utilize our technology assets.

TOP MESSAGE

Build *Global Sharp Top* Business

Shift from quantity and volume to quality and connections

Kao's *Yoki-Monozukuri* approach focuses on identifying the essence from various facets, starting with the consumer, to create highly unique approaches. R&D's strengths in supporting this lie in continuously incorporating and refining technology used in different fields to develop products that provide new value.

As diversity has become more prevalent, it is rare for people to seek the same product value. Instead, people now seek products that align with their personal values and have meaning to them. We are evolving manufacturing from value creation that provides a certain level of satisfaction to anyone who uses our products, to value creation with a strong focus on certain customers, thereby striving for an elevated level of satisfaction. To achieve this, we are making efforts to transform from an economy of quantity and volume toward an economy of quality and connections.

Gaining loyalty through building on a global perspective

We re-established a strong awareness of globalization to clarify the contrast between that and conventional international expansion. Instead of promoting Japanese technology and products overseas as we did in the past, we will now focus on generating value from a global perspective from the start.

We are committed to creating products and developing businesses that are indispensable to our customers, as measured by the repeat ratio (loyalty). Equally important, we are determined to maintain our top position within the important sectors for these businesses.

Global *Sharp Top* Human Capital and Organization Management

Fostering skilled human capital through well-balanced investments

We will steer towards an increasingly well-balanced investment in human capital. Based on Kao's Diversity, Equity, and Inclusion values, which respect diversity of people, we will establish policies that provide maximum respect for the individual characteristics and strengths of each member in our workforce.

To achieve this, we will start by focusing on developing distinct personnel that can exert leadership and those highly skilled in specific fields.

Although we provide numerous training opportunities within our human capital investments, we especially focus on innovation technology education. Currently, Kao has launched the DX Adventure Program, which allows participants to acquire top-class skills starting from a basic understanding of IT. We have also started an AI Academy to reskill advanced engineers.



Speedy decision-making and implementation with task-based management

For those with strong leadership qualities, we promote the delegation of authority and create an environment where swift decision-making is done in small teams.

While we respect the conventional matrix structure between business management divisions and functional divisions, we are now transitioning to a task-based management model with business management divisions at its core to make clearer and faster decisions.

We believe in promoting dialogue and leveraging the collective wisdom of our employees to prioritize speed in decision-making and task implementation.



TOP MESSAGE

Improve Capital Efficiency/Profitability

Business portfolio review with ROIC* as an indicator

Since 2023, Kao has been managing business portfolios with ROIC as its foundation. The company's businesses have been quantitatively analyzed and categorized into the three sectors: Stable Earnings, Growth Drivers, and Business Transformation, with the ROIC for each sector been made clear.

The ultimate goal of K27 is to achieve an ROIC of 11%. To reach this goal, we will prioritize investments for global growth and increase sales of global businesses in the growth driver business area, which includes skin care, cosmetics, chemicals, and business products.

* Return on Invested Capital

Conducting structural reforms to pave the way for improved capital efficiency

We initiated a significant structural reform in 2023 reviewing our business portfolio, which relied heavily on China, and reorganized it to foster well-balanced global growth. Through these human capital structural reforms, we have maximized our human capital and paved the way to improved efficiency.

In Japan where there is a strong business custom of maintaining low prices for everyday products, Kao has led the industry in implementing strategic price increases to pass on the rising costs of raw materials. In this dynamic environment, Kao has harnessed digital technology to manage profit ratios from product design to sales, and are consistently challenging ourselves to deliver high-added value.

Looking ahead to 2024, we are proactively addressing logistics issues by implementing effective inventory control measures, eliminating product shortages, and enhancing shipping efficiency.

Build Businesses Through Co-creation with Partners

Breaking free from self-sufficiency to create synergy

The final framework requires building businesses through co-creation with partners. To maximize Kao's technology assets and contribute to business and society as much and fast as possible, collaboration with partners with distinctive strengths becomes essential. Our collaboration guidelines are based on whether we have the same values and ambition toward the same direction to resolve social issues. We believe that leading the industry and each having areas of strength is important when creating synergies.

From now on, Kao will strive to break free from a self-sufficient mindset and build businesses with a higher level of products and profit with the support of many partners.

Aiming to Increase Corporate Value Under the Kao Way

The Kao Way is our corporate philosophy deeply rooted in each employee. Due to this foundation, all activities become consistent and become the driving force that brings together our diverse assets and employee capabilities.

As we propel towards K27, the power of our people will drive our aspiration to become an essential global company under our *Global Sharp Top* strategy. We will focus on maximizing the energy of our employees to further evolve *Yoki-Monozukuri* from an ESG perspective fueled by creativity and innovation.

We aim to become an essential company in a sustainable world, walking the right path by showing the world how to transition from an economy of quantity to an economy of quality.



[Guidelines to Attain K27]

- ▶ Pursuing the transition from quantity to quality
- ▶ Global Sharp Top
- ▶ Yoki-Monozukuri
- ▶ Maximizing the power and potential of employees

Chapter

01

Kao's

Value Creation

Children want a world
where all life lives in harmony.
Kao aims to be a company that
protects future lives based on our Vision,
“Sustainability as the only path”.

We listen to children's thoughts on the future through
the Kao International Environment Painting Contest for Children.
※ Winning entries for 2023

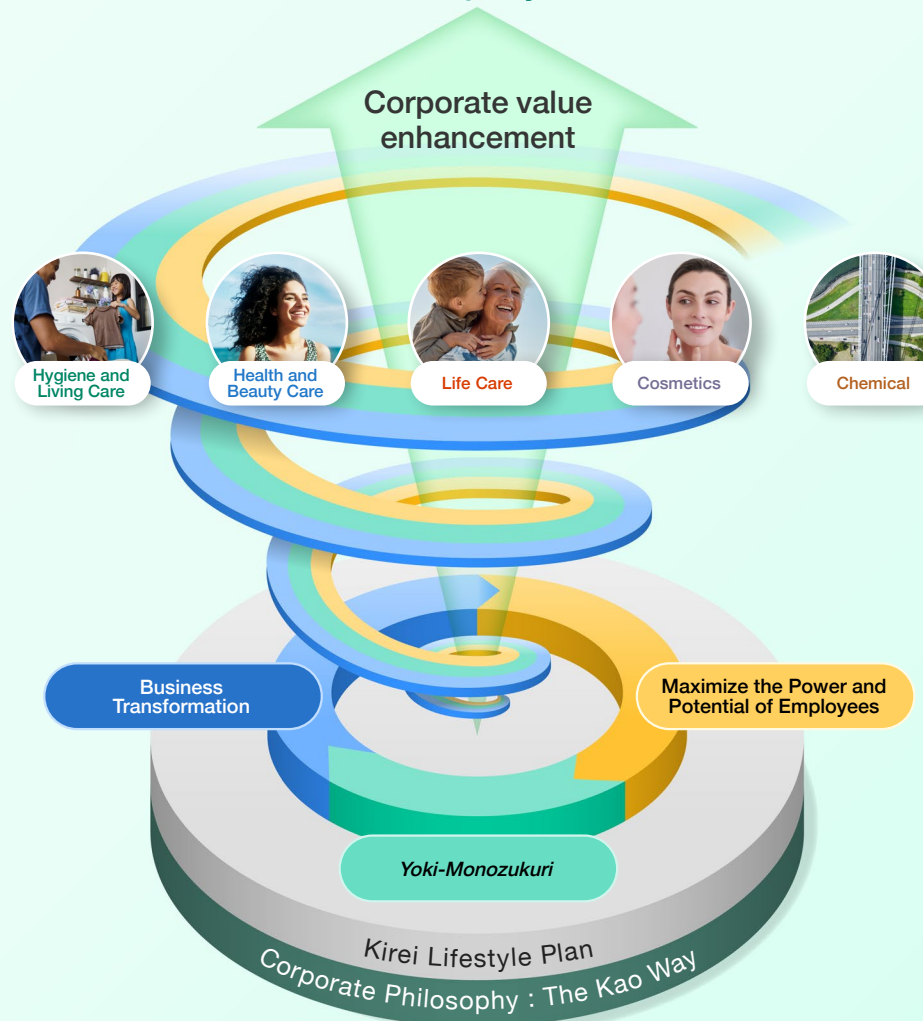


Value Creation Model

◀ Purpose ▶ To Realize a *Kirei* World in Which All Life Lives in Harmony

Social Issues of Focus	Sources of Our Value Creation
Environmental Issues	Human Capital <ul style="list-style-type: none"> Number of employees 34,257 Management tool for activating personal growth : OKRs Open recruitment program for revolutionizing ideas : 0★1 Kao
Aging Population	Relationship Capital <ul style="list-style-type: none"> Sales area over 100 Subsidiaries 113 Customers, partners for business and social contribution, academia
Pandemics	Financial Capital <ul style="list-style-type: none"> Net sales 1,532.6 billion yen Core operating income* 114.7 billion yen EVA (Economic Value Added) 14.9 billion yen
Diversification of Society	Intellectual Capital <ul style="list-style-type: none"> Number of brands 81 Number of patents held 15,000 Number of trademarks held 22,000 R&D expenses 62.6 billion yen
	Manufacturing Capital <ul style="list-style-type: none"> Production sites 36 locations Capital investment 93 billion yen
	Natural Capital <ul style="list-style-type: none"> Energy consumption 16.7PJ Water use 16.2 million m³ Plastic packaging usage 85.0 thousand tons CO₂ emissions across the product lifecycle 10,094 thousand tons

Become an Essential Company in a Sustainable World



Commitment to the Future

Our Vision

1 Regenerative Lifestyles

Plan for and enable regeneration.

2 Toward Carbon Negative

Move beyond CO₂ reduction and unlock CO₂ recycling.

3 Zero Waste

Waste nothing. Period.

4 Precision Life Care

Every person is unique. Our solutions will be too.

5 Leave No One Behind

Innovation can be for everyone. We won't stop.

Sustainability as the only path
Protecting future lives

* FY2023 figures are calculated based on core income. The Kao group presents income excluding one-time gains and losses due to non-recurring factors as "core income."

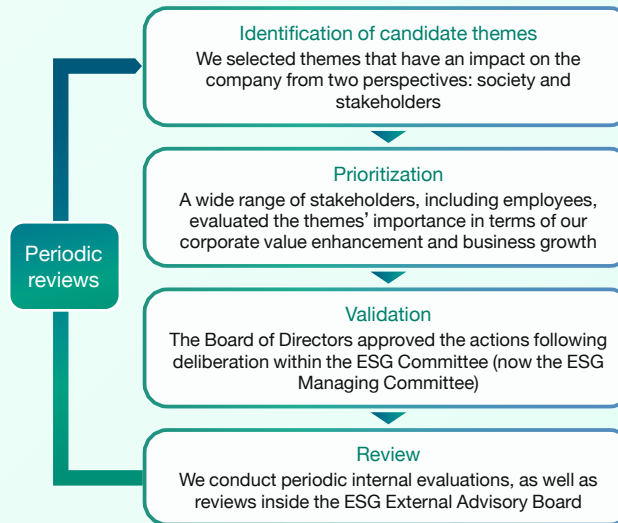
Materiality

Process for Identifying Materiality

In 2018, we identified the ESG materiality through the process shown below to achieve our 2030 Vision for realizing a sustainable world and enhancing corporate value.

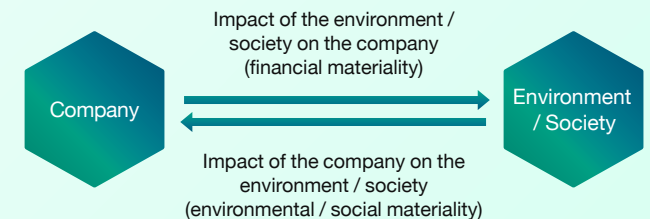
In 2019, we incorporated these elements as the KLP Kao Actions in our ESG Strategy: *Kirei* Lifestyle Plan (KLP). To enhance the effectiveness of these elements, we hold periodic reviews in line with changes in social circumstances and challenges, as well as on Kao's policies and strategies.

[Link: Sustainability Report](#)



Updating our materiality analysis

We are currently working to update our materiality analysis considering various environmental changes, such as shifts in consumer awareness following the COVID-19 pandemic and heightened geopolitical risks. We will respond to external requirements such as the ESRS (European Sustainability Reporting Standards) and follow the principle of double materiality as we identify areas for action.



Commitment to the Future

In 2020, we indicated our focus on four social issues based on rapid changes around the world: Environmental issues, Aging Population, Pandemics, and Challenges associated with diversification. We also declared our policy to enhance existing businesses and accelerate the creation of new businesses.

In 2021, we established Our Commitment to the Future based on KLP Kao Actions that were strongly related to business activities. We will promote these activities to achieve our commitment, with the goal of becoming an essential company in a sustainable society through our company-wide endeavors to protect future lives.

[Link: Kao Stories](#)

1

Regenerative Lifestyles

Plan for and enable regeneration.

We strive for a planet where all people live more fulfilling and enriched lives with peace of mind by promoting new practices in cleanliness, beauty, health, and the environment that are easy for anyone to do.

2

Toward Carbon Negative

Move beyond CO₂ reduction and unlock CO₂ recycling.

We will reduce CO₂ through our activities and the use of our products and services as much as possible. Furthermore, we are aiming to be carbon negative by developing technologies in which CO₂ in the air is recycled in raw materials.

3

Zero Waste

Waste nothing. Period.

We use precious resources without waste and return products to raw materials after use. Our absolute goal is zero waste from our business activities.

4

Precision Life Care

Every person is unique. Our solutions will be too.

We offer tailored solutions to meet the unique needs of every individual, achieved through a precise understanding of physical, environmental, and underlying circumstances.

5

Leave No One Behind

Innovation can be for everyone. We won't stop.

We leverage our assets to make meaningful progress in providing peace of mind for all people grappling with serious challenges posed by aging and illness, empowering them to live each day to the fullest.

Integrating Sustainability into Our Business and Balancing ESG and EVA



David J. Muenz

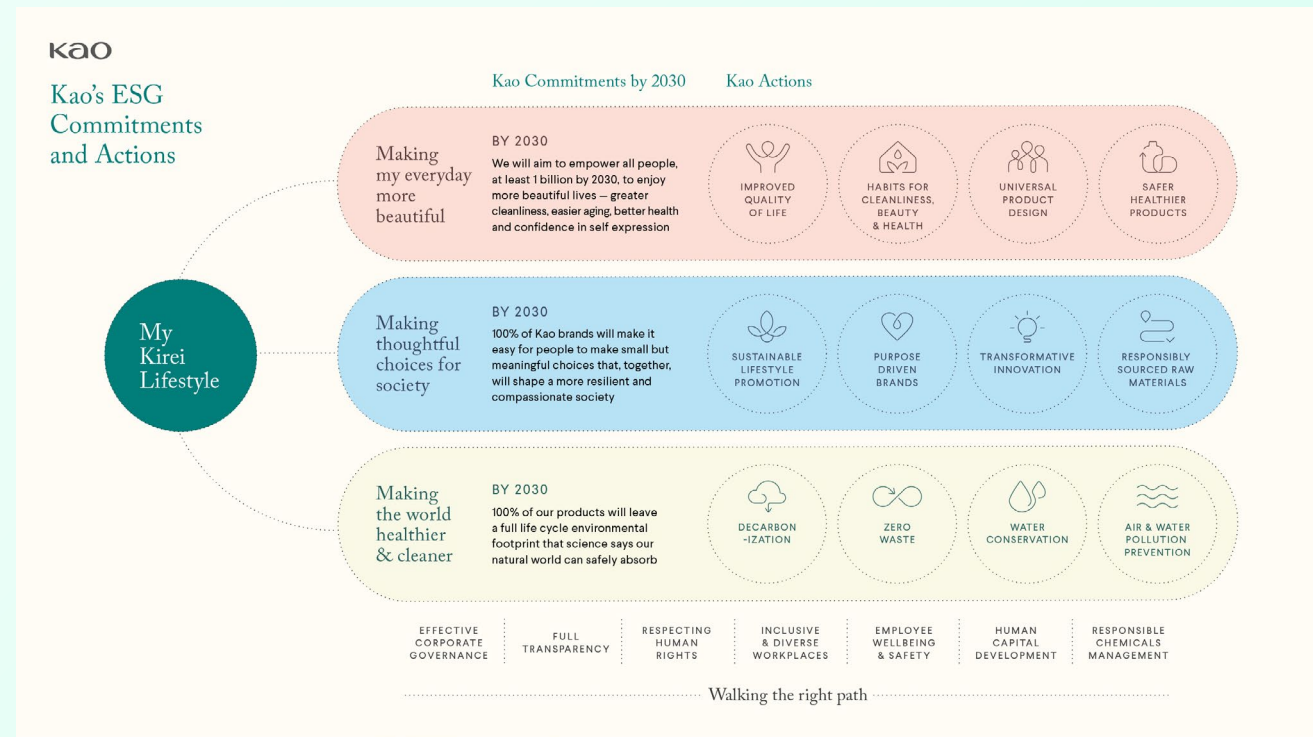
Director, Managing Executive Officer Senior Vice President, ESG, Responsible for Strategic Public Relations

With our commitment to *Yoki-Monozukuri* with an ESG perspective, Kao will continue to pursue value creation for our consumers through solutions for social issues, as well as optimization of our business operations across the value chain. This will bring positive impact to ROIC and EVA and contribute toward our financial framework.

Kao's ESG Strategy Strengthens Our *Global Sharp Top* Approach

With rapid changes in our business environment, meeting various social challenges from an ESG perspective will boost stakeholders' confidence and therefore Kao's presence in the marketplace. Kao has formulated an ESG strategy, the *Kirei* Lifestyle Plan (KLP), which describes ambitious goals for the future and a detailed direction of ESG activities with a focus on consumers. The KLP works on resolving key social issues, which include Decarbonization, Zero Waste, and Human Rights, while striving for business growth.

Our *Global Sharp Top* approach is about creating unique brands with high-performing products that have strong loyalty and high repeat purchase levels. As we transition to a more sustainable world, the KLP will be put into action with sustainability embedded in our operations and in the unique propositions we offer to our customers. This will further increase customer satisfaction and loyalty, thus further enhancing the *Global Sharp Top* approach.



Kao's ESG Strategy – Kirei Lifestyle Plan

Creating a *Kirei* Life for All

Our corporate philosophy, the Kao Way, defines our mission as realizing a *Kirei* World in which all life lives in harmony. It is about creating a *Kirei* Life for all—providing cleanliness, beauty, and health for the life of all people and the planet. Making a difference to sustainable lifestyles through our business has been a central tenet for Kao since the founding of the company.

As we pursue K27 and beyond with the vision of “Sustainability as the only path” by embedding ESG strategically into our business, Kao will lead the way in realizing a sustainable world. We will deliver high value proposals from an ESG perspective to consumers around the world and fulfill our purpose of creating a *Kirei* life for all and increase our corporate value along the way.

Linking ESG Value Proposals to Business Growth

We are already seeing our ESG proposals bear fruit in creating new value for our consumers. *Bioré UV Aqua Rich Protect Mist* enables consumers to easily reapply UV during the day thus protecting their future well-being, while *Laurier* has been building empathy and loyalty with its purpose-driven branding.

Our interactive digital platform My Kao offers product proposals for consumers based on results of a skin analysis service equipped with a proprietary AI algorithm. This approach allows our consumers to enjoy a higher quality of life and results in more repeat purchases.

Example of a skin analysis on My Kao



The bottle refill for *CuCute* dishwashing detergent with about 40%* less plastic usage is easily crushable for disposal and has been well received for its environmentally-friendly features.

Products like this, which address ESG issues, have contributed to the development of new markets and increased customer loyalty. We will continue to promote value-added proposals from an ESG perspective to consumers globally.



* Conventional weight ratio for product packages

Realizing a Sustainable World Together

Engaging with users of our products and raising societal awareness of ESG is key to realizing a sustainable world. Starting in 2022, Kao began promoting the message “Wastefulness—*Mottainai*. Never today, nor tomorrow.” to communicate Kao’s actions for the environment and society in an approachable way. The objective is to engage people to consciously address environmental issues simply by choosing Kao products.

Through this message, we are seeing that raising awareness of the benefits of using our environmentally-friendly and socially-conscious products strongly encourages people to choose our products. We will continue to enhance Kao’s corporate value through ESG activities and contribute towards supporting consumers in leading sustainable lives.

Multi-faceted ESG Activities Make Our Business Sustainable

ESG will be critical in ensuring our businesses are sustainable. We reduced CO₂ emissions (Scopes 1 + 2) from all Kao Group sites by 35% in 2023 compared to 2017 (base year), a steady progress toward achieving the target of 55% reduction by 2030. In our efforts to create a more circular society, we are promoting the use of recycled plastic for PET packaging, achieving an 81% usage rate in Japan, our biggest market.

Indicator	Target Value	Target Year	Results in 2023
% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)	22%	2030	15%
% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)	55%	2030	35%
% of recycled plastic used in PET containers (Japan)	100%	2025	81%

Sourcing responsibly is another key focus for Kao. We closely cooperate with partners for the procurement of one of Kao’s key materials, palm oil, towards the establishment of a sustainable supply chain free of deforestation and human rights violations. This includes securing traceability to oil palm smallholders, providing support to oil palm smallholders in Indonesia, and purchasing RSPO-certified sustainable palm oil. We share the latest progress on our [Palm Oil Dashboard](#), which is a page that introduces activities related to palm oil procurement.

Through these actions and the wholehearted implementation of our efforts based on the KLP, we believe that Kao will continue to be a leader in sustainability, improve our financial performance as measured by EVA and ROIC, and grow our business globally.

* Please see [the Executive Summary of the Kao Sustainability Report 2024](#) for further details.

Chapter

02

Kao Group Mid-term Plan

Transformation for K27

K27 Vision

Protecting Future Lives

Basic Policy

1. Become an essential company in a sustainable world
2. Transform to build robust business through investment
3. Maximize the power and potential of employees

Introduce ROIC company-wide, decisively implement structural reforms, and aim to be a company that sustains

Global Sharp Top businesses

K27 Target

	FY2023 results	FY2024 plan	FY2027 target
ROIC	4.1%	8.6%	Over 11%
EVA	14.9 billion yen	24.0 billion yen	Over 70.0 billion yen
Operating income ^{*1}	114.7 billion yen	130.0 billion yen	Record-high for operating income (211.7 billion yen in FY2019)
Net sales outside Japan ^{*2}	655.8 billion yen	697.0 billion yen	Over 800.0 billion yen (CAGR + 4.3% in net sales)

^{*1} FY2023 results indicate core operating income

^{*2} Net sales outside Japan represents net sales based on distributor location

Four Strategies for Achieving the Mid-term Plan 2027 (K27)

Build *Global Sharp Top* Businesses

Global shift to essential, highly profitable businesses

Global Sharp Top Human Capital / Organizational Management

Decisive investment in human capital
Withdrawal from matrix management

Improve Capital Efficiency / Profitability

Maximize the value of management capital

Build Businesses Through Co-creation with Partners

Faster maximization of technology assets

Accelerating Transformation for the Mid-term Plan 2027 (K27)

As announced in August 2023, we revised our Mid-term Plan 2027 (K27) with a focus on structural reforms and growth strategies. We will carry out structural reforms in businesses and human capital, and enhance profitability through strategic price increases and earning power reforms. We also seek to introduce ROIC by business based on EVA to improve investment efficiency. With the aim of becoming a company that sustains *Global Sharp Top* businesses, we will carry out appropriate portfolio management actions and swiftly execute strategic investments, M&A, and reorganization.

Build *Global Sharp Top* Businesses

We are promoting a global shift toward essential and highly profitable businesses. In 2023, we paved the way towards global expansion for our skin protection business by selling *Bioré* UV care products in Europe and Brazil, and acquiring Bondi Sands Australia Pty Ltd, a leader in the self-tanning and sun care fields. In

the Fabric and Home Care Business, we have launched new products with strong potential for global expansion and we have strengthened the rollout of the *ORIBE* brand and other products for hair salons in the Americas and Europe. We have also rolled out products from all categories on the DtoC site “My Kao Mall.” Going forward, we will further accelerate the rollout of UV care products outside Japan, introduce high-value-added sheet-type products and new products in the Hair Care Business and continue to ramp up the global rollout of one-of-a-kind eco-chemical technologies.

Global Sharp Top Human Capital/ Organizational Management

We are nurturing and acquiring human capital to support *Global Sharp Top* businesses while driving reforms in organizational management. With a priority on aggressive investments in human capital centered on dialogue, we will provide a setting for self-improvement and jointly learning with others, delegation of authority, fair and transparent evaluation, compensation and benefits, as well as optimal job assignment. In addition, we will utilize

task-based team formation independent of departments to shift toward structures that take swift action as we withdraw from matrix management.

Improve Capital Efficiency/Profitability

We have maximized the value of our management capital by expanding our highly profitable businesses including *Attack* and *Bioré*, improving profit through strategic price increases and structural reforms, and revising our business portfolio. These initiatives have a sustainable and long-term impact on our business results and financial performance. Going forward, we will continue to execute disciplined portfolio management, promote high value-added products with a focus on profit and further reform our earning power.

Build Businesses Through Co-creation with Partners

We are co-creating with external partners to build businesses thereby accelerating the maximization of technology assets in the Kao Group.

▶ Making a Rapid Global Shift to Essential, Highly Profitable Businesses



Toru Nishiguchi

Representative Director
Senior Managing Executive Officer

We will provide leading-edge products and services based on our brand purpose and create strong bonds with each and every consumer to build *Global Sharp Top* businesses.

We will contribute to business development by boosting the quality of sales with highly essential brands and products to nurture highly profitable businesses.

Creating Sharp Values with a Global Perspective

Kao has always moved forward by creating new markets and businesses. The company will continue to utilize this style in the future, but it will significantly change its approach. This is a global mindset shift meaning everyone at Kao needs to change their view in which we view the entire world as a market, rather than focusing on Japan and then other countries. From the start, we will expand across areas with a global perspective while creating value for consumers, thereby building *Global Sharp Top* businesses.

To this end, it is essential to have an organization in which a diverse range of people can seamlessly work together. We will implement scrum-style business operations to prioritize the power and speed of our integrated approach, whereby relevant personnel will gather together and take quick action from the initial stage.

Our Skin Protection Business, which guards the skin from UV rays, is our first runner for our *Global Sharp Top* businesses. To roll out our proprietary technologies to Europe and the Americas with this business, we created a global scrum-style structure and overcame strict regulations in each country so that we could successfully launch products. We plan to continue expanding our area of operations in 2024, and aim to become the global leader in this field.

People tend to understand the concept of global expansion as simply moving across the world. However, we implement many different formations based on the strengths of each brand and business, such as executing one-of-a-kind activities for a specific area or expanding a European brand while targeting a specific demographic in Asia.

In any case, it is essential to have a deep understanding of diversified lifestyles, engage in manufacturing that brings specific consumers a high level of satisfaction, and create essential value.

I believe that it is also vital to have an ESG perspective that helps tackle increasingly severe environmental changes and a wide range of social issues. Going forward, we will accelerate our transformation to essential, highly profitable businesses on a global scale.

Kao's Chemical Business is also expanding with a stronger global perspective than before, and it is currently seeking to build a strong business with a focus on eco-chemicals. The Chemical Business brings significant strength to the Consumer Products Business through shared technology assets, that it has developed for a wide range of industrial uses which are being applied to create value for consumers, creating a synergistic effect in production facilities and raw material purchases.

FROM: International Marketing



Prioritize Japan while expanding businesses and products outside of Japan

Change in perspective



TO: Global Marketing



View the entire world as a market, define priority customers and put the local area first in activities.

➤ Maximize the Power and Potential of Employees with Decisive Investment in Human Capital



Hideki Mamiya

Senior Executive Officer Senior Vice President, Human Capital Strategy, President, Kao Group Corporate Pension Fund Chairperson of the Board, Kao America Inc.

Kao has always recognized the strengths of employees as its greatest asset and has worked to maximize their vitality.

Now, to achieve K27 and evolve our *Yoki-Monozukuri*, there is a need for our human capital/organization to become *Global Sharp Top*.

We have begun swiftly implementing decisive human capital measures and activities around the pillar of transitioning “from equality to equity”.

Sharpen the Skills and Unlock the Potential of Highly Motivated Employees and Create a Scrum Organization

Since Kao’s greatest asset is its employees, continuing to maximize their vitality is a key issue in our strategy. Through personnel with global perspectives, high level of expertise, and the power for transformation, we will evolve *Yoki-Monozukuri*, and build robust businesses through investment. The social and financial impact from these investments will be reinvested to human capital. We are aiming to drive further development as a company through this positive cycle.

Kao’s Guidelines for Human Capital Development state the following three policies: “from equality to equity,” “from the relative to the absolute,” and “from the uniform and formal to the diverse and having initiative.” Under this, we will promote *Global Sharp Top* human capital/organizational management, which expands on decisive investments in highly motivated

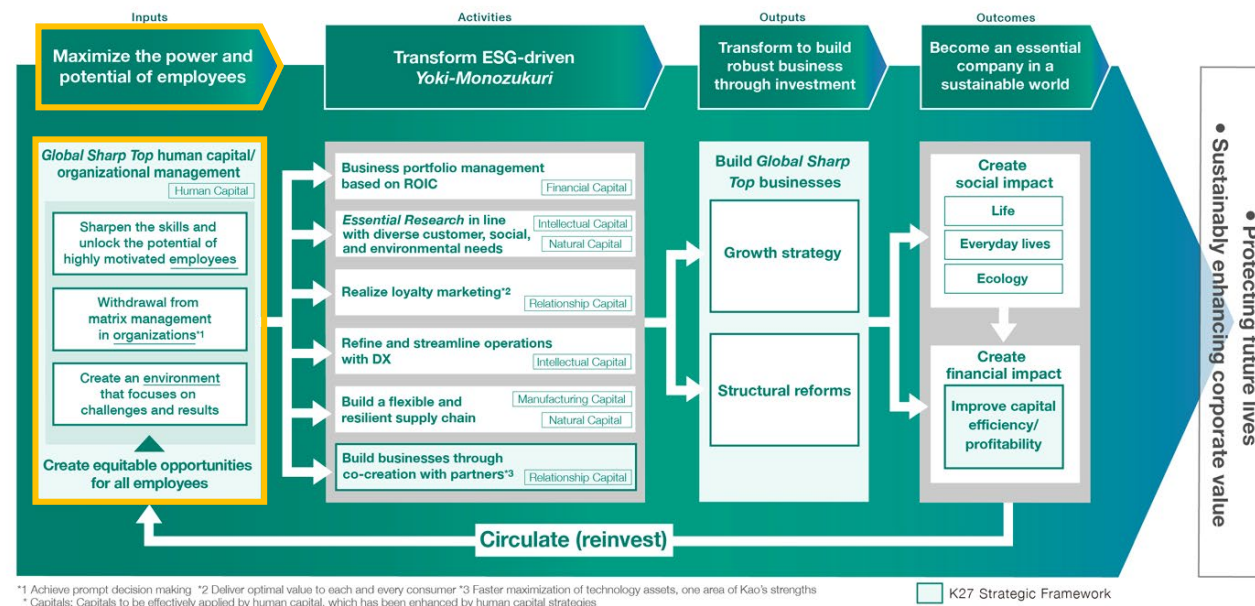
employees and enables prompt decision-making and implementation.

After implementing “Create equitable opportunities for all employees,” in order to “Sharpen the skills and unlock the potential of highly motivated employees,” we optimally assign each employee according to their career plans and company policies, while also expanding opportunities for reskilling and improving skills with DX learning.

We are also making efforts to “Withdrawal from matrix management in organizations” by reinforcing a scrum-type approach in which personnel capable of prompt decision-making are gathered for the key tasks. Key employees are identified at the preliminary stages of their careers to undergo systematic and active training and assignment.

At the same time, we strive to “Create an environment that focuses on challenges and results” through activities, such as providing more transparency in the evaluation for each employee’s challenges, and rewarding employees who have tackled difficult challenges with success.

◆ A value creation cycle toward enhancing corporate value



Revitalizing Employees and the Organization Through Dialogue

The basis for all activities is ongoing dialogue in all directions. As diverse work styles tailored to one's role become prevalent, we are taking even more thorough initiatives and approaches to expand this dialogue.

Human capital strategy toward K27



Regular employee engagement surveys, which include group companies in Asia/Americas/EMEA, are conducted to confirm the status of employees and the organization while checking the effects of each measure on every occasion. Based on these activities, we are striving to further expand the number of highly motivated employees through developing efficient measures.

Employee engagement

Results for FY2023
63



Target for FY2027
75

* The total score in the employee engagement survey (perfect score is 100)
* In 2023, 27,460 Kao employees responded to the survey

Create equitable opportunities for all employees: Well-being, DE&I and OKR

To maximize the power and potential of employees, health insurance associations and the Company work together to conduct Health and Productivity Management® that promotes health development. At the same time, we promote the participation of all employees, including those who identify as female, members of the LGBTQ+ community, have disabilities, are from different cultures, or are raising children or providing care to family members.

Introduced in 2021, Objectives and Key Results (OKR) is an initiative in which each employee sets challenging goals and makes efforts toward those goals based on three axes: Business Contribution, ESG, and One Team & My Dream. Currently, 72% of global employees and 90% of employees in Japan have set goals and activities based on OKR. All Kao employees are able to view each other's OKR on a system. The dialogue and collaboration of employees transcends countries, regions, and positions while also resulting in innovation and speedier business.

We also provide opportunities to learn about psychological safety and unconscious bias in order to build an organizational culture that focuses on dialogue.



Create an environment that focuses on challenges and results: More transparency in evaluation

We will expand the 360-degree feedback, which has been introduced in some areas, to all Kao Group companies in Japan starting in FY2024 in order to support the growth of management and improve the transparency of organizational management. This tool provides feedback not only from senior positions but also from various directions, thereby enabling management employees to assess their capabilities and the level of leadership they demonstrate. This results in capacity building and enhances transparency and reliability of management assessments.

Sharpen the skills and unlock the potential of highly motivated employees: Kao Techno School

Kao Techno School, which trains employees to be the next *Genba* leaders in Supply Chain Management, is a program that polishes management capabilities that combine "spirit" for excellent character and insight with "skill" for a wide range of special expertise and skills. Young employees selected globally participate in this program, and 1,047 have completed the program to this point. In leader positions at worksites that handle high-pressure gasses, which especially call for safety management, 80% are graduates of this program.

In the last three years, 45% of participants were selected from group companies in Asia/Americas/EMEA, making this a global learning program. Graduates who have developed new knowledge, skills, and the spirit of taking on challenges have become the one and only personnel who contribute to the revitalization of the workplace.



Withdrawal from matrix management in organizations: Business Steering Board

We are evolving matrix-type organizational management that leverages the freedom of business and functional divisions, and promoting "scrum-type management" that aims to achieve targets for priority tasks at maximum speed.

In 2023, Kao launched a Business Steering Board in Kao's key businesses, which include Fabric Care, Sanitary, and Hair Care categories, with key employees from each business and function as members. Active discussions for priority issues based on the overall strategy and quick decision-making are being conducted, leading to speedier initiatives for business expansion.

Increasing Capital Efficiency Globally by Bolstering Business Portfolio Management



Masakazu Negoro

Senior Managing Executive Officer
Responsible for Management Finance
(Accounting and Finance, Business
Structure Reforms, Procurement,
Human Capital Strategy)

We have revised our Mid-term plan as K27. We will make efforts to increase corporate value while maintaining steady shareholder returns through appropriate investments that are mindful of capital costs.

We aim to realize a V-shaped recovery from FY2024, achieve a company-wide ROIC of 11% or more by FY2027 (FY2023 was 4.1%), and attain record-high operating income.

Mid-term Plan Review and Structural Reform Implementation

In August 2023, we revised our medium-term management plan as K27. We aim to improve capital efficiency and strengthen global expansion based on *Global Sharp Top* strategy. By adding “Business ROIC” as a new indicator, we will continuously increase EVA® (Economic Value Added) and strive to improve corporate value. In order to achieve K27 and increase corporate value, we will transform ESG *Yoki-Monozukuri* by striving to maximize the power and potential of employees, grow our business as an output, and achieve financial impact as an outcome. It is important to continue this value improvement cycle.

Especially for business growth, Kao must enhance the competitive advantage of its core brands and develop globally high-value-added products. To achieve this, the key to success is to increase capital efficiency by making appropriate investments in human capital, research/technology assets, and marketing globally.

Based on this mindset, in August 2023 we introduced the Mid-term Plan K27, and we started to proceed with structural reforms focusing on the following three measures to establish fundamental

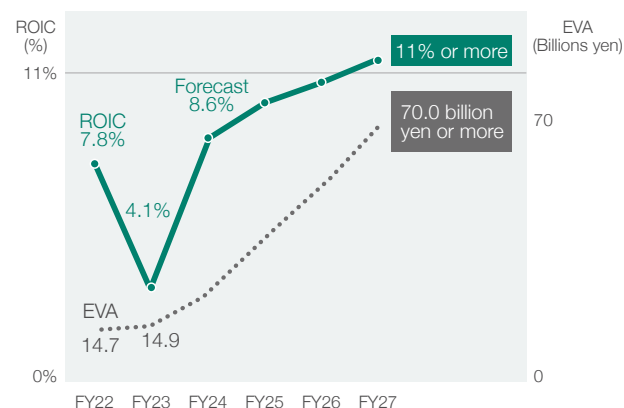
competitive strengths.

1. Conduct a drastic strategic review and reorganization of inefficient businesses
2. Promote structural reform of human capital
3. Carry out earnings power reform

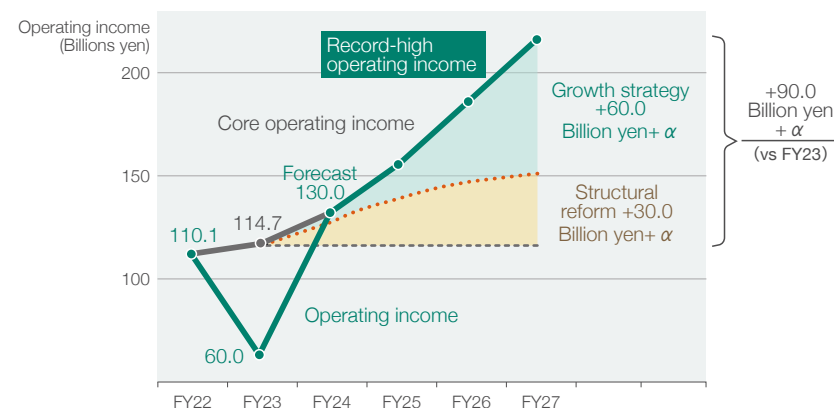
We have allocated 54.7 billion yen as structural reform expenses related to conducting a strategic review and reorganization of inefficient businesses and promoting structural reform of human capital. The combined effect of improving profit and reforming earning power is expected to yield approximately 18 billion yen in 2024 and 30 billion yen in 2025 and beyond.

Operating income in 2023 was 60 billion yen due to the temporary increase of these structural reform expenses. However, the core operating income excluding structural reform expenses was 114.7 billion yen and better than the previous year. EVA also increased. This was mainly due to improved profitability in Fabric and Home Care business resulting from strategic price increases and contributions in Health and Beauty Care Business led by high value-added products, especially UV products.

● ROIC (estimate)



● Operating income (estimate)



◆ Bolstering business portfolio management

We will continue in-depth discussions on what our portfolio should be from the two perspectives of ROIC and growth potential, and bolster our business portfolio management. As for reviewing inefficient businesses, we have established internal guidelines as standards for decision-making and have also started monitoring situation by business.

We will analyze the focus businesses and brands and the status of each area from various perspectives, and we will aggressively invest in marketing and R&D globally. We plan to leverage our business ROIC and portfolios toward successfully achieving our K27 goals.

These reviews led to the decision to reorganize the production of baby diapers and the transfer of the *Healthya* the tea catechin drink business in FY2023.

◆ Improving earning power with scrum management

TCR action, which pursues cost reductions and at the same time fosters creativity by reviewing work methods with innovative ideas, has firmly taken root globally among employees.

Furthermore, we were able to obtain the understanding of our distributors to implement strategic price increases as planned in 2023. With these two elements as our starting point, we will continue taking on the challenge of further improving our earning power toward K27.

With scrum management focused on each business unit, and involving R&D, purchasing/production/distribution, sales, and indirect divisions, we will review product designs from various perspectives to reduce costs and increase added value, as well as realize appropriate pricing according to the added value. Kao believes that improving profitability by realizing higher gross margins in areas beyond the existing TCR is vital to increasing corporate value. We are growing our business with appropriate brands and SKUs and establishing efficient supply chains to achieve the shift from quantity to quality. Through reducing inventory and optimizing fixed assets, we will work toward enhancing asset turnover and ROIC.

Furthermore, from 2024, we plan to expand the previously limited EVA-linked performance compensation to all employees. With this, each employee's daily activity will directly connect to improving corporate value

◆ Creating cash flow and identifying investment priorities

Operating cash flow (CF) for FY2023 was dramatically improved by more than 70 billion yen from the previous year due to actions including inventory reduction. Additionally, the acquisition of Bondi Sands, which owns an Australian premium skincare brand, resulted in an approximately 37.2 billion yen increase in free cash flow. We will continue to increase operational cash flow by improving the profitability of our businesses while also striving to increase cash flow by shortening cash conversion cycles (CCC*).

For cash flow use, we will clarify the priorities for investment to achieve K27 goals and focus on the following areas.

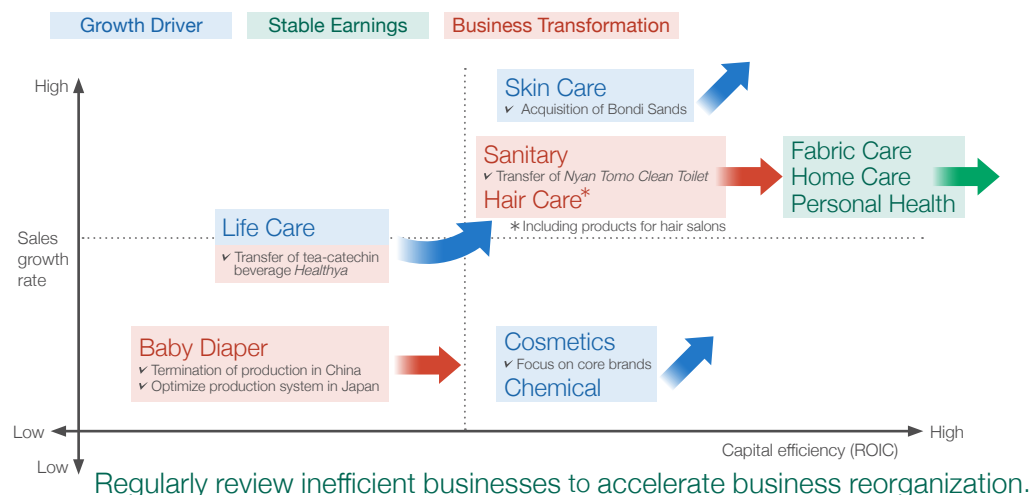
- 1) Fields that will boost the competitive advantage of core brands
- 2) Fields that will globally develop high-value-added products
- 3) Fields that will increase ROIC in growth driver areas.

After investment in businesses, strategic capital allocations will be implemented in order to maintain stable dividends and repurchase of own shares according to our status.

Furthermore, we will utilize leverage to the extent that we maintain financial health and respond to temporary cash outflows such as mergers and acquisitions (M&A).

* CCC: Cash Conversion Cycle

◆ Envisioned ROIC Improvement by Business (FY2023 Results → FY2024 Forecast)



◆ Mid-term capital policy —implemented from an EVA perspective

Five year Cumulative (FY2023–FY2027)	Five year Cumulative (FY2023–FY2027)	
Operating Cash Flow 1.1 trillion yen	Shareholder returns	Stable dividends Investments focusing on 1) to 3) above
Debt + α	Capital Expenditure	ROIC Management enhancement
	Strategic Investment	M&A New businesses
	M&A + α	Loan utilization

➤ Achieve Faster Maximization of Technology Assets and Co-create *Global Sharp Top* Businesses



Satoru Tanaka

Managing Executive Officer
Senior Vice President,
Corporate Strategy,
Responsible for Product
Quality Management Responsible
for Legal

Kao is driving efforts to build businesses in co-creation with partners to make maximum use of its technology assets in a swift way.

We will break away from self-sufficient mindset, and instead will seek to join forces with many like-minded partners to build even better products and profitable operations as we co-create *Global Sharp Top* businesses.

Co-create Value with Like-minded Partners

Kao aims to maximize and accelerate the use of its technology assets through *Yoki-Monozukuri*, supported by *Essential Research*. The goal is to reinforce existing businesses and develop new ones through co-creation with partners. As Kao continues to advance, we expect to encounter more social issues, such as environmental challenges and infectious diseases, which cannot be solved by a single company. To become an essential company in a sustainable world, we must address the deepest concerns and needs of the consumers.

We will build synergies with top-class partners that share the same aspirations, with leading-edge strengths in their fields to implement our technology assets in society as rapidly as possible and thereby creating new consumer value as we tackle these challenges.

We aim to co-create businesses in new fields that bring new value, while still increasing the value of existing businesses and brands. We are also driving efforts for the global rollout of Kao's technologies and generating high profits from minimal investment, thereby building *Global Sharp Top* businesses.

◆ Maximize technology assets for K27 (2024 plan)

- | | |
|---|--|
| ◆ Global rollout of Kao's technologies
— Joint businesses | ▶ Insect repellent and eradication technology that does not use insecticides |
| ◆ New value creation through synergies among technologies
— Open innovation | ▶ Moisture-permeable membrane as an artificial skin surface
Next-generation cleaning system technology |
| ◆ Global rollout through customer products
— Global BtoB business | ▶ Recycled materials for road development business, adjuvant for drone-assisted agriculture business for advanced semiconductors |
| ◆ High profits from minimum investments
— Improve ROIC in process industries | ▶ New product development in the sanitary business |

◆ Global rollout of Kao's technologies: Mosquito eradication spray based on a new technology



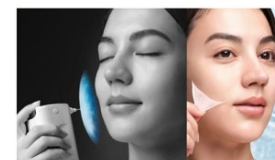
ARS Mos Shooter
co-created with Earth Corporation
to help tackle infectious diseases



Dengue fever is a viral disease spread by mosquitoes. Many of those infected are children, and serious cases can result in death. Kao, working alongside Earth Corporation who has extensive expertise in insect and mosquito control, implemented a new technology that prevents mosquitoes from flying by wetting their wings and body surfaces. We developed a spray that can eradicate mosquitoes safely and securely without using insecticides that will launch in Thailand in July 2024. This will contribute toward "protecting future lives" through new value creation.

🔗 Kao and Earth Collaborate in the Field of "Insect (Mosquito) Control" in Thailand

◆ Creating new value through technological synergy: Proposing a new idea for "Wearable Stratum Corneum Care"



with **Curél Outfit-for-Skin Potion**
and **Curél Veil Creator**
through co-creation
with Panasonic Corporation

Panasonic

Curél has introduced a new skincare method that utilizes Fine Fiber Technology to diffuse ultra-fine fibers onto the skin as a laminated, ultra-thin veil, thereby assisting people with concerns about severe skin dryness. We have collaborated with Panasonic Corporation to develop a diffuser that can apply an ultra-thin veil on a targeted area instantly.

The ultra-thin veil stays in place snugly as the moisturizing ingredients seep deeply into the stratum corneum, resulting in firm, supple, and smooth skin.

🔗 Kao launches *Curél Outfit-for-Skin Potion* and *Curél Veil Creator*

Chapter

03

Business Strategy

We will create a *Global Sharp Top* business by applying the strengths of each of our five segments, to transform and build robust business through investment.

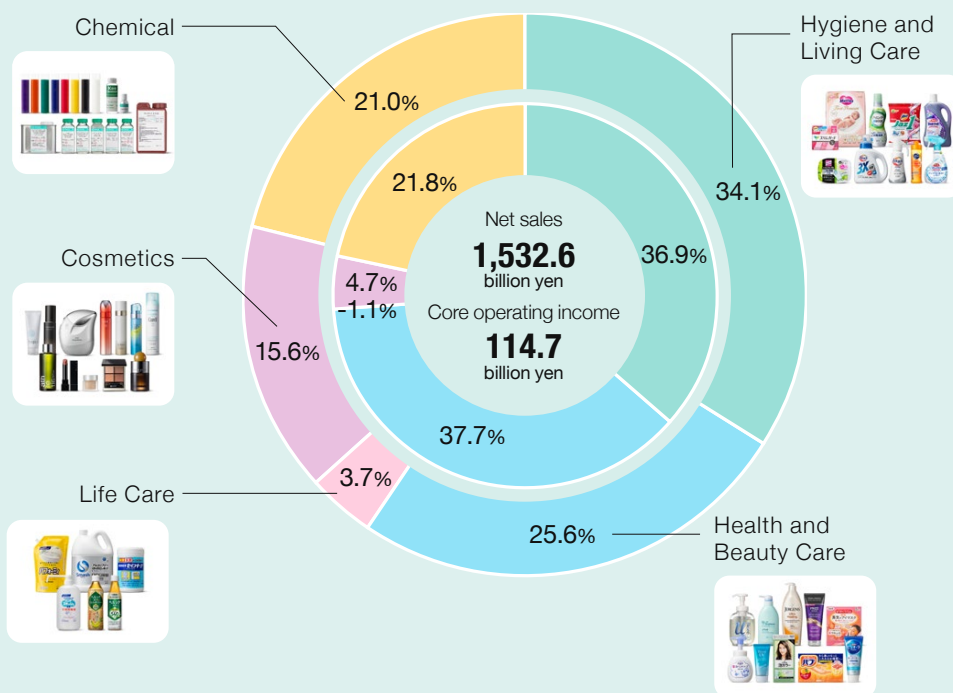


Business Overview

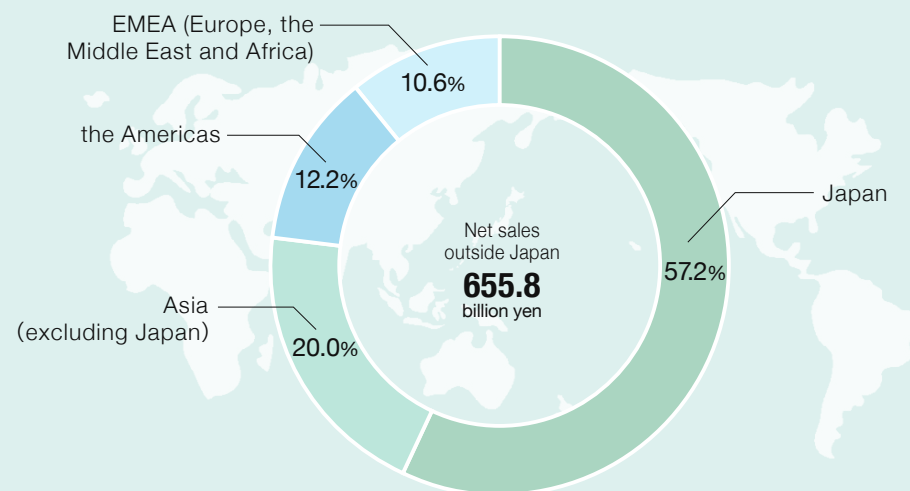
Kao conducts business with a focus on the fundamental value that people seek. We promote value creation through five business segments: Hygiene and Living Care that supports and brings greater comfort to everyday lives; Health and Beauty Care that offers healthy beauty for the entire body; Life Care that develops new business to protect human lives; Cosmetics that delivers hope and Kirei by staying close to the beauty and individuality of each person; and Chemical that contributes to the industry and a sustainable world in the future by providing innovative solutions.

FY2023 Shares of net sales and operating income by business segments

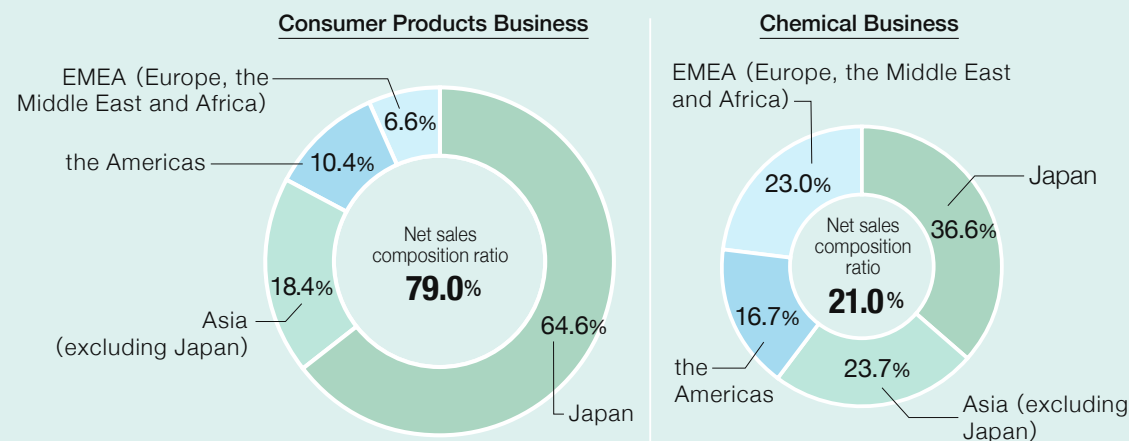
Outside: Net sales composition ratio (%) Inside: Core operating income composition ratio (%)



FY2023 net sales ratio by region / composition ratio (%)



FY2023 net sales composition by business segments



Share of net sales is calculated based on sales to customers. Share of operating income includes intersegment transactions. The Kao group presents income excluding one-time gains and losses due to non-recurring factors as "core income."

The net sales composition ratio by region are classified based on the location of the sales recognized. The net sales composition ratio by region for the Chemical Business includes intersegment transactions, and the net sales composition by business segment is calculated based on sales to customers.

Hygiene and Living Care Business



Refining Powerful Brands with New Value Proposals

Key Initiatives for K27

- Ensuring steady growth of Sanitary Business with globally integrated operations
- Proposing new value and creating new markets for Japan's Fabric and Home Care market
- Accelerating growth of Fabric and Home Care in Asia

Value Creation of Hygiene and Living Care Business

We create living spaces that offer peace of mind for everyone by keeping clothing and homes clean while reducing the load of housework.

By proposing sanitary products for each life stage, we contribute to a world where everyone can live comfortably in their own way.

Global Sharp Top Strategy



Natsumi Hotta

Senior Executive Officer
President, Consumer Products,
Hygiene & Living Care Business

Accelerated growth in Asia with a focus on strong brands

Focusing on the essentials of daily life, Hygiene and Living Care is the foundation of Kao's business. This is why we need to be a reliable brand with reliable benefits and efficacy that can be experienced by anyone who uses our products.

Developing *Laurier* brand within Asia is a priority initiative for K27. Within this rapidly changing environment with soaring raw material costs and intense competition, the Japanese market is getting smaller, and acceleration of sales outside Japan is an important priority. With integrated operations in Asia and through reviewing business models that include brand management, product development, and production, we will foster a brand that becomes the driving force for *Global Sharp Top* strategy.

In the Fabric and Home Care category, we are aiming for growth by providing new value. This field promotes proposals of new value that are one step ahead of increasingly diverse lifestyle needs. We will propose high-value-added products in Japan and Asia that will make housework easier and living more comfortably, to enhance brand value.

Reducing the burden of laundry for consumers: *Attack ZERO Perfect Stick*

With speed desired in all elements of housework, this product was released in July 2023 with a new value proposition that alleviates the stress before washing. The product does not require any measuring or refilling, and it cleanly removes collar and cuff stains without prewashing. This added value was well received and highly regarded among busy consumers.

Furthermore, a speedy scrum-type operation was applied for simultaneous product launches in Japan, Taiwan, and Hong Kong. We also plan to expand to Singapore and Australia in the future.



Enhancing loyalty with purpose branding: *Laurier*

Laurier conducts empathetic marketing with the goal of "creating a society where women can feel safe and comfortable as themselves by improving the environment surrounding women's physiological phenomena throughout their lives."

Laurier in Workplaces is a 2022 BtoB project, born from the opinions of workers, that makes sanitary napkins a regular amenity in the workplace. It has received approval from many companies, and the number of those incorporating this system has grown to over approximately 50*.

With this purpose-driven branding, the favorability rating of the brand has increased 1.2 times, and the ratio of loyal users has also increased.



Our Main Brands

Fabric Care Business



Home Care Business



Sanitary Business



Health and Beauty Care Business



One-of-a-kind UV Solutions for Skin Around the World

Key Initiatives for K27

In the Skin Protection Business*1

- Steadily launch products incorporating new technologies, with a focus on UV care
- Expand range of countries and brands
- Focus regions: China, U.S., Brazil
- Promote synergy across all businesses and accelerate growth

Value Creation of Health and Beauty Care Business

We contribute to healthy lives where people can express their individuality through daily self-care and hygiene practices. We promote efforts to provide care with regard to environmental stresses and offer safety and reassurance in everyday life by protecting and preventing against external factors such as infectious diseases and UV rays.

Global Sharp Top Strategy



Kotaro Nuriya

Senior Executive Officer
President, Consumer Products, Health &
Beauty Care Business



Karen B. Frank

Executive Officer
President, Consumer Products, Consumer Care,
Americas and EMEA
Kao USA Inc. Chairperson of the Board & President

Aiming for the global top with the Skin Protection*1 Business

The first runner for a *Global Sharp Top* business is skin protection, a field in which skin is shielded from the external environment, which grows harsher every year. In 2023, the business expanded its sales and market share within Japan's sunscreen market, and it has started rolling out to the Americas and EMEA (Europe, the Middle East and Africa). By acquiring Bondi Sands Australia Pty Ltd, which is strong in this field, we have built a structure for expanding global development.

The challenge for this business is to roll out products from Japan to the world as rapidly as possible. The crucial aspect of UV care products is overcoming legal regulations and managing production and marketing systems, which are different in each country. The Global Steering Board plays a significant role in this regard with a scrum. We will use a cross-functional process that bridges research, production and other divisions as well as representatives in each country so that all personnel can share information in real time and solve challenges to utilize assets and increase our speed.

In 2024, we will expand our range of brands and areas while promoting synergy across all businesses to accelerate growth.

Bringing the powerful proprietary technology of *Bioré UV* to the world

Protecting the skin from UV rays is a universal need, but many people are still not satisfied with their UV care products. *Bioré UV* features proprietary technology that realizes powerful sunscreen effects while also maintaining a light feel. This even, long-

lasting UV-protection coating technology is created through in-house manufacturing from Kao's Chemical Business. We have secured a patent for it, giving us a major advantage when differentiating our products from others in the market. In 2023, *Bioré Aqua Rich Aqua Protect Mist* was a hit in Japan, contributing to significant growth for UV care in terms of sales and market share.

We overcame regulatory hurdles in multiple countries and regions, and started rolling out products in Europe and North America. In 2024 and beyond, we will go further and include China and Brazil in our focus regions, and aim to become a company that helps people worldwide genuinely feel grateful that our products exist.

*2 INTAGE SRI+ sunscreen market for January to December 2023; market share in terms of monetary amounts



6.7 million units
shipped annually
Bioré UV total market share: **23.2%*2**

Rolling out three brands including *Jergens* and *Bondi Sands*

As we seek to expand our range of countries in the "safe color" field, which creates a tanned look on skin, *Bondi Sands*, which is strong in Australia and Europe, will now join *Jergens*, a brand that has achieved the No. 1 market share in the U.S.

We aim to realize a society in which everyone can smile and be relieved from skin-related concerns through the three brands of *Bioré*, *Jergens* and *Bondi Sands*.

*1 Skin protection: The collective term for "UV care" that protects skin from UV rays, "safe color" that creates a tanned look without UV exposure, and "protection from environment-related risks" including mosquito repellents.

[Skin Protection Business Growth Strategy Briefing \(September 26, 2023\)](#)

Our Main Brands

Bioré

JERGENS

BONDI SANDS

Essential

merit
メリット

JOHN FRIEDA.

Liese

pure-ora

パフ

めぐりズム

Health and Beauty Care Business Salon Business



Making Life Beautiful for Salon Clients

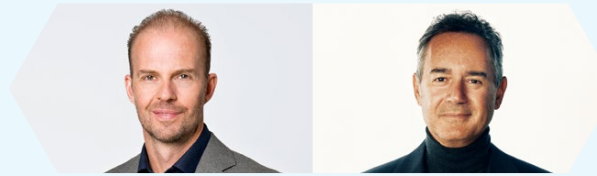
Key Initiatives for K27

- Execute business transformation and improve ROIC
- Bolster relationships with salons and grow *Goldwell*
- Expand *Oribe*'s position as No.1 in luxury hair care
- Strengthen omnichannel capabilities

Value Creation of Salon Business

We enrich the lives of hair stylists, salon owners and their clients around the globe. Together with salons, we are making life more beautiful with our brands, products, and services.

Global Sharp Top Strategy



Dominic M. Pratt

Executive Officer
President, Consumer Products, Salon
LLC Chairperson of the Board, Oribe Hair Care
President, Kao Germany GmbH

Daniel Kaner

President, Oribe Hair Care
Co-Founder, Oribe Brand

Positioning *Goldwell* color and *Oribe* luxury haircare as the driving forces to transform Salon Business

Driven by digitalization, the COVID-19 pandemic and economic challenges, the professional hair market has become truly omnichannel; now covering both traditional BtoB salon channels as well as new BtoC consumer channels (including e-commerce).

Consumers have shifted retail purchasing habits to e-commerce, and so stylists must shift their focus to increasing in-salon value.

We will transform our organization and business model to maximize profitable growth opportunities. Kao Salon has a *Global Sharp Top* focus on growing in customer segments and channels with higher sales potential and profitability, utilizing the following brands:

- *Goldwell*: Win and grow market share in the top 10% of the salon segment with unique and superior value centered on in-salon color services
- *Oribe*: Grow in omnichannel with the luxury haircare segment and accelerate EMEA expansion

We will continue to leverage Kao Salon's strengths in community building to attract new customers faster and nurture win-win industry relationships.

Increase hair color's share in the UK *Goldwell*

In the UK market, *Goldwell*'s share grew during 2023 while its major competitors fell. As a result, it maintained its No. 3 position and narrowed the gap with its top competitors.

This was achieved by acquiring the RUSH Group, which shares *Goldwell*'s values regarding business principles and creativity, and has over 50 salons in the UK.



Continue profitable growth by providing experiential value that exceeds customer expectations *Oribe*

Leading the way to profitable growth, *Oribe* continues to make remarkable progress as a result of its focus on growing channels and building trusting relationships with its customers. By exceeding customer expectations in all aspects of the experience (products, communication, and sales), *Oribe* has turned customers into *Oribe*-obsessed fans.



Our Main Brands

GOLDWELL.

KMS

KERASTILK

ORIBE

VARIS

Life Care Business



Supporting Health and Safety in the Future with Proprietary Solutions

Key Initiatives for K27

- Expanding the testing business that provides precision solutions
- Expanding income and accelerating channel expansion by proposing hygiene solutions that utilize Kao's integrated capabilities

Value Creation of Life Care Business

In view of the nature of the issues people face, we provide proprietary solutions that stay close to consumers, precisely match each person's explicit and implicit needs, and suit hygiene needs among professionals. These solutions contribute to people's health and safety now, and in the future.

Global Sharp Top Strategy



Toru Nishiguchi

Senior Managing Executive Officer
President, Consumer Products,
Life Care Business
Responsible for
Kao Professional Services Co., Ltd.



Masaaki Ozawa

Consumer Products, Life Care Business
President, Kao Professional Services Co., Ltd.

Providing proprietary solutions that stay close to consumers

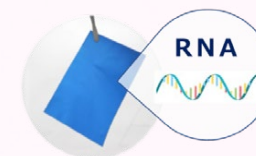
The Life Care Business puts people's lifestyles at the center and stays close to consumers to provide solutions that encapsulate personalized value.

The Health & Wellness Business focuses on proposing solutions based on [the Precision Life Care concept](#) and with the testing business at the core. Kao has a unique evidence-based approach to swiftly realize future lifestyles within society through co-creation and DX with external partners.

In the BtoB Hygiene Business, we provide optimal hygiene solutions with a professional perspective for restaurants, medical and nursing care, accommodation and leisure facilities, and other organizations through the hygiene consulting and the sales of detergents. We propose one and only BtoB hygiene solutions that consider infection control in addition to food hygiene management. We will view opportunities in social issues and signs of lifestyle changes as we expand our sales channels in new areas and contribute to people's safety.

Expanding the testing solutions business through co-creation: RNA Testing Business

In 2023, Healthcare Systems Co., Ltd. launched a mail-in testing service called *Baby Well Check*, which uses Kao's sebum RNA monitoring technology to understand the skin barrier status of babies and infants. Now, in 2024, we will secure more partners and expand the business by moving into many areas, such as beauty and health care.



Continuing the reinforcement of the BtoB Hygiene Products Business *Raku-Navi* series of detergents for baths and bathrooms

Restrictions on people's actions were lifted following the reclassification of COVID-19 as a Class 5 disease in Japan, resulting in more opportunities for going outside as well as an increase in international tourists coming to Japan. Meanwhile, lodging facilities face issues regarding a lack of employees and an aging workforce. In light of this, KPS developed the *Raku-Navi* series that helps reduce the burden of cleaning large baths and bathrooms—a particularly intensive task when cleaning facilities. This helped provide high-quality service with fewer workers while also mitigating the cleaning burden at the *Genba* through a new operational approach.



Raku-Navi Large Bath Cleaner



Foam Spreader for
Raku-Navi Large Bath Cleaner

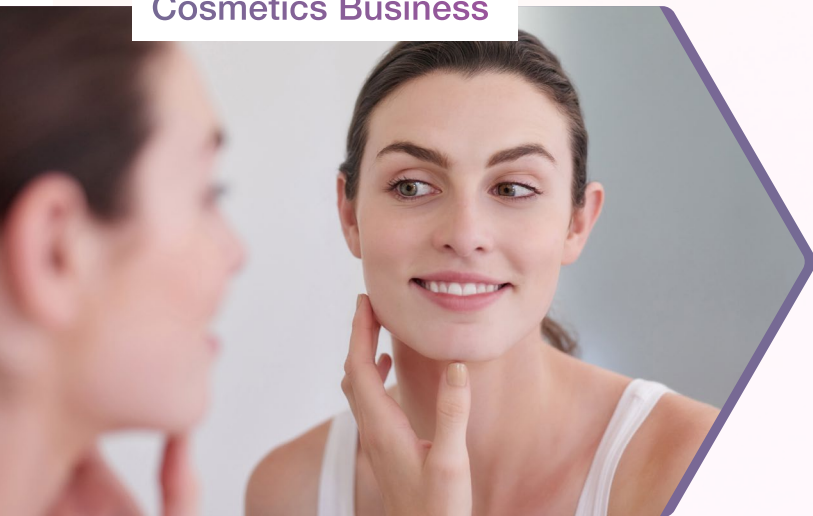


Raku-Navi Unit Bath Cleaner

Our Main Brands



Cosmetics Business



Accelerating Globalization Through Purpose-Driven Brand Strategies

Key Initiatives for K27

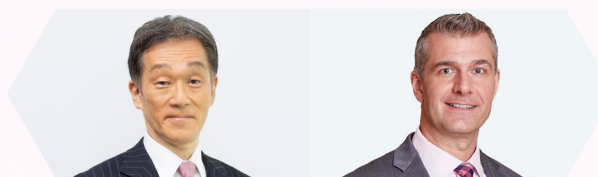
- Creating excellent brands with purpose branding
- Providing solutions catered to each customer by applying internal and external technologies
- Establishing operational systems on a global scale

Value Creation of Cosmetics Business

Through our brands' distinctive identity, we are committed to each person's beauty and individuality. We deliver hope and *Kirei* with solid science and our abundant sense.

Through beauty, hope and *Kirei*, we contribute to realizing a joyful lifestyle culture and a society in which fulfilling lives are possible for all.

Global Sharp Top Strategy



Yousuke Maezawa

Senior Executive Officer
President, Cosmetics Business, Consumer Products Business
President and Representative Director, Kanebo Cosmetics Inc.

Mark Johnson

Executive Officer
President, Consumer Products - Cosmetics Business, Americas and EMEA;
President, Molton Brown Limited

Deepening purpose branding and accelerating globalization

As geopolitical risks, lifestyles, and other external circumstances dramatically change, we create functions and worldviews that focus on the satisfaction of each customer through our detailed customer perspectives. We will construct deep ties with customers that will evolve the purpose-driven activities of our brands so that such brands are the first to come to consumers' minds in each segment.

As first-runners in the *Global Sharp Top* strategy, we have selected *SENSAI*, *MOLTON BROWN*, and *Curél*. We will aim for profitable growth with ROIC as an indicator and accelerate the globalization of organizations, human capital, and business promotion methods while expanding each brand in the countries where we engage with business.

Furthermore, we will concentrate investments on purpose-driven marketing and brands such as *KATE* and *KANEBO*, which had double-digit growth last year for their products, in our efforts to improve brand loyalty. Furthermore, to achieve a resilient and agile value chain, we will reinforce our scrum-type management and construct an operational system on a global scale.

Grow further in the EMEA market *SENSAI*

In 2023, the supreme line that embodies *SENSAI* luxury, known as the *ULTIMATE* line, was renewed with sustainability enhancements. This was the driving force behind the increase in sales of high-end skincare products throughout EMEA (Europe, the Middle East and Africa).



Balancing both luxury and sustainability *MOLTON BROWN*

MOLTON BROWN has accelerated its growth by promoting a strategy that prioritizes the fragrance category. Its new collection range of *Wild Mint & Lavandin* is enjoying strong sales. The brand also actively utilizes recycled material in its efforts to achieve both luxury and sustainability.



Relieve concerns about skin sensitivity caused by dryness on a global scale *Curél*

Curél has been expanding its categories, leveraging evidence based on skin ceramide research, and it has performed well, mainly in Japan and China.

Going forward, we will expand solutions developed in Japan to resolve global skin problems that differ with climates and skin types, and strive to be the world's top brand for dry and sensitive skin.



[Cosmetics Business Growth Strategy Briefing \(Sep. 26, 2023\)](#)

Our Main Brands

SENSAI

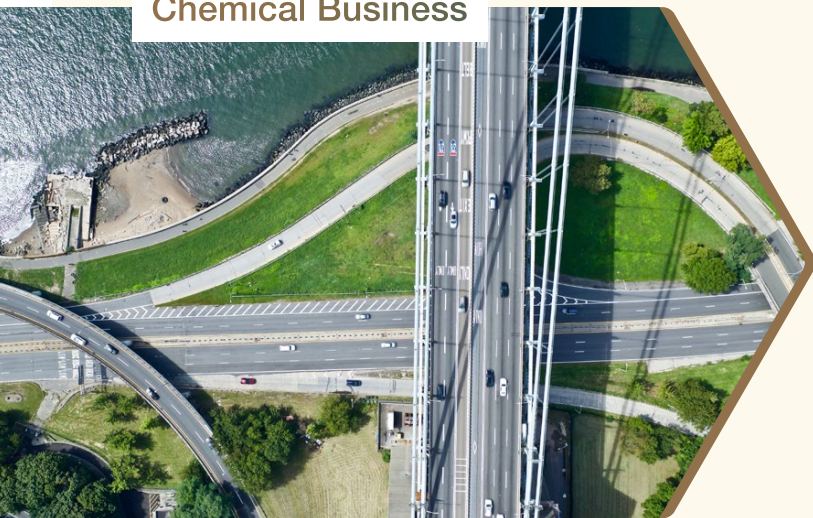
MOLTON BROWN
LONDON

Curél

KATE
TOKYO

KANEBO

Chemical Business



Solving Social Issues and Growing the Business with Eco-innovation

Key Initiatives for K27

- Achieve social impact and grow the business by solving social issues
- Create and secure value through eco-innovation
- Bolster partnerships and collaborations with external parties and accelerate business development

Value Creation of Chemical Business

We strive to solve environmental and social issues through co-creation by integrating Kao's various strengths with those of its customers and partners. In this way, we help create new value in the industry and realize social impact. We contribute to initiatives for customers, industries, and society to make a shift toward decarbonization and a circular economy by refining our sustainable materials and proposing new ecological solutions.

Global Sharp Top Strategy



Masahiro Katayose

Senior Executive Officer
President, Chemical Business
Chairperson of the Board, Fatty Chemical (Malaysia) Sdn. Bhd.

Accelerating a shift toward a high value-added business structure

We are working to shift toward a business structure with high added value to minimize the effects of the economic landscape and fluctuations in raw materials within this time of rapid change. The business landscape was challenging in 2023, including a decline in demand due to a delay in economic recovery. However, we made progress in rolling out highly profitable products such as inkjet printing systems and semiconductor chemicals. In addition, we have started running facilities in Europe for tertiary amines and aroma chemicals, and we are planning to expand the business.

Kao's Chemical Business proposes innovative products and solutions to solve social issues while leveraging its strengths in unique eco-innovation technology that creates added value, applications in a broad range of industrial fields, and robust capabilities for rolling out products on a global scale. We will accelerate our progress together with our customers and partners to secure value and grow the business by always investing in initiatives to solve the next social issue in a cyclic process. Through these efforts, we will help shape the industry's future and build a more sustainable society.

In 2024, we will maximize the use of our facilities that have recently started operations while strengthening our foundation for growth and further expanding our business in durable asphalt modifiers, adjuvants for agrochemicals, and other high-value-added products to accelerate our transformation into a stronger business structure.

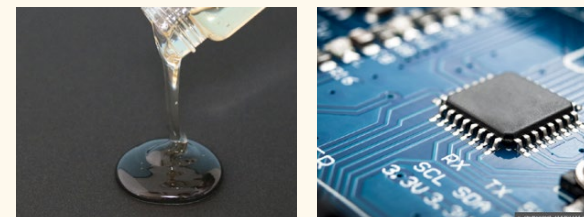
Helping to realize a circular society by effectively using waste PET

Our asphalt modifier made from waste PET boosts road durability and reduces the frequency of repairs, thereby decreasing environmental impact and maintenance costs. In 2023, we held a new field test with partners for a pavement material using upcycled waste fishing nets in Miyagi Prefecture. We have also begun expanding outside Japan, and we seek to contribute globally by continuing to grow our area of operations.



Contributing to many industrial fields with proprietary hydrophobic modification technology

We contribute to functional innovation in various use cases by using proprietary hydrophobic modification technology on cellulose nanofiber material made with natural timber and then carrying out customizations to suit user objectives. In 2023, this technology was utilized in electronic materials in a world first. This new material of the future can provide many different solutions, such as improving heat resistance and hardness, and it is expected to expand across a wide range of industrial fields.



[Chemical Business Growth Strategy Briefing \(Jun. 22, 2023\)](#)

* For details on the Chemical Business, please visit [the Kao Chemicals website](#)

Chapter

04

Value Chain Reform

We will rebuild a “Strong Kao”
through speedy and bold challenges
by combining diverse knowledge
through a scrum-type system.





Toru Nishiguchi

Senior Managing Executive Officer
Responsible for Consumer Products; President,
Consumer Products - Life Care Business;
Responsible for
Kao Professional Services Co., Ltd.

Marketing Strategy to Pursue *Global Sharp Top*

- ▶ Creating value that supports consumers 24 hours a day
- ▶ Deepening purpose-driven branding
- ▶ Promoting a global scrum system

Co-creation of Value with Consumers Based on Brand Purpose

The mass-trial model for marketing is no longer applicable due to the widespread digitalization and increasingly diverse consumer lives. Kao aims to contribute to a sustainable society and people's lives with an elevated level of satisfaction by providing value that addresses issues for each consumer under the slogan of *Life Value Solution Marketing*. What we value is purpose, which is the essence of a brand, and co-creating value with consumers based on that purpose. We watch over all of the hours of consumers' lives with a global perspective to deepen connections and create a robust brands.

Bioré UV—Value co-creation with consumers focused on impressed experiences

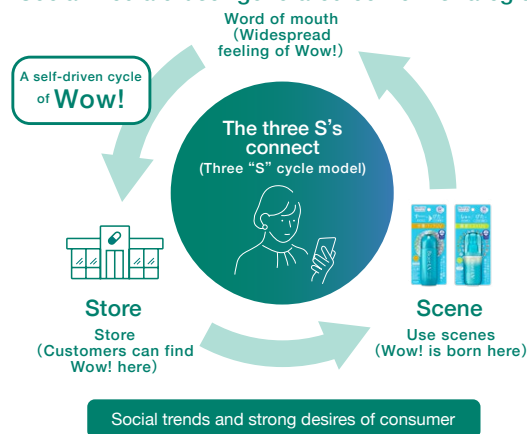
Bioré UV is promoting value co-creation with consumers based on their impressed experiences. The brand's purpose is to create a society where people can spend more time in the sun with smiles on their faces, and we focus most on real feelings when creating products.

The UV care product market is one in which 90% of users are unsatisfied with their products' effects. It is a category in which users are unsure what to select, so they tend to refer to social media to make purchases. *Bioré UV*, creates certain Wow! (impressed) experiences (Scene), which leads to word of mouth (Social media & user-generated content) and in-store visits (Store). We aim to expand the user base and enhance brand's loyalty by repeating this self-driven cycle of three S's.

We are making efforts to create strong connections with consumers while taking agile action, such as applying social media feedback at stores and within product appeal.

Bioré UV: Self-driven marketing with Wow! Impression

Social media & user-generated content strategies



Enhancing brand presence by deepening purpose branding

KATE TOKYO

KATE's purpose-driven marketing of "no more rules" continued, thereby accelerating the brand's value. In addition to lipsticks such as Lip Monster, the brand has established a



strong position in the Japanese makeup market with constant releases of new products and marketing.

Moreover, the brand is also increasing its presence in the greater China markets, as the highly rated brand spreads out globally.

KANEBO

In 2020, *KANEBO* redefined itself under the slogan "I Hope" as a brand that speaks of hope beyond beauty. The brand's communication also transitioned from relaying product functions to communication that appeals to emotions, such as loving your skin and parts of your body, which is a sentiment shared by many.

Sales for products that embody the brand's purpose, such as foundation that poses as bare skin and vernix-



inspired cream, are going strong. Sales for the *KANEBO* brand in 2023 have exceeded previous performances, at 180% globally and 170% within Japan compared to 2020.



Yoshio Nakao

Senior Executive Officer,
Representative Director, President,
Kao Group Customer Marketing Co., Ltd.

Sales Strategy to Pursue *Global Sharp Top*

- ▶ Transform the sales structure to have three strong pillars in net sales, profit, and market share
- ▶ Boost loyalty through co-creation with retailers
- ▶ Work with retailers to advance together globally

Contributing to Our Future Society and Economic Growth

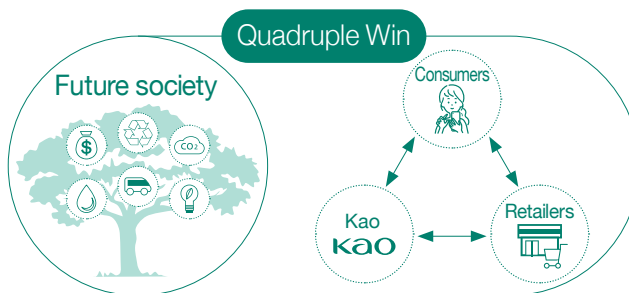
Alongside our business partners, Kao will engage in the co-creation of life value through brands and products with consumers to contribute toward enriched lives on an everyday basis. We have worked to realize a “triple win” for consumers, retailers, and Kao while emphasizing sustainability in society and the economy. Additionally, we will enable a win for our future society for a “quadruple win.”

Our strengths are in our people with capabilities in information, quick action, and adaptability. We will work with our partners to stay close to consumers, propose life value, and boost the quality of sales while dedicating ourselves to the sustainable development of our future society and economy.

Boosting our capability to generate profit through strategic price increases

In the face of a growing concern among consumers about future living standards, as well as severe changes in the business landscape, including increases in raw material and energy prices, we transformed our sales activities in FY2023 to carry out strong management of three targets: net sales, profit, and market share. As a result, we attained our sales budget, grew our market share in consumer products, and contributed to profit.

Strategic price increases served as a powerful force toward this end. However, price increases can bear considerable risks and are more challenging than they may sound. For each product, we analyzed the market environment, the status of competition, and Kao's positioning. Then we linked this information with marketing strategies to visualize the added value of these products to consumers and gain understanding among retailers through a careful process at each step. In these activities, we emphasized attaining a win for consumers, retailers, and Kao itself, on top of our future society.



Working with retailers to build more Kao fans

Stores are vital locations, as this is where consumers encounter products. We will revise our conventional sales promotion activities and aim to build a sales model that creates sustainable profit by proposing promotions that

suit the characteristics of each retailer while seeking to nurture consumers into Kao fans. For example, by rewarding consumers with loyalty points, we can create opportunities for purchasing additional products and trying new products while growing loyal customers. In addition, we have driven one-to-one marketing in a timely way that stays close to consumers' desire to purchase with Kao Group's official LINE account (4.5 million people: as of March 2024), as we work to build more Kao fans.

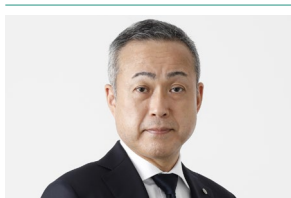
Boosting efficiency swiftly in the value chain

Predictions for 2024 continue to include labor shortages and increasing logistic costs. In the face of this, we will enhance the quality of sales and address unreasonableness, waste, and inconsistency in the value chain as we transform our sales model to achieve ongoing profitable growth.

For example, we have already started to see effects in reduced costs and personnel through eliminating opportunity loss by expanding the shelf space of best-sellers, boosting efficiency of in-store operations by cutting down sales promotions that require displays at the end of aisles and by shifting toward promotion on regular shelves, and revising orders and delivery frequency to match the scale of each store. Going forward, we will continue these ESG-focused initiatives as actions to be carried out across the entire value chain, including our partners.

Building a sustainable value chain





Yoshihiro Murakami

Managing Executive Officer
Senior Vice President, DX Strategy



Naohiko Uramoto

Senior Executive Officer
Vice President DX Strategy
Data Intelligence Strategy

DX Strategy to Pursue *Global Sharp Top*

- ▶ Development of our interactive digital platform
- ▶ Exploration of future growth engines through co-creation
- ▶ Nurture "DX employees" as an engine for the above goals

Stay Close to Consumers with the Power of Digital

Kao is aware of the need to develop a direct connection with consumers and invest in "DX employees" in order to adapt to changes in purchasing habits and consumer lifestyles driven by digital technologies. Kao is evolving *Yoki-Monozukuri* to stay closely connected with each and every consumer using digital technologies.

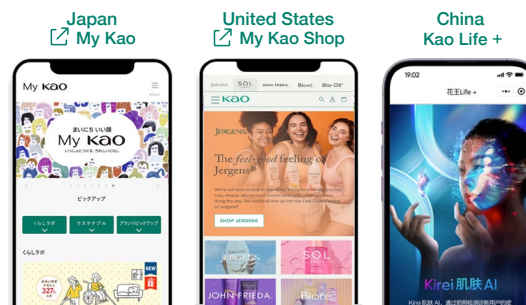
The company aims to refine its business model by utilizing digital technologies and big data to enhance corporate activities and shift from a mass-market focus to an ESG perspective that aligns with diverse values. These efforts will accelerate our transformation into a *Global Sharp Top* company.

Connecting with consumers worldwide with an interactive platform

We are driving efforts to build My Kao, an interactive digital platform for directly connecting with each and every one of our customers. This is a form of owned media that delivers reliable information and our product development philosophy from us as a manufacturer to our consumers, while simultaneously serving as a new marketing platform.

It is possible to carry out agile manufacturing and marketing by building a system with community features for direct dialogue between the various divisions across the company and consumers. By providing a personalized user experience (UX), this can contribute toward a *Kirei Lifestyle* for each and every consumer.

We are promoting this interactive platform concept on a global scale. We launched My Kao in December 2022 in Japan and have already launched My Kao Shop in the U.S. and Kao Life+ in China. In addition, we are continually expanding the functionality of the platform.



Creating Kao fans by building an interactive platform

	Results in FY2023	Targets for FY2027
My Kao visitors	10 million	30 million
My Kao members	0.25 million	3.0 million

※ In Japan

Accelerating efforts to change the game with co-creation beyond corporate borders

In March 2024, Kao and istyle Inc. together established the [RNA Co-creation Consortium](#) with Kao's proprietary [sebum RNA monitoring technology](#) at the core. This consortium welcomes partner companies that play a leading role in their own industries and seeks to achieve a fusion of each company's data and research insight. Creating systems for realizing a selection of sustainable products and services that provide even greater consumer satisfaction will take industry-wide initiatives, thereby accelerating efforts to change the game.

Digital skill enhancement program for all employees

In addition to our proactive efforts to nurture "citizen developers*," we have begun introducing the DX Adventure Program in November 2023 to promote the enhancement of digital skills for all employees. We will bolster our activities to discover and nurture "DX employees" and accelerate the creation of new value and business process transformation in all companies and divisions. We are visualizing skills by implementing Open Badge digital certificates, thereby boosting employee motivation. This program has started in Japan and will expand worldwide in 2024 and beyond.

	Targets	Programs
Level 5	Companywide DX Leaders	Project-based OJT using both internal and external resources
Level 4		
Level 3	Division DX Promoters	Programs customized for each division
Level 2		
Level 1	All employees	Programs personalized for all employees

Nurturing "DX employees"

	Results in FY2023	Targets for FY2027
Citizen developers	1,000	3,000
Companywide DX Leaders	30	150
Division DX Promoters	30	300

* Activities with a *Genba*-oriented perspective to promote regular employees without IT expertise to improve operations by using low-code or no-code tools

Value Chain Reform Supply Chain Management Strategy Aiming for a Sustainable and Resilient Supply Chain



Osamu Tabata

Managing Executive Officer
Senior Vice President, Supply Chain Management

SCM Strategy to Pursue *Global Sharp Top*

- ▶ Shifting to smart factories leveraging advanced technologies
- ▶ Sophisticated AI forecasting of demand and evolving the S&OP process
- ▶ Innovation by DX at the *Genba* and in engineering operations

Smart SCM Innovation

One mission of the SCM Division is to fulfill its responsibilities of supplying products to customers. However, there have been times when there was too much focus on preventing shortages that resulted in excess production or, conversely, occurrences of product manufacturing failing to keep up with sudden demand.

We aim to build a resilient supply chain to pursue *Yoki-Monozukuri* with minimal environmental impact. At manufacturing sites and during supply and demand planning, we incorporate digital technologies and other advanced innovations, including AI and robots, to promote smarter operations.

Connected flexible factory

Amid social issues such as labor shortages and long working hours due to the declining birthrate, aging population, and diversity of consumers, [the new warehouse at the Toyohashi factory](#), a symbol of smart SCM, began operations in March 2023. Through integrated operation with neighboring factories, we are able to streamline every process of product supply, shorten lead times, reduce logistics costs, and reduce CO₂ emissions. In addition, it has a highly flexible design that can respond to low-volume, high-mix production, achieving complete automation from warehousing of products to sorting them to destinations and shipping them.

This full automation has eliminated heavy labor and streamlined the workforce by approximately 30 people. Furthermore, trucks waiting for cargo on-site used to take one to two hours, but we are now able to shorten waiting times to approximately 30 minutes.

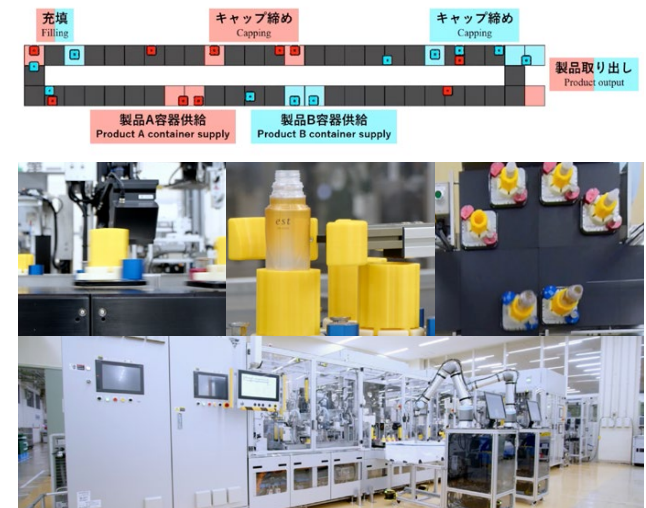


Please click [here](#) for information on next-generation warehouse

Dynamic cell production system

In December 2023, we introduced [a new production system](#) at the Odawara Plant, which is a global supply base for cosmetics. This system is a combination of floating linear transport technology and robotization, and products with different processes and processing times can be fed into one manufacturing line since each product is transported and processed individually. This advanced automation technology makes it possible to operate with the minimum number of employees, and the system is quickly able to switch between diverse types of products.

With this system, we are now able to produce products that cater to the various needs of consumers, providing the necessary amount at the necessary timing without waste. We have achieved efficient production for varied low-volume products, which had conventionally been seen as impossible.



Please click [here](#) for information on dynamic cell production system



Hideaki Kubo

Managing Executive Officer
Senior Vice President, Research and Development

Research Strategy to Pursue Global Sharp Top

- ▶ Developing competitive core technologies and products in global
- ▶ Achieving both customer and sustainable value creation
- ▶ Reinforcing development with speed as our competitive axis

Converting Technology into Cost-competitive Value

As global competition intensifies and social issues and lifestyles become increasingly more diverse, the R&D mission is to identify the major needs of consumers and customers globally and to contribute with cutting-edge and unique solutions through technology innovations. To achieve this, we are maximizing our technology assets and dramatically improving the level of our core technology development. Furthermore, collaborating with business divisions from the initial steps of development enables us to convert unique technology to global cost-competitive value. With the aim of attaining K27, we will further accelerate the speed of our value creation through active co-creation with partners outside of our company, in addition to reinforcing collaborations within the company that make the most of our strengths of diverse country and business activities.

Expanding value creation through technology innovation based on *Essential Research* and their synergies

Essential Research is the driving force for Kao's research activities. "Essential" refers to the universal nature and functional mechanisms identified by looking at human and physical phenomena using the lens of science to contribute toward technology assets.

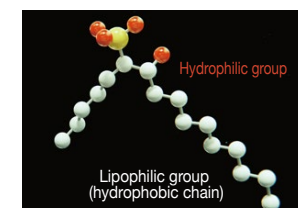
Since its foundation, Kao has developed precise interfacial control technology to target skin, fiber, and many other objects. We combine this core technology with many other technology assets and link them with the needs of customers, industry, and society to create unique products and services. By creating synergies across a wide range of business sectors, we provide our competitive strength and also heighten our efficiency in R&D investments.

Development of globally competitive and sustainable raw materials

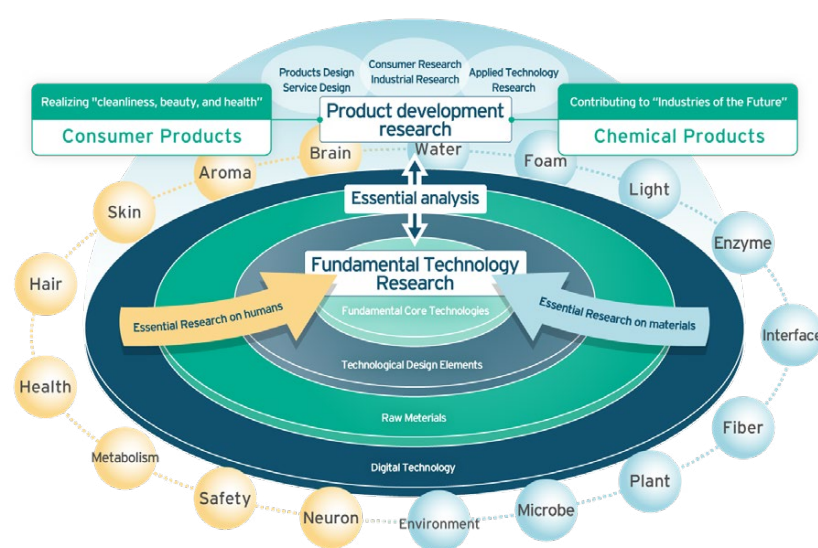
The surfactant *BIO IOS*[®] utilizes Kao's core technologies of precision interface control and precise conversion of oils and fats. It is created from sustainable raw materials, and it is able to exert powerful cleaning capabilities in a wide range of water hardness around the world. We are currently incorporating this product into laundry detergents such as *Attack ZERO*, but through *Essential Research*, we have discovered unique functions in beauty care products as well. We will develop this unique detergent base on a global level and contribute to cleaning for a sustainable future.

• *BIO IOS*[®] molecular structure model

Hydrophilic group: Part with high affinity to water
Lipophilic group (hydrophobic chain): Part with high affinity to oil
A special structure in which the hydrophilic group is located at the middle of a long lipophilic group



Kao's R&D activities

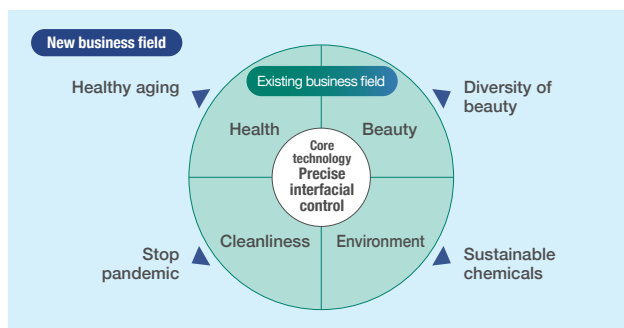


Global development of UV care products with speed as the competitive axis

In cooperation with our business divisions, we developed unique products and usage methods of long-lasting coating that is utilized by Kao's core technologies "precision interface control" within the UV care category, where product differentiation is difficult. To pursue global developments, we have been demonstrating our overall strengths by swiftly complying with diverse laws and regulations in each country, ensuring safety with measurement and assessment technologies, and quickly starting production by streamlining registration processes using DX. We will accelerate our global development going forward by implementing this mechanism for other products as well.

Striving for the creation of new businesses that transcend fields

To address environmental issues, population aging, pandemics, and challenges associated with diversification, we will deepen and advance value creation in the four fields of cleanliness, beauty, health, and the environment. At the same time, we will create new businesses through innovation that have a social impact with Stop Pandemics, Diversity of Beauty, Healthy Aging, and Sustainable Chemicals that transcend business field borders. To achieve these, there is a need to promote the creation, protection, and strategic use of intellectual property.



Maximize utilization of Technology Assets in Conjunction with the Management Strategy

Intellectual Property Strategy to Pursue *Global Sharp Top*

- ▶ Enhancing the IP portfolio through collaborations with business divisions and R&D
- ▶ Implementing the Open & Close Strategy utilizing IP rights
- ▶ Reinforcing global anti-counterfeit measures

External and Internal Collaborations to Transform Technology Assets into Earnings Power

We regard intellectual property (IP) as an important management resource. We are strengthening our global capabilities, including the creation, protection, and utilization of IP.

We have built a strong IP portfolio with core technologies derived from *Essential Research*, commercialization technologies providing high value, trademarks, and designs for nurturing strong brands, and distinctive business models to gain and maintain competitive advantage. We are also working on an IP MIX strategy that offers multi-faceted and organic protection of Kao rights through combining multiple IPs, such as patents and trademarks.

In order not only to strengthen and maintain loyalty for products and brands but to protect consumers from health hazards, we are globally strengthening measures against counterfeit products, speedily disclosing information, and alerting consumers.

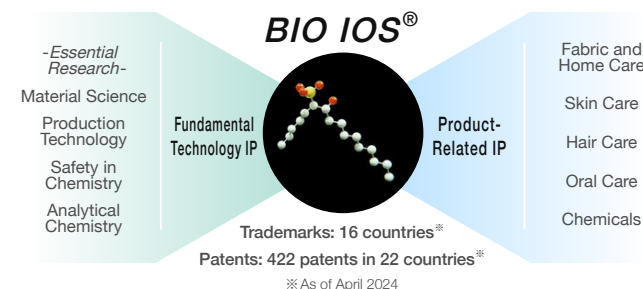
Recently, we have been collaborating with external partners and working toward achieving a competitive advantage by focusing on obtaining patents for business models and DX-related patents with an appealing UX (User Experience) utilizing DX.

We will contribute toward boosting R&D effectiveness and Kao's profitability through collaborations between IP strategy and business, research, even outside the company, by enabling the applications of IP across diverse business domains.

Core technology application across diverse business domains—*BIO IOS*®

Kao has been applying core technologies created from *Essential Research* of fundamental technologies across diverse business domains. For instance, *BIO IOS*®, which was developed as a sustainable surfactant, is establishing and utilizing IP portfolios with the collaboration of business divisions, R&D, and IP divisions for diverse applications within and outside of the company, including detergents, beauty-related products, and the chemical field.

Developing Core Technologies Globally in Diverse Fields

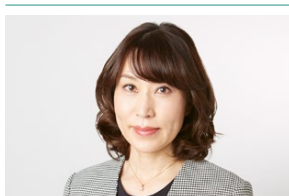


Creating a mechanism that increases profits with external partners

Kao has implemented a so-called "Open & Close Strategy," in which it seeks to expand its market by opening up its technologies while leveraging its technological first-mover advantage, and at the same time restricting the opening up of technologies that would lead to its own competitiveness.

By controlling the timing in which technology is released to external partners, Kao is able to ensure its competitive advantage while becoming the driving force for market expansion.

☞ In November 2023, Kao signed a Comprehensive Joint Research Agreement with NANO MRNA for mRNA medical drug discovery. This initiative forms a model that maintains the advantage of Kao's proprietary technologies while creating markets and profits with external partners.



Mami Murata

Executive Officer
Senior Vice President,
Strategic Public Relations

PR Strategy to Pursue *Global Sharp Top*

- ▶ Doubling the number of Kao fans globally
- ▶ Contributing to business profits by creating fans
- ▶ Transforming customer inquiries into inspiring experiences to create more Kao fans

Doubling the Number of Kao Fans with Connections through Dialogue

The mission of public relations (PR) is not one-way dissemination of general corporate information, but to create connections with stakeholders through dialogue and expand Kao's fan base. Having more fans who deeply comprehend Kao, have strong empathy, and have good impressions will create a sharper corporate image, and purchases by fans should contribute to business profits.

Strategic PR has diverse contact points that connect to consumers, news media, and society. At those points, we live communicate to consumers and society the image of our employees doing their best in corporate activities within the K27 vision, "Protecting Future Lives," and toward the *Global Sharp Top* business and its attainment. Accordingly, we aim to achieve the goal of the K27 PR strategy, doubling the number of Kao fans globally.

◆ *Tsuki-sai* : An opportunity for passionate employees to communicate with consumers

Tsuki-sai (moon festival) is an activity in which employees visit places where consumers have gathered to introduce information regarding daily life along with Kao products through face-to-face dialogue. The name of the event reflects the Kao Moon, the symbol of the company, and the hope that consumers would enjoy themselves.

Employees act as a hospitality team to passionately communicate Kao's innovative products and evidence to contribute toward expanding the Kao fan base. We were overjoyed to receive comments such as, "Hearing employees explain about Kao products made us love the products even more," and "What a bright and fun company!" Those words spread throughout social media to over 2.6 million consumers.

Participating employees also felt a renewed sense of attachment and pride toward Kao, and this activity also worked to maximize their vitality and potential. We will continue to spread globally and expand the Kao fan base.



◆ "Kao Do it!" to deliver employees' passion for taking on challenges

Kao employees plan and appear in videos that communicate Kao's thoughts and feelings. The total number of views has exceeded 9.5 million, and we are reinforcing engagement with consumers through this channel [Kao Do it!](#)

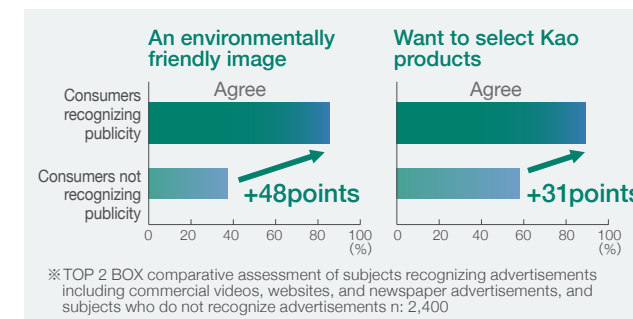


◆ Corporate ESG communication from a consumer perspective to lead behavior change

Since 2022, Kao has been proactively communicating to consumers about how we are a company dedicated to what is good for society and the planet, with the desire to trigger ethical changes in consumer behavior and contribute toward realizing the *Kirei* Lifestyle.

Communicating typical daily life situations that are unique to Kao creates awareness, empathy, and favorable impressions. It also contributes toward deepening understanding about Kao's corporate stance, efforts being made for the environment, and also encourages consumers to choose our products.

Wastefulness—*Mottainai*.
Never today, nor tomorrow



◆ Transforming even customer feedback into Kao fans

We do not stop with only reflecting consumer feedback into our *Yoki-Monozukuri*, but also provide communication that exceeds expectations for customers offering feedback, thereby resulting in more Kao fans and improving corporate value. At the same time, our activities to deliver consumer opinions expressing gratitude to all employees have doubled employee motivations and is contributing towards "maximizing the power and potential of employees."



OUR PEOPLE A New Challenge to Create One and Only Values

New value is born
by launching innovation.
We will continue to
challenge ourselves
to be an essential company
for someone in the world.



01

KATE Product Development

Masstige Business, Cosmetics Business

Ren Oota

Developing Makeup That Is Someone's First and Only Choice

By working with a unique perspective, we can develop a makeup that focuses on the finer details and becomes someone's first and only choice. This perspective is constantly on my mind as I work in product development.

For example, we created *DESIGNING EYEBROW 3D (dual color)*, taking a hint from people who use reddish eyeshadow on their eyebrows. This innovative product features KATE's popular eyeshadow powder mixed with a healthy red tone.

KATE SUPER SHARP LINER EX4.0 launched this spring, with creative ideas used for the container, brush, and formulation to allow stable lines to be drawn regardless of technique. This is designed for people who have difficulty drawing neatly with liquid eyeliner in one stroke.

I create touchpoints with consumers on social media and video streaming sites. I send out information swiftly about the products' appeal and techniques, while iterating on ways to demonstrate the appeal of the products in the best possible way.

Going forward, I hope that I can continue to help people feel creative, be confident in themselves, and see a new side to themselves through makeup.



02

Fabric Care Business

Kao (Taiwan) Corporation

Huang Yu Ting

Demonstrate Teamwork and Deliver New Value to Consumers

In 2023, we simultaneously launched a revolutionary new detergent, *Attack Zero Perfect Stick*, in Japan, Hong Kong, and Taiwan.

Young and busy generations expect both ease of use and high detergency, and our new generation of detergent is changing the face of laundry. No pre-washing or soaking is required*, just pop the stick in and use for true cleanliness and convenience. It is also eco-friendly.

For the new release, great teamwork was demonstrated across areas and departments. We shared market research results, discussed big opportunities, and started initiatives to generate trials. There was especially strong support from all Kao (Taiwan) employees, who played an important role as Stick Ambassadors to expose the product widely.

Marketing efforts focused on highlighting the unique design and special features of the product. We promoted understanding among consumers with in-store demonstrations, websites, and YouTube videos linked via QR codes. We are also implementing many new initiatives, such as conducting trial campaigns and recommendation activities on social media before the product's release, to generate a great response and word of mouth by the time of release.

We sincerely believe that this product will create a new era of washing and will further support a *Kirei Lifestyle* for consumers.

* For dirt stains, spilled food stains, and sock stains





Human Health Care Products Research

Products Development Research, R&D

Aya Namba

Protecting Future Lives from Mosquitoes by Integrating Diverse Expertise

Mosquitoes pose a threat to children's lives worldwide. We want to protect lives by stopping mosquitoes from biting. Based on this desire, we developed *Bioré GUARD Mos Block Serum*, which prevents mosquitoes landing on the skin, and as our second effort, a spray to get rid of mosquitoes.

Surfactant experts offered their insights on the spray's formulation, machinery experts gave input on the containers, and biology experts described the behavior of mosquitoes. By bringing together the expertise of different members to look at the same phenomenon from different angles, we successfully created a spray that can get rid of mosquitoes anytime, anywhere, without using pesticides.

These products are in a new field, so launching them was not so easy. However, we made steady efforts to consider the

spray's formulation and write an academic paper to describe the technology, which helped us start collaborating with Earth Corporation, a leading company for insect care in Japan. We utilized our collective insights and conducted home use tests and multiple experiments before launching *ARS Mos Shooter* in Thailand in July 2024.

We will continue to dedicate ourselves to developing anti-mosquito products for people's daily lives so that we can protect future lives and help everyone around the world spend precious time with their families.



Research & Development

Kao Chemicals Europe, S.L.

Agusti Bueno

Taking on the Challenge of Eco-innovation with a Global Scrum Team Formation

Our commitment to sustainability is one of the driving forces behind Kao's growth. Developing new solutions reduces environmental impact and advances society.

In 2014, I focused on the byproducts generated during the toner manufacturing process. They were made up of a polyester mixture, had little biodegradability, and were meant to be thrown away. We posed the question "Is there any way we can take advantage of this?" to the R&D department at Kao Chemicals Europe, S.L. What I discovered was the knowledge we had accumulated through asphalt research. We found that by adding this reprocessed byproduct to asphalt, it was possible to give the pavement additional performance (higher load resistance and fuel resistance).

Our first joint patent was signed in 2016, and R&D continued until Kao launched *Newtlac 5000*, an asphalt modifier made from waste PET. This is an excellent innovation that can reduce environmental impact and frequency of repairs.

A moment of inspiration and a small team's big challenge moved many people. This effort was made possible through open dialogue and scrum team collaboration with many departments and affiliates in Japan, the United States, and Mexico. I am proud to have been able to contribute to *Kirei* in life together with them. We will continue to evolve our technology to meet the needs of our customers and fulfill the goals of society.



Project Management Processing Manager
Americas, Kao USA

Todd Warnock

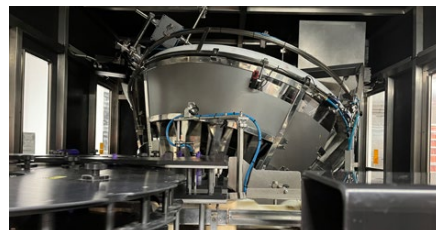
Production of *Bioré UV* under Strict U.S. Regulations

In February 2020 Kao began the journey to launch *Bioré UV Aqua Rich* in the Americas, which contains a Kao-developed unique ingredient to protect the skin from UV rays. As this product is classified as a pharmaceutical locally, there were strict regulations regarding the design and construction of the manufacturing facilities. To overcome this high hurdle, we worked with an external company specializing in pharmaceutical manufacturing to evaluate construction materials, processing equipment, utilities, and environmental controls to ensure a design that fully complied with regulations.

Although progress was delayed due to the pandemic, the construction of the facility was completed in June 2021, upon which commissioning and verification began. This was an important

process to keep the factory running smoothly. Visual inspection and dynamic testing of all systems ensured that the facility and systems were functioning safely and compliant with regulations.

Production began in January 2023 connecting all our efforts to launch this product. Although the path was a demanding one, this was a rewarding project that has brought Kao USA's supply chain team together. We will continue to take on the challenge of expanding and developing our production capabilities.



Consumer Relations
Consumer Communication Center

Ai Maezawa

Transforming Consultations into Impressive Experiences to Win Kao Fans

Each day Kao's Consumer Communication Center receives a wide variety of consumer consultations such as inquiries, delights, concerns and expectations. Our mission is to transform even simple consultations into impressive experiences so that all of our consumers can feel satisfied with having called us and are reassured by Kao, with lasting memories coming back to them every time they use our products.

Some consumers call Kao as their final hope because they are not able to solve their issues through consultations with other organizations. I am sometimes surprised to hear customers' anxious words when they ask me to do something about their situation. Each consumer has different circumstances, so all consultations are not the same. We also believe that consumers are more

empowered to speak about some topics on the phone rather than face-to-face. We listen to consumers carefully and try to understand their individual situation so that we can deeply empathize with them and search for suitable proposals.

The feedback from customers in this process is incorporated into the next step of *Yoki-Monozukuri*, and these impressive experiences help build loyal Kao fans. In this way, our crucial activities here also help support Kao's corporate development.

We always want to exceed consumer expectations so that Kao can contribute more to consumer happiness than ever before.





Chapter

05

Corporate Governance

We will establish diverse and robust governance with a focus on dialogue to support the sustainable enhancement of corporate value.

Messages from Outside Directors and an Outside Audit & Supervisory Board Member



Outside Director
Chairperson of the Board
of Directors

Osamu Shinobe

Holding active deliberations and taking actions to achieve K27

Business performance continues to be under pressure due to the impact of the COVID-19 pandemic, increases in raw material prices, and the slowdown in the Chinese market. To break through this situation, the Board of Directors deliberated over FY2023 focusing on structural reform and redefining the mid-term plan.

The participants in these deliberations spoke openly, regardless of whether they were from inside or outside the company. As such, I believe that these Board of Directors meetings were quite intense and productive. The result was that Kao announced its new Mid-term Plan (K27) and has made bold structural reforms. I feel that the decline in operating income has bottomed out, and the company has built a foundation for increased profits.

In FY2024, Kao will continue to invest decisively and manage its portfolio in a disciplined manner while also evolving its deliberations on growth strategies and execution monitoring to secure a firm path for achieving K27. To this end, we will fully share details on K27 with the newly appointed Outside Director and Outside Audit & Supervisory Board Member, will always keep track of the challenges and points of deliberation in the Board of Directors, and will assign them different levels of priority when holding deliberations. A characteristic of our Board of Directors is an open-minded culture in which each member, regardless of their position, can express opinions frankly and I will continue to preserve this going forward as Chairperson.



Outside Director

Takaaki Nishii

Monitoring operations that pursue capital efficiency and value creation cycle

One year has passed since I was appointed as Outside Director. Careful deliberations have been carried out on important issues such as structural reforms and redefining the mid-term plan. In this way, the Board of Directors has demonstrated its effectiveness.

Kao has a widespread excellent corporate culture in which employees make earnest efforts to put the corporate philosophy into practice based on the company's Purpose. During this year, the company has redefined K27 to reflect the substantial expectations of stakeholders and has accelerated its pursuit of returning to a growth trajectory and achieving capital efficiency. Kao is making further progress in promoting world-class sustainability, as stated in its Commitment to the Future.

Currently, stakeholders who have high expectations for Kao are expecting engagement that clarifies the value creation story that leads to the K27 targets. I will carry out monitoring so that the company will not just achieve profit growth led by priority businesses but also pursue capital efficiency that is optimal for the whole company, including corporate and supply chain divisions, and that the company will return the results of these efforts to shareholders while contributing to greater job satisfaction for employees, thereby creating a highly sustainable value creation cycle that starts from employees.



Outside Audit &
Supervisory Board
Member

Nobuhiro Oka

Holding free and open-minded deliberations with interviews and external perspectives

The Audit & Supervisory Board conducts fruitful deliberations in a free and open-minded atmosphere. I value maintaining an appropriate relationship with the executive side, and when attending Board of Directors meetings or exchanging opinions with the Representative Directors, I try to actively express my opinions from my perspective as an Outside Audit & Supervisory Board Member, which is different from that of an Outside Director.

One characteristic of Kao's Audit & Supervisory Board is how the Audit & Supervisory Board Members actively go to the *Genba* meaning actual site or spot and hold interviews with each division. These interviews are attended by Full-time Audit & Supervisory Board Members and at least one Outside Audit & Supervisory Board Member who listens directly to the opinions of the *Genba* from an outside perspective and gather information. Another characteristic of the Board is its group governance structure, which focuses on supporting the auditors of its subsidiaries, such as the staff of the Office of the Audit & Supervisory Board also serving as auditors of the subsidiaries. Amid demand for revisions to management plans and business strategies, I will regularly conduct monitoring to ensure that the internal control system is being built and is operating fairly. The Audit & Supervisory Board Members over the years have continually brought about innovation in all audit activities, and I feel that the Kao Way has been instilled within these efforts.

Corporate Governance

Strengthened in Both Systems and Operations as a Top-Priority Management Issue

In order to sustainably enhance corporate value over the long term while working to realize a *Kirei* World in which all life lives in harmony, which is our Purpose of our corporate philosophy “The Kao Way,” and to become an essential company in a sustainable world, Kao positions corporate governance as a top-priority management issue and continuously strengthens governance in both systems and operations.

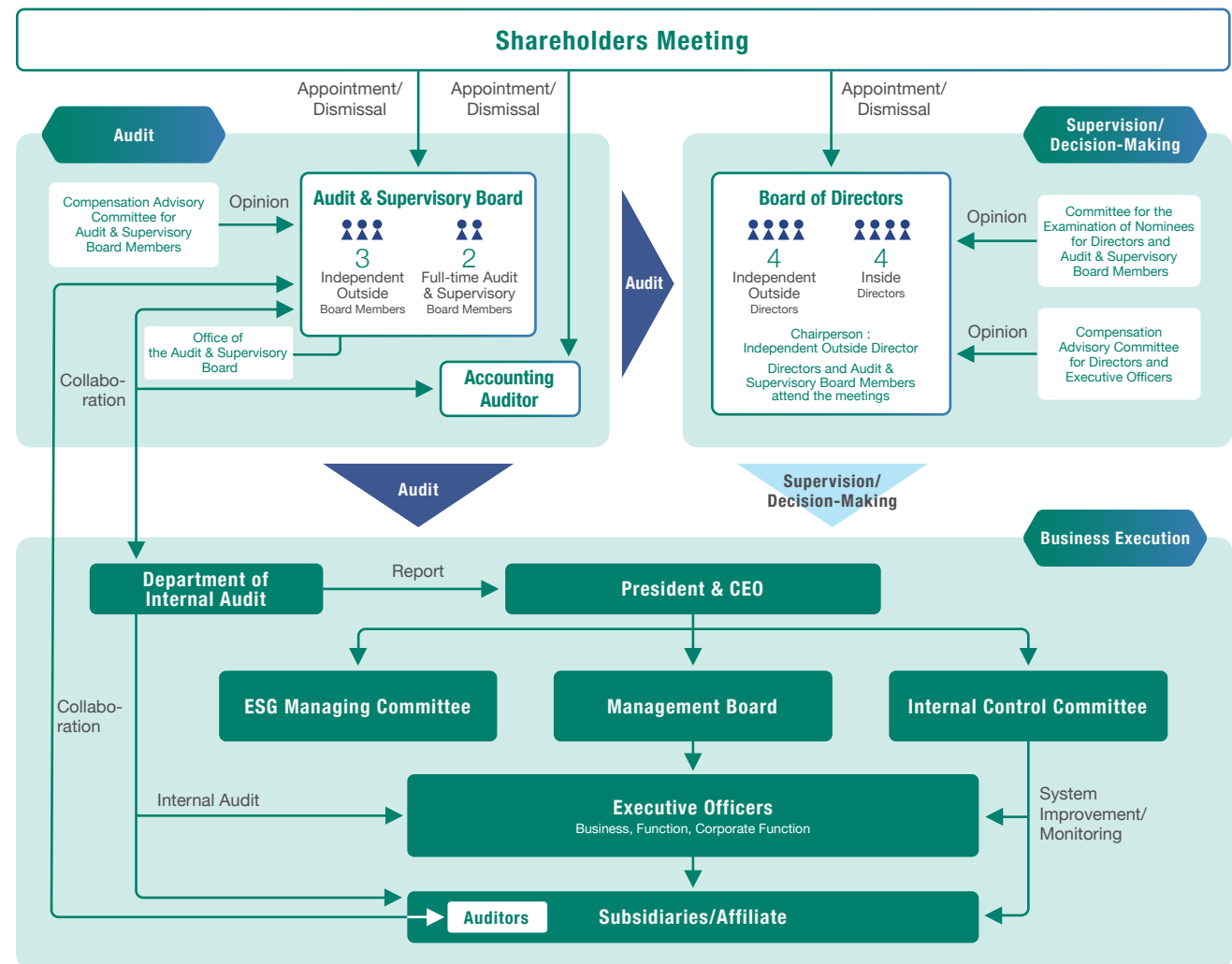
Kao’s corporate governance is a framework for transparent, fair, prompt, and decisive decision-making. It takes into account the perspectives of all stakeholders and responds in a timely and appropriate manner to changes that are increasingly diverse, complex, and difficult to predict so that we can contribute to society and continuously enhance corporate value. The foundations of our efforts to achieve this are establishing and operating the necessary management structures and internal control systems, implementing the required measures in a timely manner, and demonstrating accountability.

In addition, we work to understand social trends at all times and actively engage in dialogue with stakeholders to review the status of corporate governance from time to time and implement appropriate and necessary countermeasures and improvements.

To further enhance discussions on corporate governance and make disclosures to stakeholders easier to understand, Kao compiled in July 2023 a Corporate Governance Policy that had been disclosed in the Corporate Governance Report and other materials. The Kao Corporate Governance Policy is available on [Kao’s website](#).

Corporate Governance Structure

(As of March 22, 2024)



Stance on Balance among Knowledge, Experience, and Skills, and on Diversity and Size of the Board of Directors

At Board of Directors meetings (attended by Directors and Audit & Supervisory Board Members), Directors provide broad direction regarding business strategies and Directors and Audit & Supervisory Board Members deliberate on their appropriateness and the risks related to their realization and other matters in an objective and multidimensional fashion.

The Kao Group Mid-term Plan K27 includes the vision of “Protecting future lives.” To accomplish this, the Company’s management is executing business in line with the Company’s strategies of (1) becoming an essential company in a sustainable world, (2)

transforming to build robust business through investment, and (3) maximizing the power and potential of employees.

The Board of Directors considers it important for Inside and Outside Directors and Audit & Supervisory Board Members to complement each other with each of their knowledge, experience, and abilities, and to be able to demonstrate high effectiveness as a whole, in order to supervise that management is implementing business execution in a framework for transparent, fair, prompt and decisive decision-making accordance with the above strategies.

Directors and Audit & Supervisory Board Members Skill Matrix (As of March 22, 2024) The areas of experience, knowledge, and expertise of each Director and Audit & Supervisory Board Member that are particularly expected of them are marked with a “✓”

Attributes					Experience/Knowledge/Expertise									Main reasons for marking “√”
Term of office	Gender	Nationality	Management	Global	Consumer goods industry	Chemical industry	Human capital strategy	Research	Environment/ society	IT/DX	Legal/risk management	Finance/ accounting		
Directors	Yoshihiro Hasebe	8 years	Male	Japan	✓	✓	✓	✓	✓	✓	✓			<ul style="list-style-type: none">● 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)● Experience at the Company’s overseas business promotion projects● Experience as the Company’s Senior Vice President of Strategic Innovation Technology, Global● Experience as the Company’s officer responsible for Human Capital Development
	Masakazu Negoro	1 year	Male	Japan		✓		✓		✓			✓	<ul style="list-style-type: none">● Experience in the Company’s Chemical Business and management experience at overseas subsidiaries (Chemical Business)● Experience at the Company’s Procurement, Global (including promotion of sustainability activities in procurement)● Experience as the Company’s officer responsible for Accounting and Finance
	Toru Nishiguchi	1 year	Male	Japan		✓	✓							<ul style="list-style-type: none">● Experience in the Company’s Consumer Products Business● Experience in management and global marketing at the Company’s overseas subsidiaries● MBA
	David J. Muenz	2 years	Male	United States		✓	✓		✓	✓				<ul style="list-style-type: none">● Experience in research and business at the Company’s overseas subsidiary● Experience in the Company’s ESG Division
	Osamu Shinobe	6 years	Male	Japan	✓					✓		✓		<ul style="list-style-type: none">● Experience as the top executive of a major international airline (including experience as Chairman of CSR and Environmental Management Committee)
	Eriko Sakurai	2 years	Female	Japan	✓	✓		✓	✓	✓				<ul style="list-style-type: none">● Experience as the head of a global division and the regional head of a major U.S. chemical company● Experience in overall human resources strategy including compensation, development, and assignment in global businesses● Knowledge of sustainability in the chemical field
	Takaaki Nishii	1 year	Male	Japan	✓	✓	✓		✓					<ul style="list-style-type: none">● Experience as the top executive of a major food company● Experience in the management of overseas subsidiaries● Experience in the human resources department
	Makoto Takashima	—	Male	Japan	✓	✓							✓	<ul style="list-style-type: none">● Experience as the top executive of a major financial institution● Experience in international and corporate planning departments
Audit & Supervisory Board Members	Yasushi Wada	1 year	Male	Japan		✓				✓		✓		<ul style="list-style-type: none">● Experience in the Company’s Product Quality Management● Experience at the Company’s global production sites● Experience in the Company’s process engineering development and plant management
	Sadanao Kawashima	3 years	Male	Japan									✓	<ul style="list-style-type: none">● Experience in the Company’s Accounting and Finance● Experience in the Company’s Internal Audit
	Hideki Amano	7 years	Male	Japan		✓		✓				✓	✓	<ul style="list-style-type: none">● Certified Public Accountant● Served overseas and as the head of the global audit network for the Asia-Pacific region● Experience in human capital strategy, risk management, etc., as the COO of audit and consulting operations
	Nobuhiro Oka	6 years	Male	Japan								✓		<ul style="list-style-type: none">● Attorney-at-Law● Ph.D. in Law (Chuo University)● Professor at Keio University Law School
	Saeko Arai	—	Female	Japan		✓					✓		✓	<ul style="list-style-type: none">● Certified Public Accountant● Experience as a representative of a U.S. corporation● Experience as a partner of an IT venture company

* For more information, please refer to pages 21 to 23 in [the Notice of the 118th Annual General Meeting of Shareholders](#).

List of Directors and Audit & Supervisory Board Members (As of March 22, 2024)

Directors



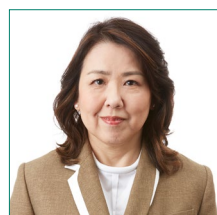
**Representative Director
President and Chief
Executive Officer**
Yoshihiro Hasebe
Date of birth: Jul. 30, 1960
Number of Kao shares held: 16,700
shares
[Other material position(s)]
Chairperson, The Kao Foundation for
Arts and Sciences



**Outside Director
Chairperson of Board of
Directors**
Osamu Shinobe
Date of birth: Nov. 11, 1952
Number of Kao shares held: 2,600
shares
[Other material position(s)]
Special Advisor, ANA HOLDINGS INC.



**Representative Director
Senior Managing Executive
Officer**
Masakazu Negoro
Date of birth: Jan. 7, 1960
Number of Kao shares held: 10,500
shares



Outside Director
Eriko Sakurai
Date of birth: Nov. 16, 1960
Number of Kao shares held: 300
shares
[Other material position(s)]
Outside Director, Sumitomo Mitsui
Financial Group, Inc.
Outside Director, Astellas Pharma Inc.
External Director, Nippon Sheet Glass
Company, Limited



**Representative Director
Senior Managing Executive
Officer**
Toru Nishiguchi
Date of birth: Nov. 18, 1961
Number of Kao shares held: 17,200
shares



Outside Director
Takaaki Nishii
Date of birth: Dec. 27, 1959
Number of Kao shares held: 4,000
shares
[Other material position(s)]
Senior Corporate Advisor, Ajinomoto
Co., Inc.
Outside Director, Daiichi Sankyo, Inc.



**Director
Managing Executive Officer**
David J. Muenz
Date of birth: Nov. 15, 1960
Number of Kao shares held: 500
shares



Outside Director
Makoto Takashima
Date of birth: Mar. 31, 1958
Number of Kao shares held: 0 shares
[Other material position(s)]
Chairman of the Board, Sumitomo
Mitsui Banking Corporation

Audit & Supervisory Board Members



**Full-time Audit &
Supervisory Board Member**
Yasushi Wada
Date of birth: Jul. 30, 1959
Number of Kao shares held: 14,600
shares



**Outside Audit &
Supervisory Board Member**
Hideki Amano
Date of birth: Nov. 26, 1953
Number of Kao shares held: 4,000
shares
[Other material position(s)]
Certified Public Accountant
Outside Corporate Auditor, Seiko
Group Corporation
Outside Auditor, Mizuho Leasing
Company, Limited



**Full-time Audit &
Supervisory Board Member**
Sadanao Kawashima
Date of birth: May 22, 1959
Number of Kao shares held: 17,900
shares



**Outside Audit &
Supervisory Board Member**
Nobuhiro Oka
Date of birth: Apr. 5, 1963
Number of Kao shares held: 3,200
shares
[Other material position(s)]
Attorney-at-Law
Audit & Supervisory Board Member, Kao
Group Customer Marketing Co., Ltd.
Outside Director, Yamatane Corporation
Professor, Keio University Law School



**Outside Audit &
Supervisory Board Member**
Saeko Arai
Date of birth: Feb. 6, 1964
Number of Kao shares held: 0 shares
[Other material position(s)]
Certified Public Accountant
President, Acuray, Inc.
Professor, Hakuoh University
Outside Director, Sumitomo Pharma
Co., Ltd.
Outside Director, Tokyu Fudosan
Holdings Corporation
Outside Audit & Supervisory Board
Member, YKK CORPORATION

How the Board of Directors Should Function and Evaluation or Its Effectiveness

How the Board of Directors should function

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

Evaluation of the effectiveness of the Board of Directors

On an annual basis, an evaluation is conducted at a meeting of the Board of Directors in order to make improvements aimed at enhancing the effectiveness of the Board of Directors. Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board, the Company believes that it is effective for all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to conduct evaluations using a method that entails the expression of opinions and free and open discussion.

Furthermore, the Company also recognizes the usefulness of an objective evaluation by a third party, with an eye to introducing activities that further enhance the effectiveness of the Board of Directors. At the 2023 evaluation, the Company received advice from a third party.

Please refer to [the Corporate Governance Report](#) for information on the activities of the Board of Directors and details on the evaluation of the effectiveness of the Board of Directors, as well as the evaluation of the Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers.

Results of the FY2023 evaluation of the effectiveness of the Board of Directors

Overall, it was found that the Board of Directors has adequately exercised its supervisory functions, and that its effectiveness has been maintained. However, the evaluation also identified issues to be addressed in order to further improve the Board's effectiveness, and opinions were shared regarding future initiatives.

Agenda item selection and discussions

FY2022 Issues	FY2023 Initiatives	FY2023 Evaluation and Issues	Future Initiatives
<ul style="list-style-type: none"> The issues to be addressed in order to achieve the Mid-term Plan K25 and the interim summary needed to be discussed in greater depth, including in quantitative terms. 	<ul style="list-style-type: none"> A K25 interim summary was provided, and structural reforms and growth strategies were discussed. Focus topics for each business segment were reported. Business status indicators and the progress status of K25 were monitored through monthly meetings of the Board of Directors. 	<ul style="list-style-type: none"> Based on the results of the K25 interim summary, the Mid-term Plan K27 was reformulated, and progress was made in both discussing and implementing structural reforms. Further discussion is needed regarding growth strategies and business segments that are experiencing issues. Further improvements should be made to the monitoring of management indicators under ROIC management. 	<ul style="list-style-type: none"> Allocate time for ongoing discussions at meetings of the Board of Directors, while also being aware of the integration of growth strategies and issued businesses with ESG strategies. Evolve management indicators to be monitored and report regularly on the performance against such management indicators.
<ul style="list-style-type: none"> Stakeholder relations strategies needed to be discussed. 	<ul style="list-style-type: none"> Reports were presented at meetings of the Board of Directors before and after IR activities. 	<ul style="list-style-type: none"> Deliberations are being conducted with greater attention paid to key stakeholders, including investors. Growth strategies need to be demonstrated more clearly. 	<ul style="list-style-type: none"> Continue to engage in deliberations while paying attention to key stakeholders and how to demonstrate growth strategies.
<ul style="list-style-type: none"> Further discussions were needed regarding how human capital strategies relate to business strategies. 	<ul style="list-style-type: none"> Discussed human capital strategies and human capital structural reforms. 	<ul style="list-style-type: none"> Discussions and decisions on the structural reforms in relation to human capital have been given a positive evaluation. It is necessary to deepen discussions regarding what is required of the human capital responsible for growth strategies, and how to develop and acquire said human capital. 	<ul style="list-style-type: none"> Further discuss concrete human capital strategies linked to the growth strategies at meetings of the Board of Directors.

Structure, status of operation and deliberations of the Board of Directors

FY2022 Issues	FY2023 Initiatives	FY2023 Evaluation and Issues	Future Initiatives
<ul style="list-style-type: none"> There were times when the level of reporting was too granular, resulting in unfocused discussions. 	<ul style="list-style-type: none"> Defined the indicators that are needed in order to achieve K25 (and K27). A presentation format was used at meetings of the Board of Directors. 	<ul style="list-style-type: none"> The Board of Directors is appropriately fulfilling its supervisory functions. Presenters should make discussion points clear. 	<ul style="list-style-type: none"> Use the presentation format at all meetings of the Board of Directors, and clearly indicate the discussion points.
<ul style="list-style-type: none"> Ongoing deliberations were needed regarding the necessary elements for realizing the vision of the Board of Directors, as well as the Board's composition. 	<ul style="list-style-type: none"> Corporate governance was discussed, and official policy was formulated and disclosed. 	<ul style="list-style-type: none"> The disclosure of the corporate governance policy is commendable. The composition of the Board of Directors was in line with the corporate governance policy. 	<ul style="list-style-type: none"> The composition of the Board of Directors, including diversity of Directors (skills, women and global human capital), will be discussed on an ongoing basis.

The Audit & Supervisory Board Initiatives

The Audit & Supervisory Board Members are entrusted by shareholders to audit the Directors' execution of duties from an independent standpoint and, thus, are engaged in auditing activities to achieve sound and sustainable growth of the Kao Group and establish governance that meets the trust of stakeholders. Regarding our work, the specifics of its activities in 2023 will increase the transparency of the audit and the effectiveness of the dialogue with stakeholders.

Audit Policy

In FY2023, as the business environment remained uncertain in the face of rising geopolitical risks and other factors, we were required to make a major transformation toward achieving profitable growth. Under these circumstances, with a shared sense of urgency and the necessity of reforms recognized by management, the Company adopted a policy to audit the progress of implementation of management strategies and response to management environmental risks while conducting auditing activities, including ESG-related activities, in view of the requests and views of society and stakeholders.

Composition and Execution of Duties

The Audit & Supervisory Board consists of five Members (two Full-time Members and three Outside Members). The Full-time Members with extensive internal execution experience and diverse knowledge, and the Outside Members with their respective expertise (certified public accountant, attorney-at-law) and abundant knowledge from experience as officers of other companies share audit-related information in a timely manner and deliberate from various perspectives.

The Office of the Audit & Supervisory Board was established directly under the Audit & Supervisory Board to assist them with their duties and to allow the office members to serve concurrently as Auditors of subsidiaries.



On-site audits and interviews at Kao Vietnam Plant

Particularly important points in Audit & Supervisory Board Members' activities

Lively exchange of opinions

We attend meetings of the Board of Directors, the Management Board, and other important meetings with regard to auditing the duties of Directors. They put emphasis on confirming the decision-making process for reaching resolutions and expressing their opinions as appropriate.

Dialogue with people at *Genba* (the actual sites)

In addition, we conduct on-site audits and interviews with each division, subsidiary, and affiliate. By placing importance on dialogues with people at *Genba* (the actual sites), they confirm the degree to which the corporate strategy is being shared and whether proactive efforts are being made. They also identify any issues that occur at *Genba*. At least one Outside Member has participated in approximately 60% of the interviews.

Deliberations

Number of meetings held : 11
Attendance rate : All members marked 100%
Duration : Average of 1 hour and 51 minutes
26 resolutions : Audit plans, audit reports, etc.
9 matters considered : Audit findings, revision of Audit & Supervisory Board rules, etc.

Evaluation of the effectiveness

Each year, the Board sets evaluation items, with a focus on critical auditing items, and evaluates the effectiveness of the Board from a multifaceted and objective perspective. In FY2023, through comprehensive and unfettered discussions at the Board meetings based on the self-evaluation by each Member, the exchange of opinions with Representative Directors, and feedback from Outside Directors and other related parties, it was concluded that the system of the Board as a whole was functioning effectively.

For *Genba*, the Board observed and assessed the degree of utilization of ROIC in each business segment and the progress of structural reforms, which are part of management strategies. To that end, they compiled the results of such observation and assessment into a proposal and shared the proposal with the Directors. The Board will continue to observe the ROIC in each business segment. As for the three types of Audits (Audit & Supervisory Board, Accounting Auditor and Department of Internal Audit), to further strengthen the collaboration among them, we understand that we need to share auditing plans and issues with other Audits.

The issues identified through the effectiveness evaluation will be reflected in auditing activities and critical auditing items for FY2024 so that the effectiveness of the Board will be further improved.

Please click [here](#) for information on key audit items, results of activities, and evaluations of effectiveness.

Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

◆ Aims of compensation for Directors, Audit & Supervisory Board Members and Executive Officers

Standards, systems and other details for the compensation and other incentives for Directors, Audit & Supervisory Board Members and Executive Officers are established on the basis of the following aims:

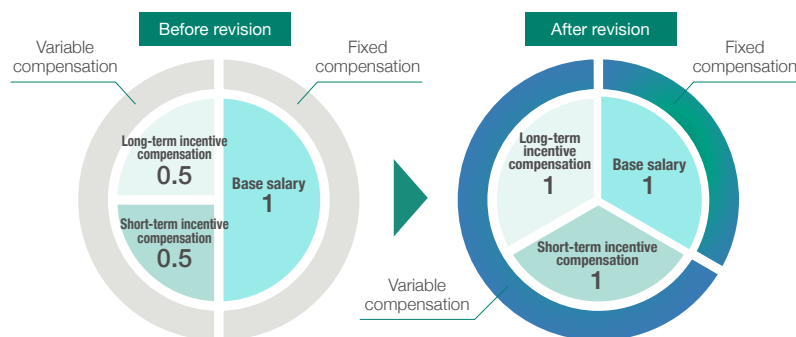
- Securing and retaining diverse, outstanding personnel to establish and enhance our competitive advantage
- Driving concerted initiatives to promote sustainable enhancement of corporate value
- Sharing interests in common with shareholders

◆ Compensation Structure for Directors, Audit & Supervisory Board Members and Executive Officers (In the case that short-term and long-term incentive payout ratio are both 100%)

Compensation for Directors (other than Outside Directors) and Executive Officers consists of a base salary, short-term incentive compensation and long-term incentive compensation. Outside Directors and Audit & Supervisory Board Members are paid a base salary only.

To achieve the ambitious targets for supporting *Global Sharp Top* businesses in K27, we have boosted the function of incentives to encourage bolder risk taking, and we have revised the variable compensation structure to be implemented in FY2024 onward.

◆ Compensation Structure for the Representative Director, President, and Chief Executive Officer



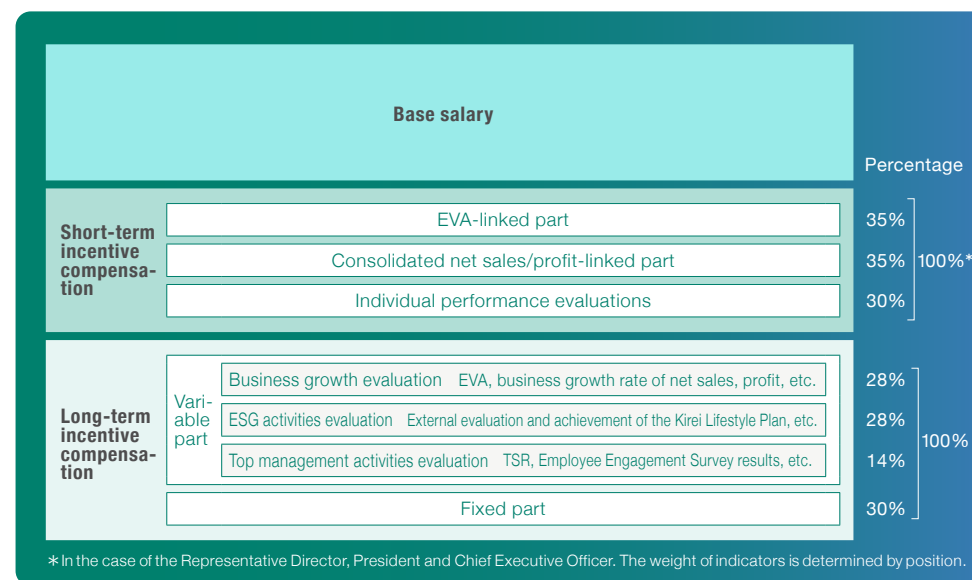
- We have not changed the base salary amount.
- We have revised the percentages of the base salary and short-term and long-term incentive compensation for the Representative Director, President, and Chief Executive Officer to be in the ratio 1:1:1.

- We have revised the percentages of the short-term and long-term incentive compensation for other Directors and Executive Officers to be 30% to 70% of the base salary in accordance with rank.

◆ Summary of Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

The short-term incentive compensation is paid as bonuses in accordance with the degree of target achievement in a single fiscal year. The evaluation indicators consist of EVA, consolidated net sales and profit, and individual performance, and the bonus payment rate varies from 0% to 200%. The long-term incentive compensation (performance-based share incentives) is a system for delivering shares and other incentives with the aim to further enhance corporate value. This system consists of a variable part that is delivered at a rate from 0% to 200% in accordance with the relevant period and targets of the mid-term plan, and a fixed part whereby a defined number of shares and other incentives are delivered annually.

The adequacy of these incentives is examined by the Compensation Advisory Committee for Directors and Executive Officers.



To encourage further enhancement of corporate value, we have partially revised the long-term incentive compensation to be implemented in FY2024 onward.

Points of revision

- Introduced new evaluation indicators such as EVA and TSR (Total Shareholder Return)
- Expanded the scope for delivering the company's shares (foreign-national Directors, etc.)

See [the Securities Report](#) for the monetary amounts and other details regarding the compensation system for Directors, Audit & Supervisory Board Members and Executive Officers.

Risk and Crisis Management

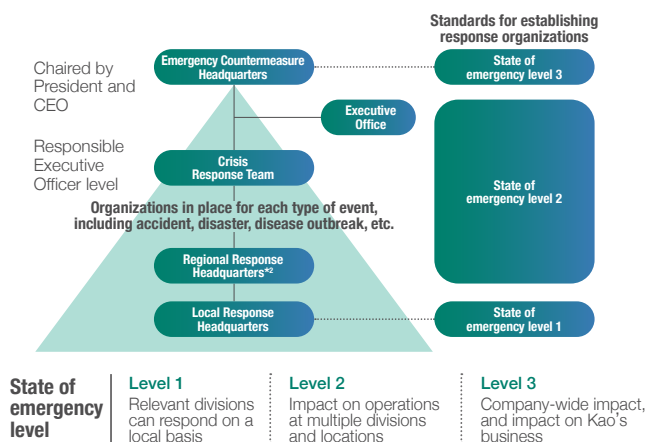
Kao appropriately manages the various risks and crises that may occur across the management and business activities in line with the response priorities*1 within the Kao Risk and Crisis Management Policy.

Risk and crisis management system

We define risk as the effect of uncertainty on the achievement of our management targets and the execution of business activities. The Risk and Crisis Management Committee has established a system and activity guideline for risks that result in threats and the state of crisis, which is the materialization of risks. Each division and affiliate conducts risk management based on these activity guidelines. In the event of a crisis, we launch an Emergency Response Team according to the severity of the emergency to minimize physical damage and financial losses. The Management Board reviews risk and crisis management activities, and the Board of Directors approves them. The Internal Control Committee confirms the effectiveness of risk and crisis management activities.

Management framework during time of crisis

Examples of applicable events: earthquake, disaster, infectious disease



* 1. 1. Protection of human lives 2. Environmental conservation 3. Continuation of operations 4. Protection of assets

* 2. 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

Supporting Management in an Era of Uncertainty

Clarifying corporate risks and strengthening responses

The Risk and Crisis Management Committee and the Management Board have selected 15 particularly significant risks as the “main risks” that could have a negative impact on its sustained profitable growth and contribution to the sustainability of the world. Among these main risks, the Kao Group determines themes for and addresses risks that would

have a major impact on management and require an enhanced response as “corporate risks”. The Management Board decides upon risk themes and risk owners (Executive Officers) based on its analyses of an internal risk survey and the external environment as well as interviews with management, and the Risk and Crisis Management Committee manages progress.

Corporate risks, main themes, and measures

Theme	Details of risks	Actions
Response to social issues	Risk of initiatives to resolve social issues being perceived as inadequate. Risk that failure to adequately show progress toward the KPIs committed to in the KLP being perceived as “greenwashing”	<ul style="list-style-type: none"> Understanding the evaluations of our initiatives for social issues from stakeholders and other parties on a global scale and reducing reputation risks
Response to geopolitics	Risk of deterioration of business environments in countries and regions where we develop business and procure raw materials. Risk of human casualties, temporary suspension of operations, or changes in consumer purchasing	<ul style="list-style-type: none"> Developing risk scenarios and response systems, and monitoring political and social situations Establishment of guidelines for ensuring employee safety Strengthening the supply chain networks for raw material procurement, etc
Large-scale earthquakes and other natural disasters and BCP response	Risk of harm to employees and damage to assets including facilities and difficulties in supplying products resulting from large-scale earthquakes and other natural disasters such as large typhoons and floods brought on by climate change	<ul style="list-style-type: none"> Enhancing hardware and software measures based on flood risk studies at each site, and providing disaster prevention education to protect employees and their families Formulating BCP for long-term suspension of operations in Japan and strengthening BCPs at sites outside Japan
Response to serious product quality issues	Risk of serious product quality issues arising that would cause the loss of social credibility	<ul style="list-style-type: none"> Strengthen company-wide responses in the event of serious damage arising due to product quality issues Strengthen internal awareness-raising to prevent serious product quality issues from arising
Response to cyberattacks and personal information protection	Risk of leaks of confidential information or personal information due to errors or intentional actions, including cyberattacks. Risk of temporary suspension of business activities, such as supply chain activity	<ul style="list-style-type: none"> Reinforcement of security measures and response system in case of incidents Strengthen global protection of trade secrets, personal information, and information security
Response to reputation risks	Risk that causes brand value and social credibility to decline due to the spread of negative evaluations about Kao on social media	<ul style="list-style-type: none"> Strengthen the emergency response system in the event of contingencies Strengthen the social media monitoring system Establishment of a pre-check system and in-house training for using advertising and social media
Pandemic response	Risk of temporary suspension of operations due to pandemic outbreak. Risk of shrinking cosmetics market, etc., due to changes in purchasing behavior	<ul style="list-style-type: none"> Reviewing the guidelines, action plans, etc., in preparation for the next pandemic, based on past responses to the COVID-19 pandemic

Information Disclosure Based on the TCFD Recommendations

Kao expressed its support for the TCFD* in March 2019, and has disclosed information based on its recommendations. Kao recognizes climate change as both a major risk for continued management going forward and an opportunity for growth.



* Task Force on Climate-related Financial Disclosures

Key Activities and Progress in FY2023

Key activities	Progress in FY2023										
Governance	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.										
Strategy	The ESG Steering Committee for decarbonization has held deliberations on carbon zero.										
Risk Management	See "Main Business Risks and Opportunities" at the right for details.										
Metrics and Targets	<p>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.</p> <p>See the "Risk and crisis management" section on page 50 for details.</p> <p>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.</p> <table> <tr> <th colspan="2">Results in 2023</th></tr> <tr> <td>% reduction in absolute scope 1 + 2 CO₂ emissions (base year : 2017) *1</td><td>-55% → -35%</td></tr> <tr> <td>% of renewable energy in electricity consumption</td><td>100% *2 → 57%</td></tr> <tr> <td>% reduction in absolute full lifecycle CO₂ emissions (base year : 2017)</td><td>22% → -15%</td></tr> <tr> <td>Contribution to greenhouse gas reduction</td><td>10,000 thousand tons - CO₂ → 4,485 thousand tons - CO₂</td></tr> </table> <p>* 1 This has been approved by the Science Based Targets Initiative (established to encourage companies to take ambitious activity in the field of climate change) as one of the targets for the 1.5° C scenario. * 2 We have become a member of RE100. * 3 The seven types of greenhouse gases (GHG) agreed upon in the 17th session of the Conference of the Parties (COP 17) to the United Nations Framework Convention on Climate Change and the seventh session of the Conference of the Parties serving as the meeting of the Parties (CMP 7) to the Kyoto Protocol. * 4 The amount of emission reductions in society as a whole as a result of products from the Kao Group.</p>	Results in 2023		% reduction in absolute scope 1 + 2 CO ₂ emissions (base year : 2017) *1	-55% → -35%	% of renewable energy in electricity consumption	100% *2 → 57%	% reduction in absolute full lifecycle CO ₂ emissions (base year : 2017)	22% → -15%	Contribution to greenhouse gas reduction	10,000 thousand tons - CO ₂ → 4,485 thousand tons - CO ₂
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% reduction in absolute full lifecycle CO ₂ emissions (base year : 2017)	22% → -15%										
Contribution to greenhouse gas reduction	10,000 thousand tons - CO ₂ → 4,485 thousand tons - CO ₂										

Main Business Risks and Opportunities

Category of risk	Area of evaluation	1.5°C / 2°C scenario (2030)	4°C scenario (2030)	Kao's response
Transition	Introduction of carbon tax	Higher costs incurred due to the introduction of carbon tax worldwide	Hardly any progress in introducing carbon taxes	Promote the use of renewable energy according to the 1.5°C scenario
	Introduction of restrictions on plastics	Higher procurement costs due to greater demand for recycled plastic	No significant increase in recycled plastic demand	Bolster activities for plastics in a circular society
	Raw material price increase	Higher procurement costs due to a restriction on fossil-based raw materials	Higher procurement costs due to an increase in demand for fossil-based raw materials	Bolster activities for minimizing the quantity of fossil-based raw materials being used
	Preservation of biodiversity	Higher procurement costs for palm oils and pulp due to regulations on the procurement of certified products, etc.	Higher procurement costs for palm oils and pulp due to the need for purifying water quality and contaminated soil, etc., following the excessive use of chemical fertilizers	Continue and bolster activities for minimizing the quantity of biogenic raw materials being used
	Changes in consumer behavior	Demand for ethical products expands worldwide	Demand for ethical products expands among specific generations	Develop and market ethical products
Physical	Natural disasters	Greater damage	Immense damage	Conduct risk surveys at each site and carry out measures accordingly
	Rise in temperature	Increase sales due to significantly increasing demand for UV-care products, anti-perspirants and infection control products	Strong increase sales due to significantly increasing demand for UV-care products, anti-perspirants and infection control products	Strengthen development of products with growing demand

Data Section

Evaluations from external organizations
Financial and ESG highlights

External Evaluation



CLIMATE FORESTS WATER



The first Japanese company to be rated Triple-A for four consecutive years

Kao has been selected as an A-List company with the highest rating across all categories within the survey for worldwide companies conducted by a leading international nonprofit organization, CDP, regarding climate change, forests, and water security. Only ten companies were selected as A-List companies from more than 21,000, assessed on responses to the CDP questionnaire survey. This marks the fourth consecutive year that Kao has achieved Triple-A status.



The only Asian company to be selected as one of the World's Most Ethical Companies® for 18 consecutive years

We have been selected as one of the World's Most Ethical Companies 2024, announced by the Ethisphere Institute, a leading US think tank. Kao is the only company in Asia to be selected for this award for 18 consecutive years, ever since the award was established in 2007.

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

External Evaluation



女性が輝く先進企業2019



Socially Responsible Investment Indexes



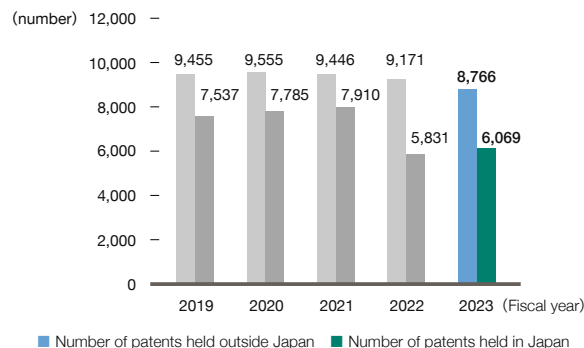
2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

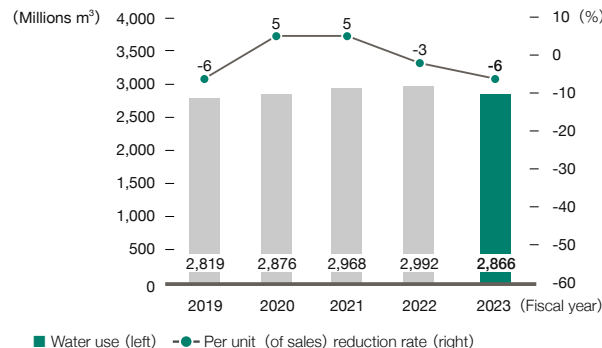


ESG Highlights

Number of Patents (Japan / Outside Japan)

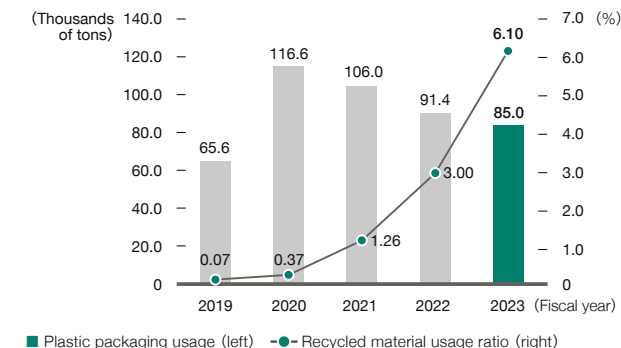


Water Use across the Product Lifecycle*1

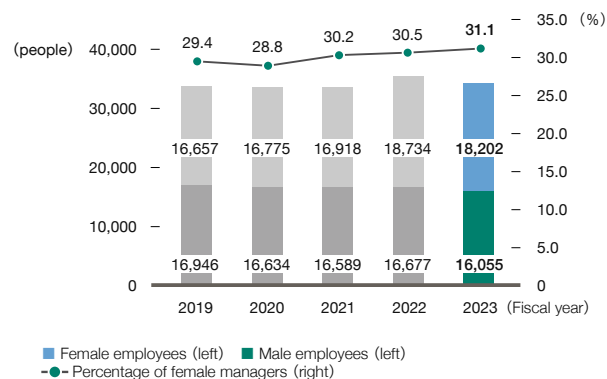


*1 "Water use across the product lifecycle" is calculated by multiplying lifecycle water use of individual products, excluding use during manufacturing and distribution, by their annual sales quantity and the amount from the group's manufacturing and distribution processes. This amount includes water used for procurement in regard to Chemical products but does not include water used in the use and disposal of such products.

Plastic Packaging Usage / Recycled Plastic Usage Ratio



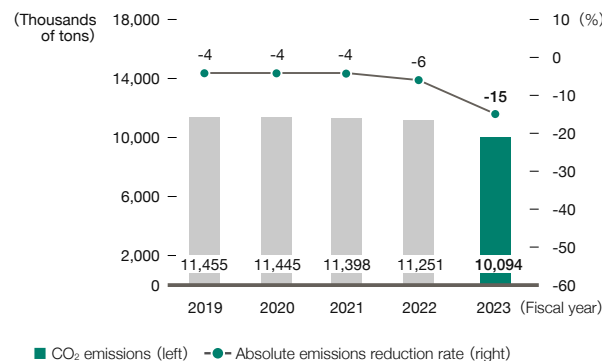
Number of Employees by Gender*2 / Percentage of Female Managers*3



*2 Employees seconded from the Group to outside are excluded, but employees seconded from outside to the Group are included. From this fiscal year, full-time, indefinite-term and non-permanent employees are included.

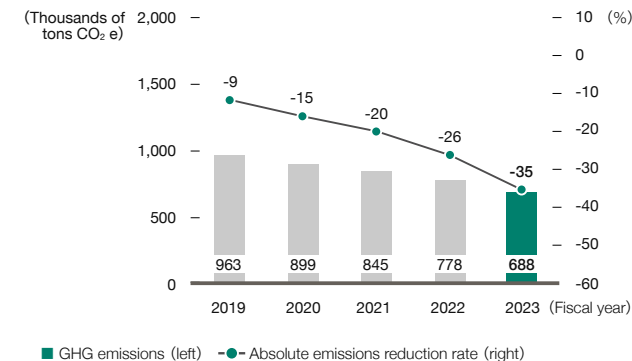
*3 Employees seconded from the Group to outside are excluded.

CO₂ Emissions across the Product Lifecycle *4



*4 "CO₂ emissions across the product lifecycle" is defined as the combined total for the amount of lifecycle emissions of individual products, excluding emissions during manufacturing and distribution, multiplied by their annual sales quantity and the amount of emissions from the group's manufacturing and distribution processes. However, this amount does not include emissions related to the use and disposal of Chemical products.

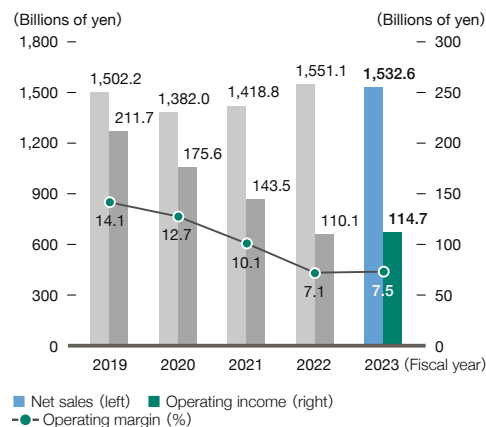
GHG Emissions (all worksites)*5



*5 Boundary: All Kao Group sites including company cars in Japan. Gases included: The seven GHGs specified by the Kyoto Protocol (only CO₂ for sites outside Japan.)

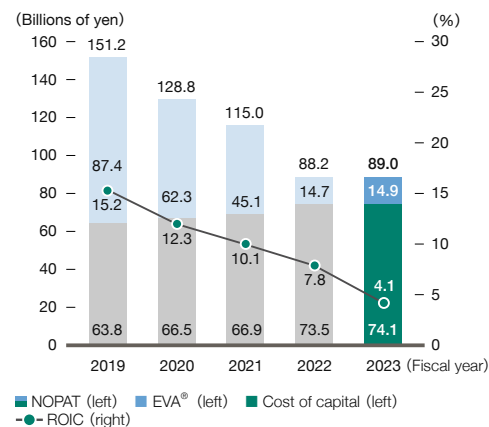
Financial Highlights

Net Sales*1 / Operating Income*2 / Operating Margin*2



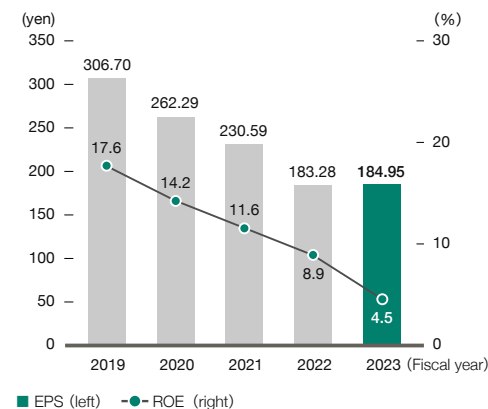
*1 As of the fiscal year ended December 31, 2020, the Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount
*2 FY2023 figures are calculated based on core income. The Kao group presents income excluding one-time gains and losses due to non-recurring factors as "core income."

NOPAT*2,3 / EVA*2,4 / ROIC*5



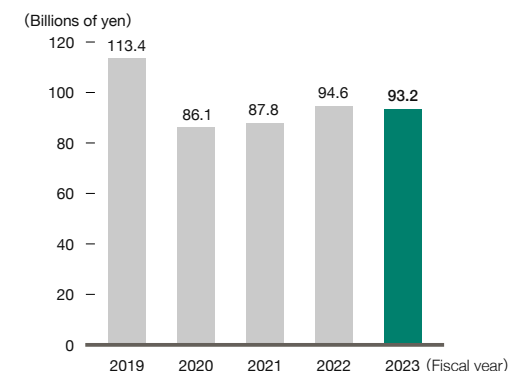
*3 Net operating income after tax (sum of EVA and cost of capital)
*4 EVA is a registered trademark of Stern Stewart & Co.
*5 Return on invested capital.

ROE*6 / EPS*7

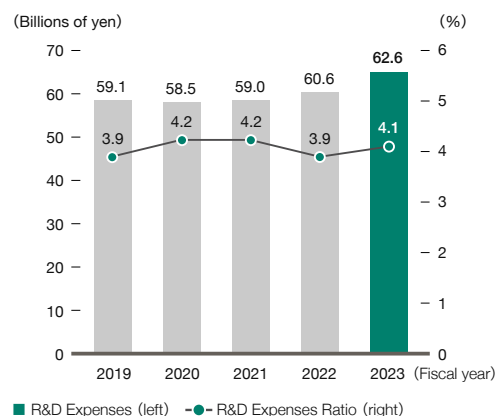


*6 Ratio of net income to equity attributable to owners of the parent
*7 Basic earnings per share

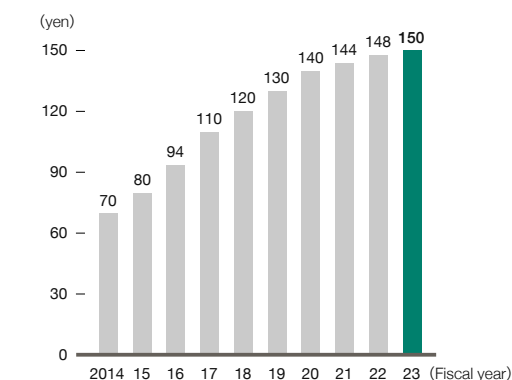
Trend in Capital Investments



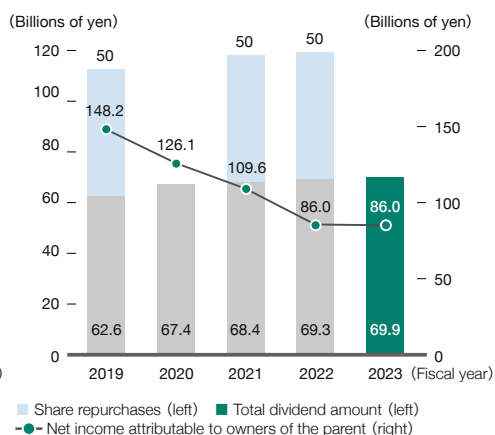
R&D Expenses / R&D Expenses Ratio



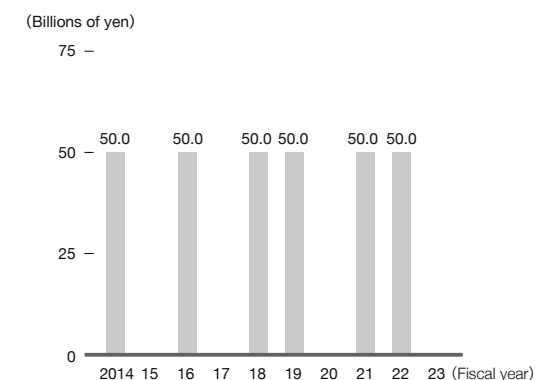
Cash Dividends per Share



Net Income Attributable to Owners of the Parent*2 / Shareholder Returns*8



Status of Share Repurchases*8



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

Historical Financial Data

	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
For the year:					
Economic Value Added (EVA®)	87,403	62,265	45,127	14,669	14,920
Net sales	1,502,241	1,381,997	1,418,768	1,551,059	1,532,579
Operating income	211,723	175,563	143,510	110,071	60,035
(% of sales)	14.1	12.7	10.1	7.1	3.9
Income before income taxes	210,645	173,971	150,002	115,848	63,842
Net income	150,349	128,067	111,415	87,742	46,157
Net income attributable to owners of the parent	148,213	126,142	109,636	86,038	43,870
Net cash flows from operating activities	244,523	214,718	175,524	130,905	202,481
Net cash flows from investing activities	(94,266)	(61,941)	(67,232)	(74,911)	(109,302)
Free cash flow	150,257	152,777	108,292	55,994	93,179
Net cash flows from financing activities	(126,166)	(87,065)	(141,573)	(139,311)	(79,983)
Capital expenditures	113,387	86,149	87,766	94,567	93,178
Depreciation and amortization	83,369	86,080	87,341	89,738	89,595
Research and development expenses	59,143	58,509	58,993	60,601	62,575
(% of sales)	3.9	4.2	4.2	3.9	4.1
Advertising	77,545	71,984	74,847	74,664	75,841
(% of sales)	5.2	5.2	5.3	4.8	4.9
At year end:					
Total assets	1,653,919	1,665,616	1,704,007	1,726,350	1,769,746
Equity attributable to owners of the parent	857,695	923,687	965,137	972,061	983,658
Ratio of equity attributable to owners of the parent to total assets (%)	51.9	55.5	56.6	56.3	55.6
Number of employees	33,603	33,409	33,507	35,411	34,257
Per share:					
Basic earnings per share (EPS) (yen)	306.70	262.29	230.59	183.28	94.37
Annual cash dividends per share (yen)	130.00	140.00	144.00	148.00	150.00
Number of issued shares, including treasury shares, at the end of the year (in thousands of shares)	482,000	482,000	475,000	465,900	465,900
Share price at the end of the year (yen)	9,025	7,970	6,019	5,255	5,800
Key financial ratios:					
Ratio of net income to equity attributable to owners of the parent (ROE) (%)	17.6	14.2	11.6	8.9	4.5

IFRS (Millions of yen)

1. EVA® is a registered trademark of Stern Stewart & Co.
2. As of the fiscal year ended December 31, 2020, the company has changed its method of recognizing sales for some transactions from the gross amount to the net amount.
3. Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities.
4. Capital expenditures include investments in property, plant and equipment, intangible assets, and other non-current assets.
5. To standardize information disclosure globally, we have included full-time, indefinite-term, non-regular employees, etc. in the number of employees since the FY2022. The number of employees in the FY2022 based on the criteria applied until the FY2021 totals 32,895.
6. Core operating income (loss) excludes impacts of structural reform. Reconciliation of operating income (loss) to core operating income (loss) is as follows.
Core Operating income: 114,706 millions of yen

Corporate Overview and Stock Information

Corporate Overview

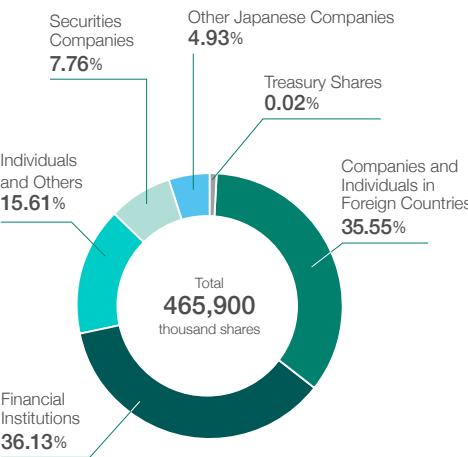
Company	Kao Corporation
Head Office	14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo 103-8210, Japan
Founded	June 19, 1887
Incorporated	May 21, 1940
Share Capital	85.4 billion yen
Employees	8,199 (Number of employees in Kao Group consolidated companies: 34,257)
Subsidiaries	113 (of which 95 are subsidiaries outside Japan)
Associates	5 (of which 2 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	465,900,000 shares
Number of Shareholders	144,398
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 (percentage)
The Master Trust Bank of Japan, Ltd. (Trust Account)	87,856	18.86
Custody Bank of Japan, Ltd. (Trust Account)	33,377	7.17
SMBC Nikko Securities Inc.	11,450	2.46
STATE STREET BANK WEST CLIENT – TREATY 505234	8,854	1.90
JP MORGAN CHASE BANK 385632	7,702	1.65
Japan Securities Finance Co., Ltd.	6,869	1.47
Nippon Life Insurance Company	6,691	1.44
THE BANK OF NEW YORK 134104	6,603	1.42
JPMorgan Securities Japan Co., Ltd.	6,541	1.40
STATE STREET BANK AND TRUST COMPANY 505223	6,440	1.38

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

Editorial Policy and Kao Information Disclosure Framework

Editorial Policy

The Kao Integrated Report aims to provide a comprehensive understanding of our value creation story to all our stakeholders. It covers a wide range of information related to finance and ESG, including our Vision, the value we provide to society, and the strategies and management foundations we employ to achieve our goals. This year, we have outlined various innovative initiatives and reforms that we are implementing to achieve our Mid-term Plan K27 and ensure sustainable improvement of corporate value, driven by the theme of *Global Sharp Top* Strategy to accelerate transformation.

As we compiled this report, we referred to the Guidance for Collaborative Value Creation 2.0 from the Ministry of Economy, Trade, and Industry, as well as the recommendations in the International Integrated Reporting Framework from the IFRS Foundation. We also incorporated feedback and advice from our readers to revise and improve the content.

Moving forward, we will continue to engage in dialogue with our stakeholders to enhance and augment the Kao Integrated Report. The feedback we receive will be incorporated into our management practices as we strive to contribute more to society while increasing corporate value.

Reporting Period ▶ FY2023 (January 1–December 31, 2023)
* Some portions contain activities before FY2023 and from FY2024 (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 subsidiaries (noted in text)
* "Kao" refers to the Kao Group

Accounting Standards ▶ International Financial Reporting Standards (IFRS) applied from FY2016 onwards

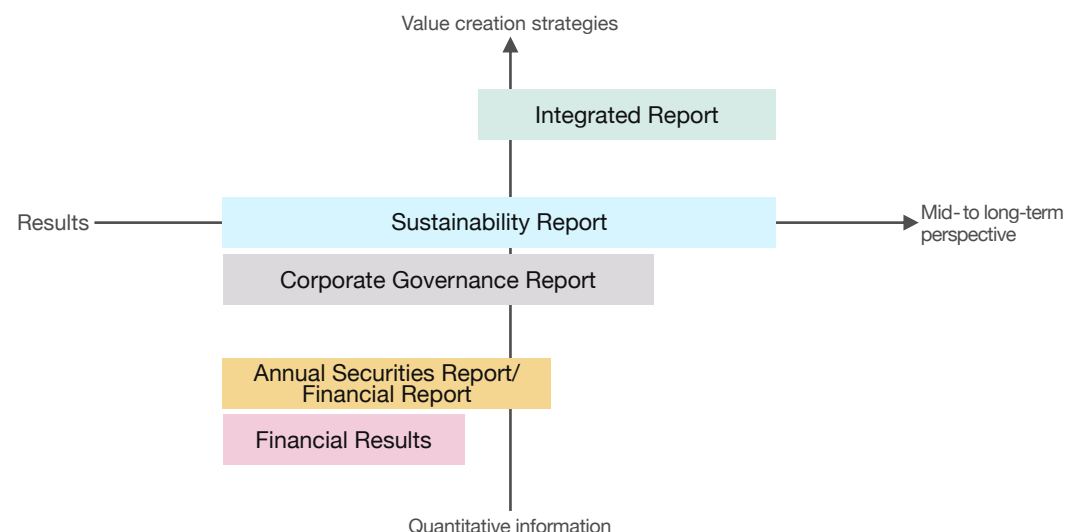
Date published ▶ May 24, 2024

Disclaimer on Forward-looking Statements

Forward-looking statements such as earnings forecasts and other projections 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.

Kao's Information Disclosure Framework

Kao publishes an Integrated Report, a Sustainability Report, and a Financial Report, each with its own disclosure content. The Integrated Report and the Sustainability Report are published on the same day. They can be read together to confirm progress and data on ESG initiatives and management strategies. Other supplementary information can be viewed on Kao's various websites.



Integrated Report



[Investor Relations website Link](#)

Sustainability Report



[Corporate Governance Link](#)

Annual Securities Report/ Financial Report



[Multi-stakeholder Policy Link](#)



Kao Corporation

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Tokyo 103-8210, Japan
Corporate Strategy

Published in May 2024

