

kao

Integrated Report 2025

Sustainability as the only path

For the year ended December 31, 2024



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COVER STORY

The cover visual represents our “moonshot.” It embodies our commitment to achieving the ambitious goal of a sustainable society for future generations.

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Solving issues that matter.



OUR PURPOSE

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

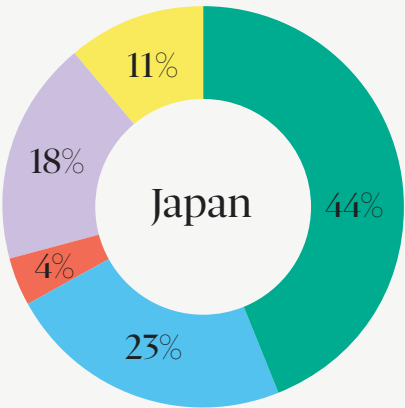


Kao at a Glance

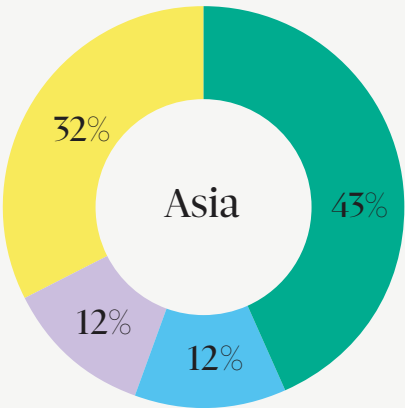


Sales: 1,628.4 billion yen (43.3% overseas)
Sales to: Approx. 140 countries and regions

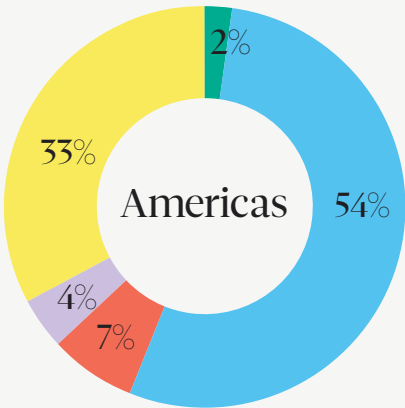
Actual results for the fiscal year 2024



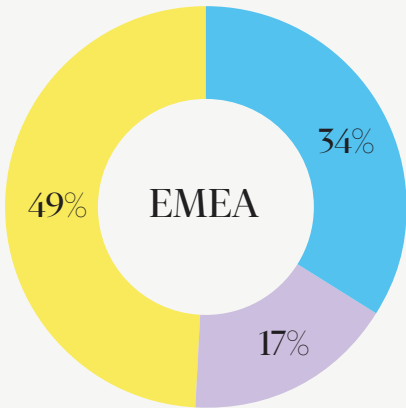
923.0 billion yen



313.7 billion yen



207.3 billion yen



184.5 billion yen

■ Hygiene and Living Care Business
 ■ Health and Beauty Care Business
 ■ Life Care Business
 ■ Cosmetics Business
 ■ Chemical Business

Consolidated employees

32,566
36.0% outside Japan

Consolidated subsidiaries

111
93 outside Japan

Production sites

36
26 outside Japan



Kao at a Glance

Actual results for the fiscal year 2024

For more information [Sustainability Report 2025](#)



The only company in Japan
that has been selected for

5 consecutive years

2024 CDP Triple-A:
Only 8 companies worldwide

Kao has received the highest rating in the areas of
Climate Change, Forests, and Water Security.



The only company in Asia
that has been recognized for

19 consecutive years

19 consecutive years:
Only 6 companies worldwide

Selected as one of "World's Most
Ethical Companies"

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

Planet

Lifecycle CO₂ Emissions Reduction

15%
Target for 2030: 22%

Reduced emissions across the product lifecycle through
innovation in materials, manufacturing, and logistics.



Recycled Plastic Used in PET Containers in Japan

90%
Target for 2025: 100%

Percentage of PET containers in Japan made using
recycled plastic.



Traceability to Oil Palm Plantation

88%
Target for 2025: 100%

Increase supply chain transparency by obtaining
up-to-date traceability information from suppliers.



[Palm Oil Dashboard](#)

People

% of Female Managers Related to That of Female Employees

78.1%
Target for 2030: 100%

Reflects gender equity in career progression
across all business areas.



Employee Engagement

65
Target for 2027: 75

Measured to strengthen employee experience and
ensure alignment with K27's human capital goals.
*The total score in the employee engagement survey
(full score=100)



Number of Citizen Developers

2,000
Target for 2027: 3,000

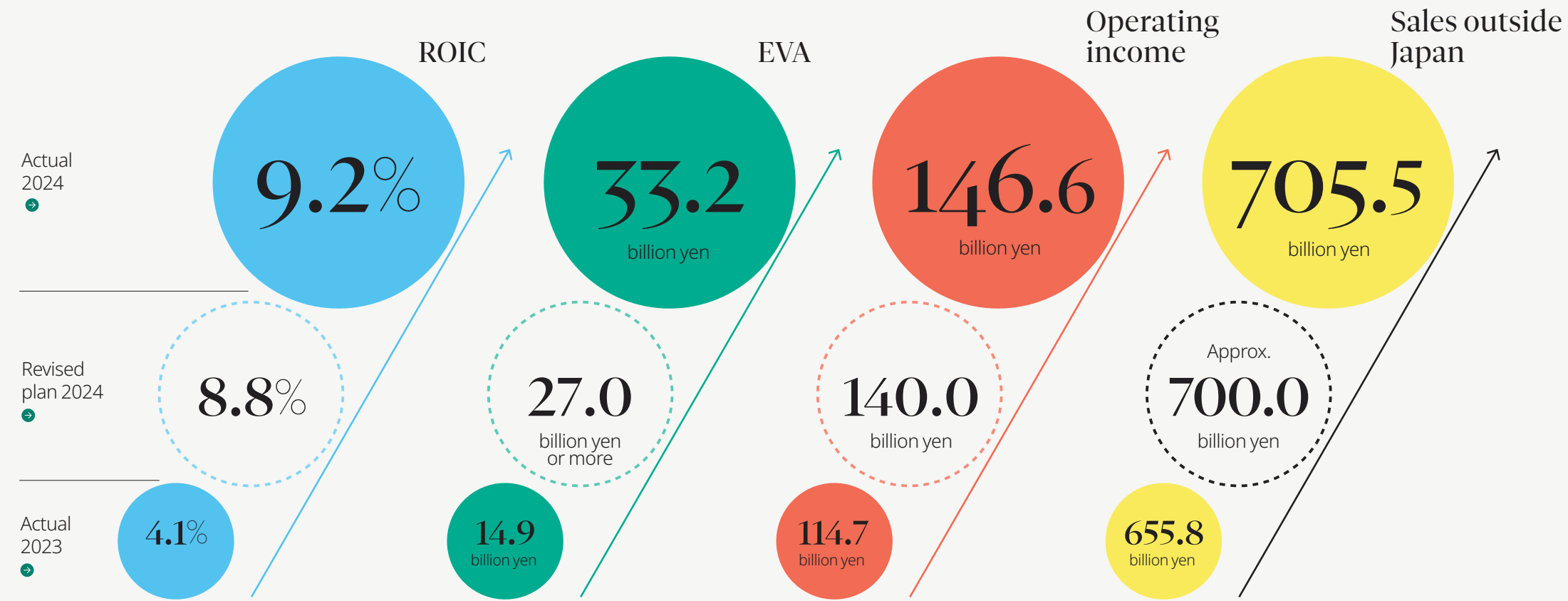
Expand the number of employees
creating digital solutions to improve
business issues with autonomy.



Key Figures 2024

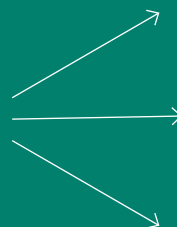
Net sales	Operating income	Operating margin	Consecutive dividend increases
1,628.4 billion yen	146.6 billion yen	9.0%	35 periods

K27 on track, exceeded 2024 plan



We are a growth company /

Our focus
is sharp.



Our playing
field is wide.



CEO Message



Advancing Our Commitment to a Sustainable Future

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

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

Yoshihiro Hasebe
Representative Director
President and Chief Executive Officer

Pioneering Sustainable Global Growth

To achieve this vision, we are:

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

Yoki-Monozukuri: Innovation with Purpose

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

- 1. Social Significance** – We focus on understanding the evolving needs of consumers and addressing the most pressing social issues of our time. Our goal is to design products that make a real difference.
- 2. Uniqueness** – Kao does not follow trends; we set them. With groundbreaking technology and bold ideas, we create products that stand apart from the competition, providing unique value that only we can deliver.
- 3. Cost Performance** – We continually assess how to maximize the value we provide while ensuring economic efficiency. By incorporating Return on Invested Capital (ROIC) by business into our operations, we enhance our ability to make strategic, value-driven decisions that promote long-term sustainability and growth.

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

CEO Message

4. Quality – We are uncompromising in our commitment to quality, ensuring that every Kao product delivers lasting value. This dedication builds trust and brand loyalty, making our products a part of people’s lives for generations.

5. Marketing – Great product is only as powerful as its ability to reach the right audience. We communicate the true value of our innovations with precision, backed by scientific evidence, ensuring our message resonates with consumers.

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

Core Technology and Innovation Harnessing the Power of Interfacial Science

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

Just two of our breakthroughs include:

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

Each scientific advancement fuels the next, building on our valuable base of proprietary technologies that can be leveraged across a broad portfolio of

cross-category product opportunities. This approach to developing our core technologies delivers economic efficiencies, unlocks commercial opportunities, and supports environmental sustainability.

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

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

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

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

Key Strategic Initiatives:

1. Establishing the Global Consumer Care Division
 To fully transition into a global growth structure, we have reorganized our consumer products business into a brand- and product-centric division and a region- and sales-driven division. This speeds up decision-making



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



CEO Message

and enhances agility. Additionally, we have launched the Business Connected Division to expand cross-product and cross-brand opportunities, strengthen direct sales, and foster co-creation with global partners. This enables us to leverage brand uniqueness for exclusive sales initiatives and strategic collaborations.

2. Creating the Management Finance Unit

A dedicated Management Finance Unit has been established at Kao's headquarters to better align global business priorities with strategic investment allocation. Guided by our Capital Strategy Division, we are focusing on enhancing financial profitability through targeted investments in high-growth opportunities. Close collaboration between headquarters and local operations ensures disciplined investment decisions.

3. Strengthening Our Digital Strategy

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

Unleashing Employee Potential to Drive Transformation

At Kao, true growth comes from embracing change and seeking continuous improvement. Our Mid-term Plan K27 focuses on maximizing the power and potential of employees, recognizing that people thrive not by being developed but by seizing

opportunities to grow. I have personally experienced this firsthand in Kao's dynamic environment.

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

1. Creating an Environment That Fuels Growth

Growth is not just about skill development—it requires intellectual stimulation and fresh perspectives. To drive this, Kao actively promotes mid-career recruitment, with nearly 50% of new hires coming from outside the company. New talent continues to bring us fresh insights, energizes the organization, and sparks innovation. Additionally, we are expanding our internal and senior job posting systems and empowering employees to take ownership of their careers. These systems allow employees to align their ambitions with strategic business needs, fostering self-driven career development.

2. Advancing Scrum-style Management

To maximize performance and agility, we have evolved our organizational management from a matrix-management model to a scrum-style model. Much like a rugby team, employees take on roles based on their strengths, working together to drive results. This transformation is already delivering tangible outcomes,

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



CEO Message

such as faster product development in our hair care business. As we build our capabilities to work faster across divisions and teams, we are simultaneously setting ourselves up to further exceed consumer expectations and capitalize on commercial opportunities.

3. Revitalizing the Organization Through Continuous Dialogue

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

The Kao Way: Corporate Philosophy

The Kao Way is more than just a corporate philosophy—it is the foundation of everything we do. This philosophy is deeply embedded in every employee, aligning our

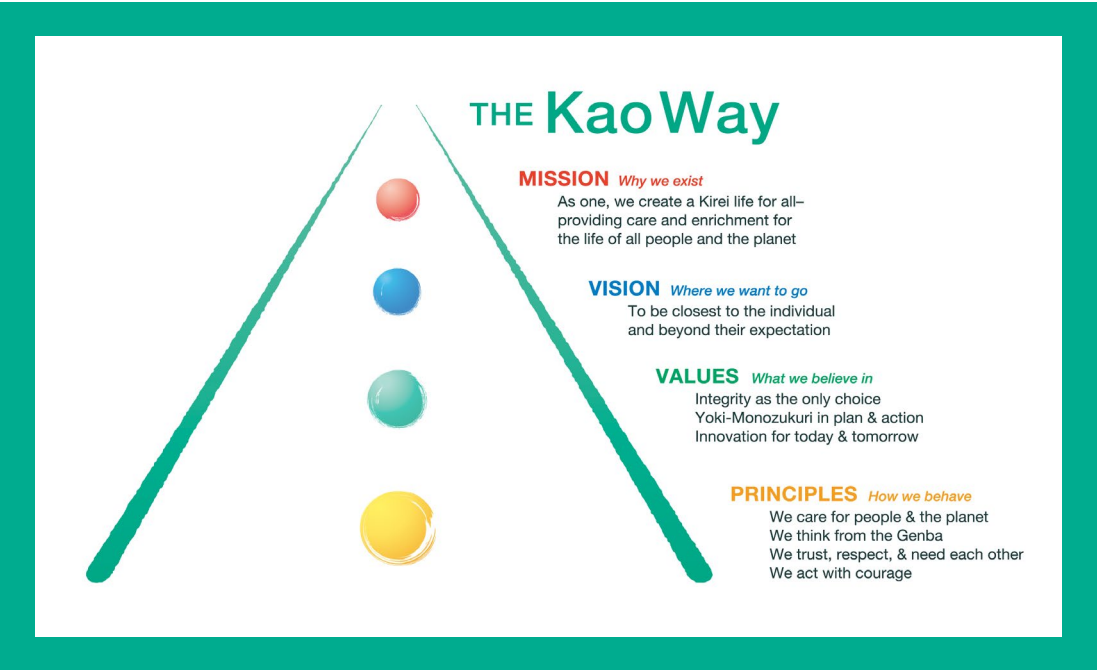
actions, uniting our strengths, and driving our collective vision forward with purpose and consistency.

K27 and the *Global Sharp Top* Strategy

Our mission is clear: to become the irreplaceable number one for someone in the world—by meeting specific needs with the care, commitment, and value that only Kao can deliver. This ambition lies at the core of our *Global Sharp Top* strategy, propelling us toward world-class excellence. But at the heart of it all is our greatest asset—our people. By harnessing the energy, creativity, and innovation of our employees, we will advance through *Yoki-Monozukuri*, ensuring that our products and services contribute meaningfully to society, uphold the highest ESG standards and reward our stakeholders.

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

“Maximizing employee vitality and becoming a unique company.”



We are scientists /

Solving issues
that matter.



1. Damage to Skin from UV Exposure
Micro - defense formulation covers skin leaving no gaps

2. Infection Risks
Insecticide-free Mos Block technology makes it harder for mosquitoes to land and stay on the skin

3. Climate Change and Skin Issues
Ceramide care technology helps maintain a healthy skin barrier

4. Biodiversity
Sustainable cleaning substrates that maximize usable portion of each palm fruit, minimizing waste

5. Plastic Waste
Refillable containers designed for minimal plastic use

6. Environmental Pollution
Environment friendly PFAS-free extinguishing agent

7. Stronger and More Sustainable Infrastructure
Our advanced asphalt modifier uses recycled PET to create more durable and resilient roads

Solving issues that matter.

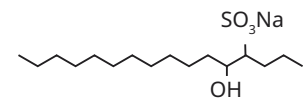
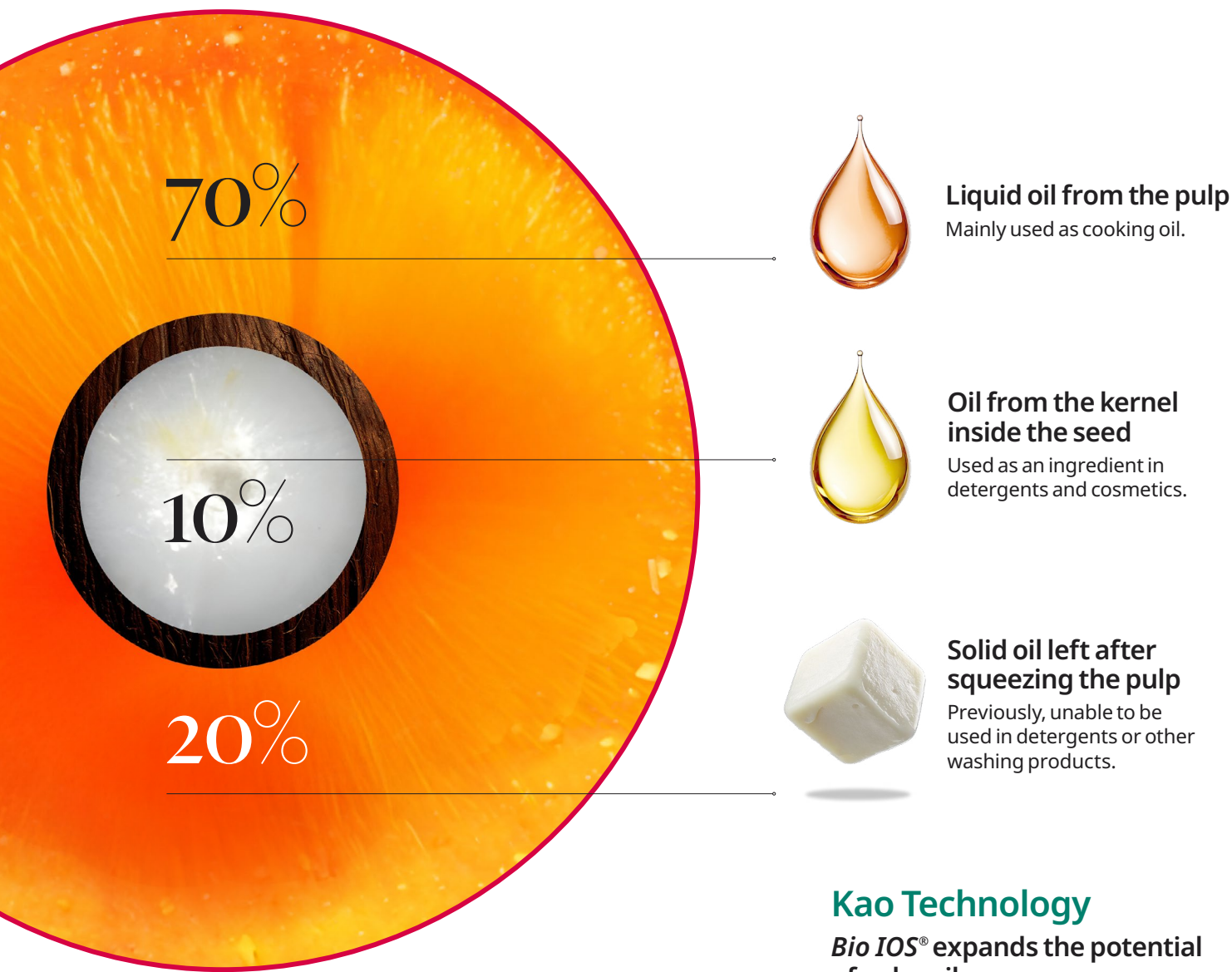


SOLVING ISSUES THAT MATTER | 花王のサイエンス

Increase the usable palm oil
from each fruit to meet a
growing demand without
increasing deforestation.

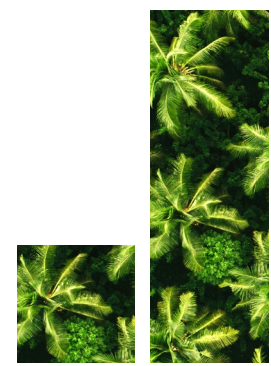
TECHNOLOGY:
Bio IOS®





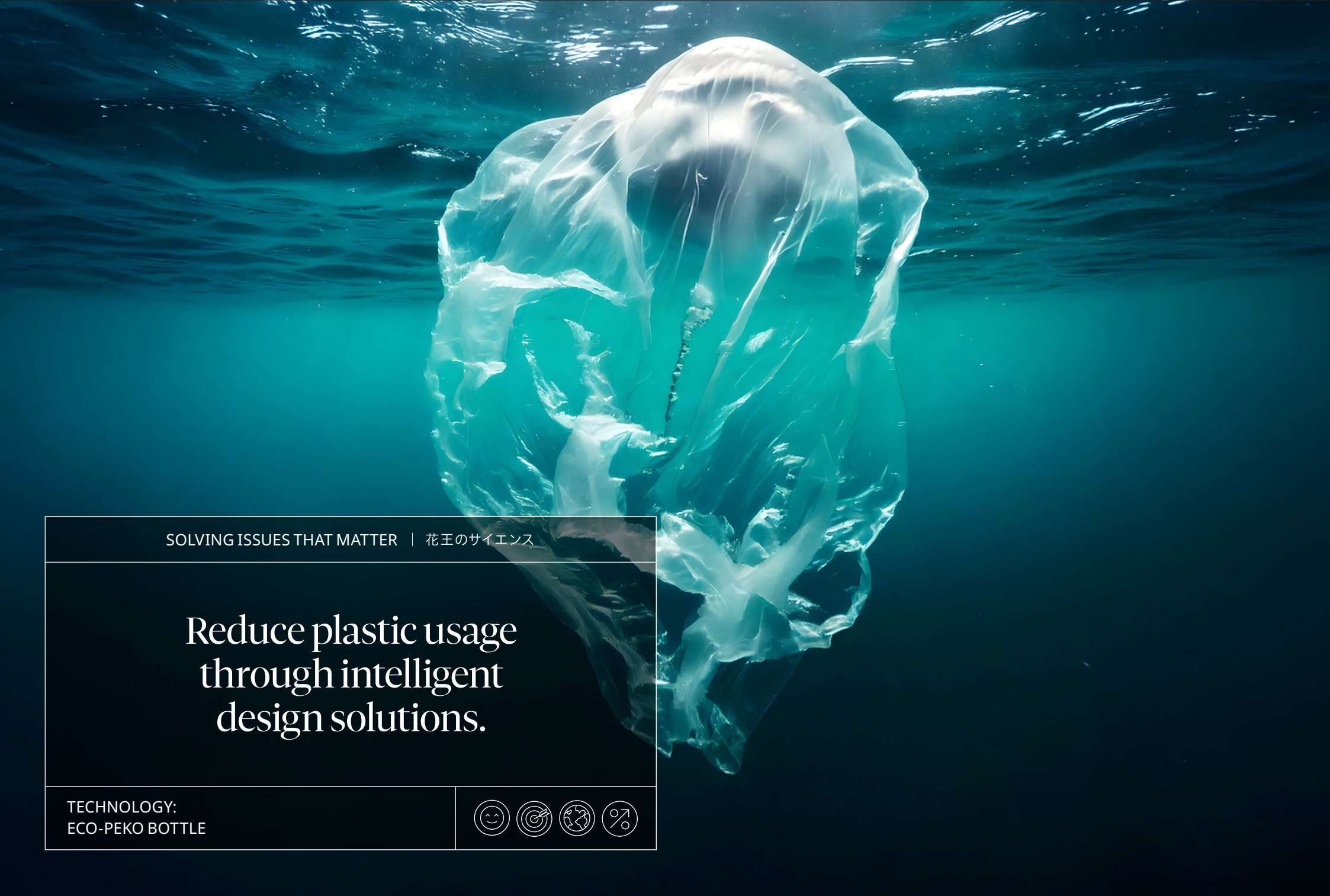
Kao Technology
Bio IOS® expands the potential of palm oil
 Kao has established a technology to convert solid oil into the surfactant *Bio IOS®*, which can be used in detergents and cosmetics.

“
 We have increased the usable palm oil from each fruit to meet a growing demand without increasing deforestation.
 ”



3X
 Kao *Bio IOS®* unlocks 3X more from every palm.

↑20%
 Greater yield per palm fruit for washing product use in detergents and cosmetics.



SOLVING ISSUES THAT MATTER | 花王のサイエンス

Reduce plastic usage
through intelligent
design solutions.

TECHNOLOGY:
ECO-PEKO BOTTLE





The *Eco-Peko Bottle* features an origami design that folds down compactly while being strong and eco-friendly.

Its ultra-thin, ribbed design cuts plastic use by 40% without compromising strength. It also folds down easily by hand, helping reduce CO₂ emissions during transport and disposal.

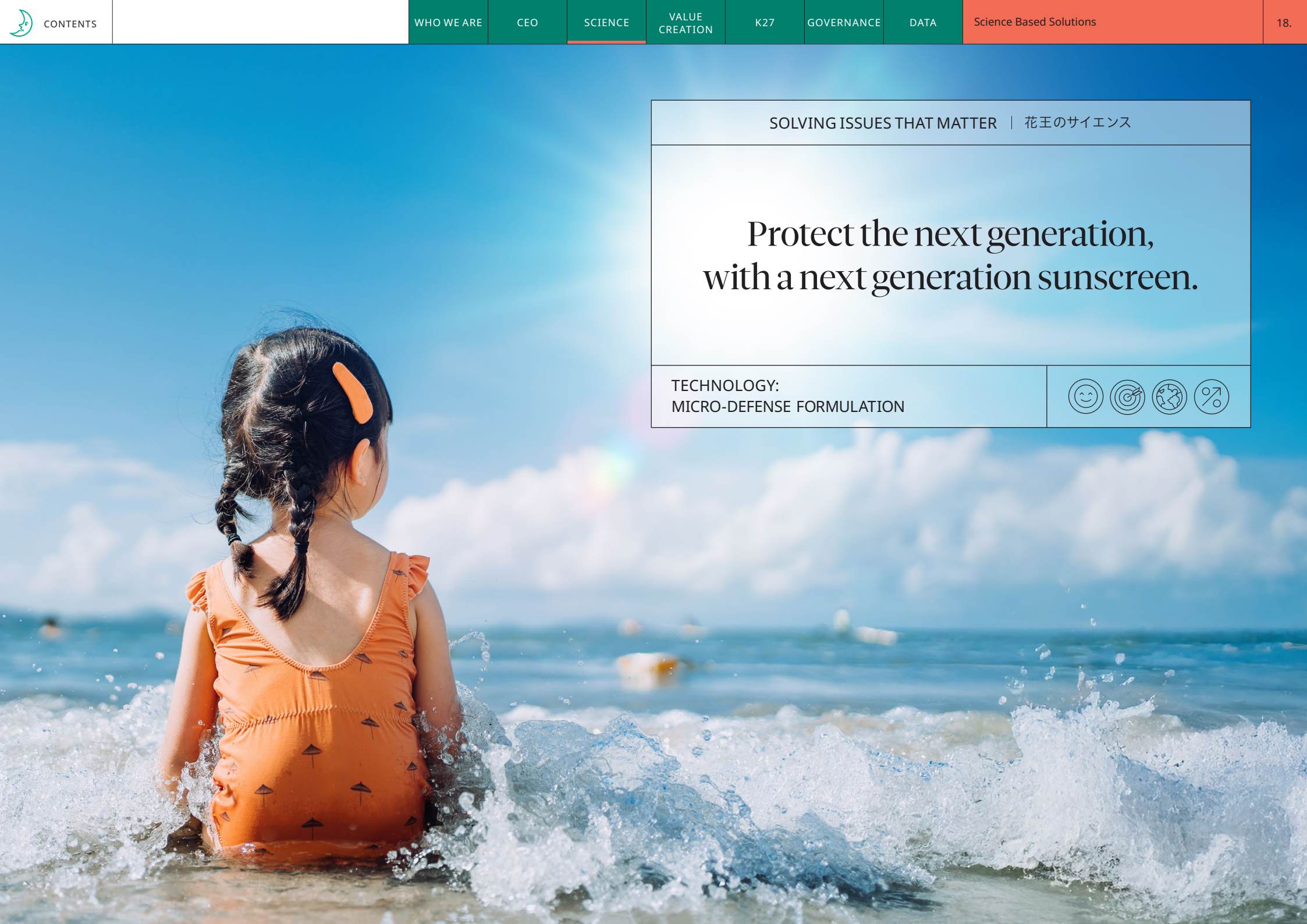
PLASTIC REDUCTION

↓40%

CO₂ EMISSIONS

↓45%





SOLVING ISSUES THAT MATTER | 花王のサイエンス

Protect the next generation,
with a next generation sunscreen.

TECHNOLOGY:
MICRO-DEFENSE FORMULATION

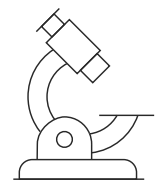
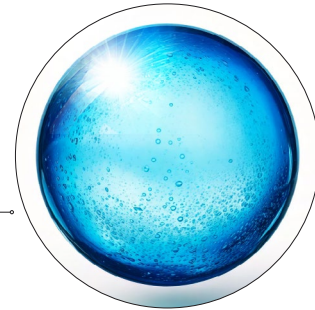




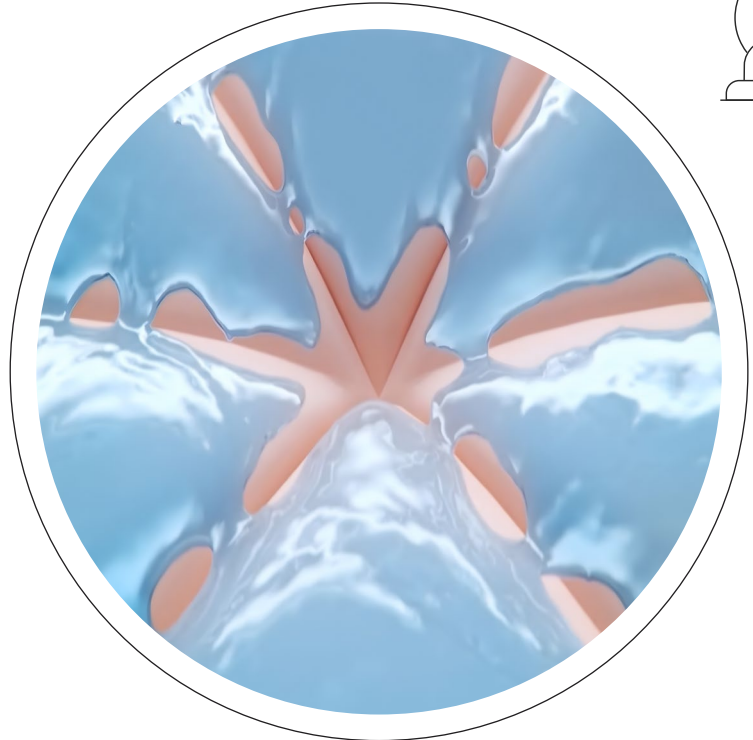
X2

X10

If you look closely, human skin is not a flat surface.
Kao's unique UV-protection capsules cover every micro-crease.

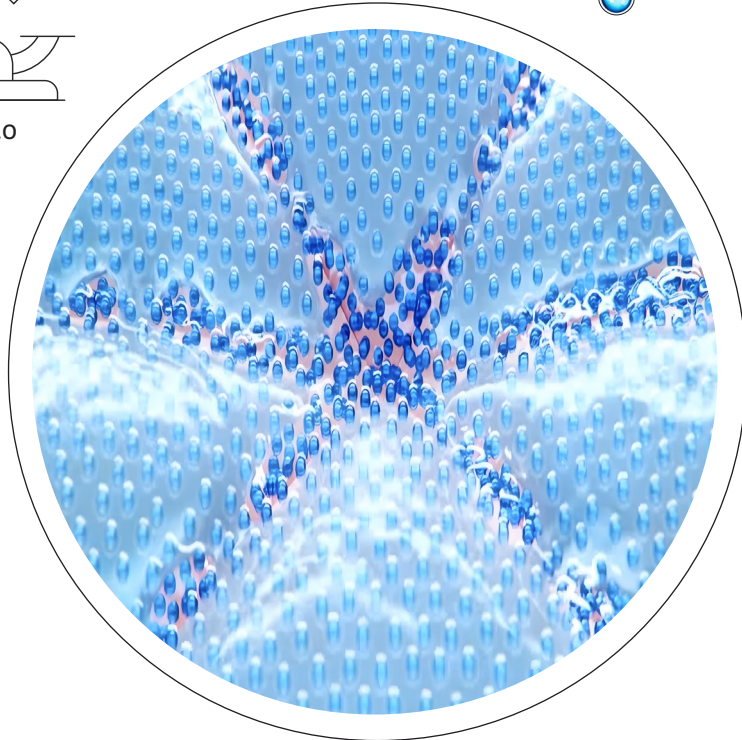


X40



Conventional Sunscreen

As the sunscreen dries, microscopic gaps form, exposing the skin to harmful UV rays.



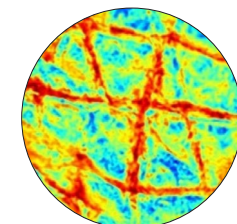
Kao Micro-Defense Formulation

As it dries, UV-protection capsules settle into the skin's tiny crevices, boosting coverage and providing even protection.

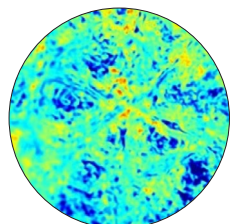
The Illustrations are images

UV PROTECTION PERFORMANCE

LOW HIGH



Conventional technology



Kao's new technology

Skin coverage with Kao sunscreen

99.8%

SOLVING ISSUES THAT MATTER | 花王のサイエンス

PFAS-free, high-performance
firefighting solution.

TECHNOLOGY:
PFAS - FREE





100%* Performance 0% PFAS

* EQUIVALENT TO CONVENTIONAL PRODUCTS

A Safer, High-Performance Firefighting Solution

Kao has developed a new fire-extinguishing agent that delivers the same high performance as conventional PFAS-based products—without PFAS.

PFAS are persistent substances that remain in the environment for decades and are linked to potential health risks. As the call for safer alternatives grows, Kao is leading the way with a PFAS-free solution.

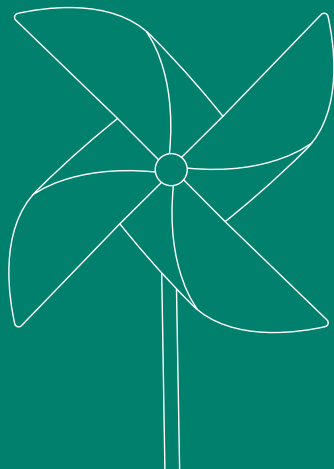
Our new firefighting agent is powered by Kao's unique Precision Interface Control Technology, originally developed to help pesticides spread effectively across plant surfaces. We've now adapted this innovation to firefighting—creating foam that spreads quickly over burning oil and rapidly suppresses flames.



“
Revolutionizing firefighting
agent with high-
wettability technology.
”

Maximizing value creation /

Powering
value.



Sustainable
growth.



Value Creation Cycle

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

Resources

Human Capital

Consolidated employees	32,566
(Outside Japan)	36.0%)
Countries/regions where products are sold	Approx. 140
Consolidated subsidiaries	111

Intellectual Capital

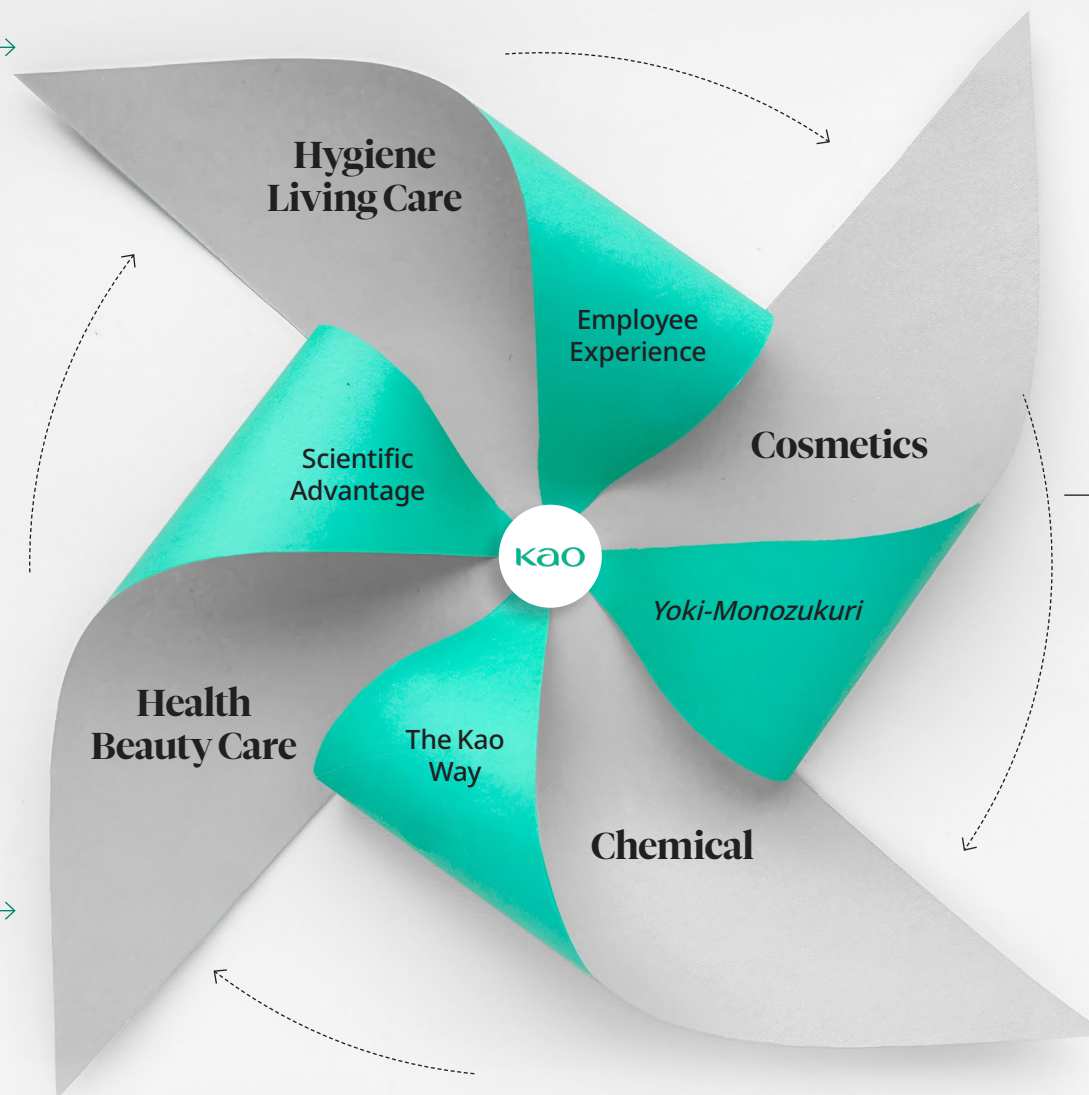
Number of brands	81
Number of patents held	15,240
Number of trademarks held	21,600
R&D expenses	¥62.1 bn
Production sites	36

Natural Capital

Energy consumption	16.5 PJ
Water use	16.2 million m ³
Plastic packaging usage	86 kt
CO ₂ emissions across product lifecycle	10,121 kt

Financial Capital

Net sales	¥1,628.4 bn
(Outside Japan)	43.3%)
Operating income	¥146.6 bn
EVA (Economic Value Added)	¥33.2 bn



Value



People

Solutions that make life better.



Performance

Science-based, proven performance.



Planet

Business that respects planetary boundaries and strives to solve issues that matter.



Profitability

Profitable growth, benefiting all stakeholders.

Reinvestment

Our Materiality

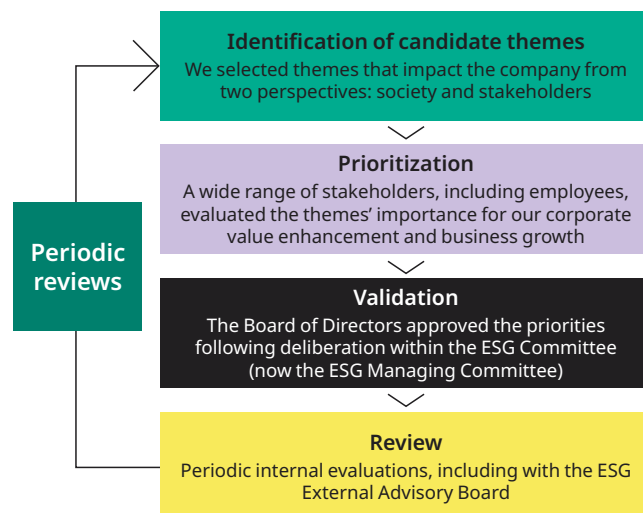
Issues That Matter Most to Kao and Our Stakeholders

Identification of 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.

We selected 78 candidate themes based on ISO 26000, the GRI Standards, the SDGs, in-house workshops, third-party opinions, and other factors. Based on evaluations from employees and external stakeholders, we organized these candidate themes in a Materiality Matrix, which mapped materiality across two axes: priority for stakeholders and priority for Kao.

▼ Process for identifying materiality



In 2019, we announced this materiality as the KLP Kao Actions in our ESG Strategy: Kirei Lifestyle Plan.

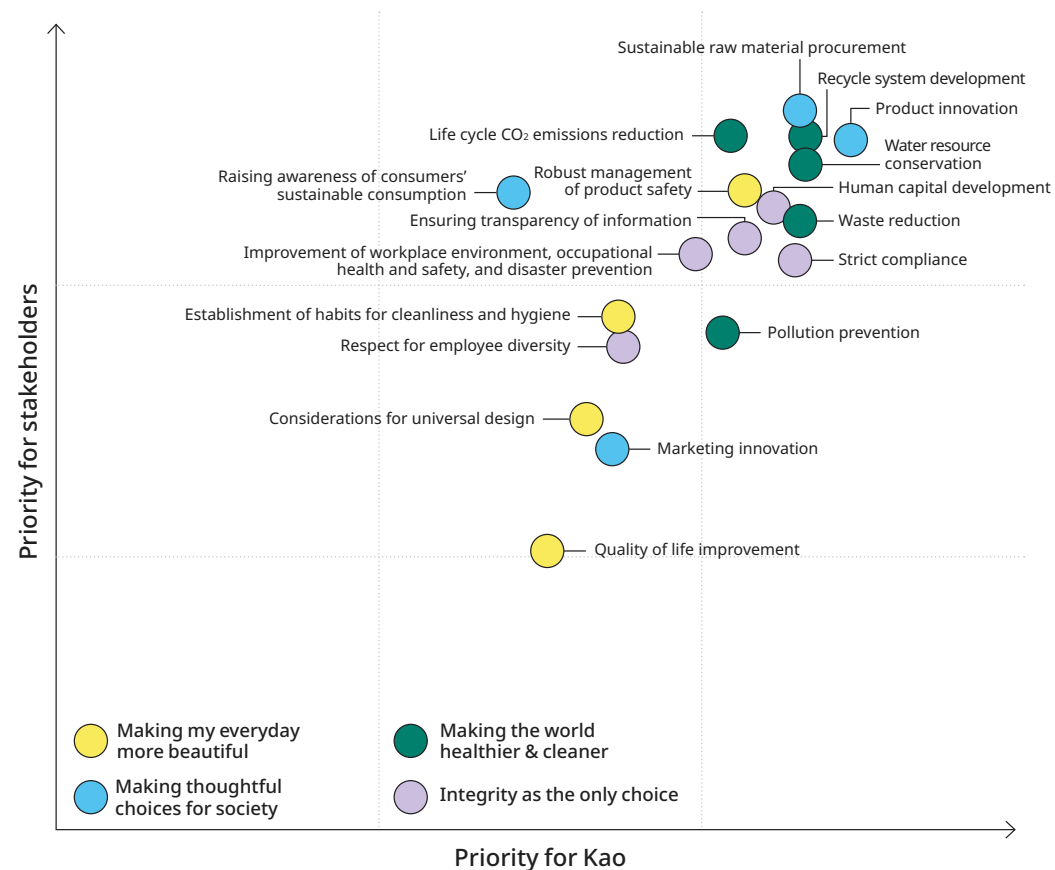
To enhance the effectiveness of this materiality, we hold periodic reviews in line with changes in social circumstances and challenges, as well as impact from our internal policies and strategies.

Reviewing Materiality

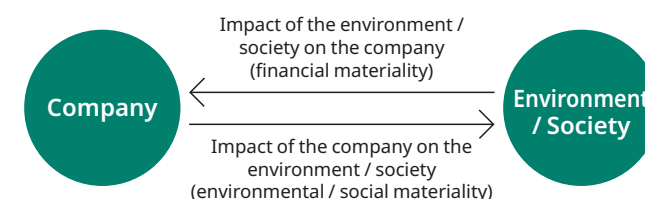
We are currently reviewing our materiality assessment to consider various environmental changes, such as shifts in consumer awareness following the COVID-19 pandemic and heightened geopolitical risks.

We are responding to external requirements such as the ESRS (European Sustainability Reporting Standards) and place importance on the principle of double materiality. In addition, we are identifying key focus areas, with a particular emphasis on business opportunities, to clarify the path to resolving social issues through our business.

▼ Materiality Matrix



- Double materiality



Value Creation

ESG Strategy

Junko Ohtani

Executive Officer

Senior Vice President, ESG



Kao's ESG Strategy Fuels *Global Sharp Top*

Accelerating Responsible Business Growth

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

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

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

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

Future Focused Innovation and Employee Engagement Driving ESG Value

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

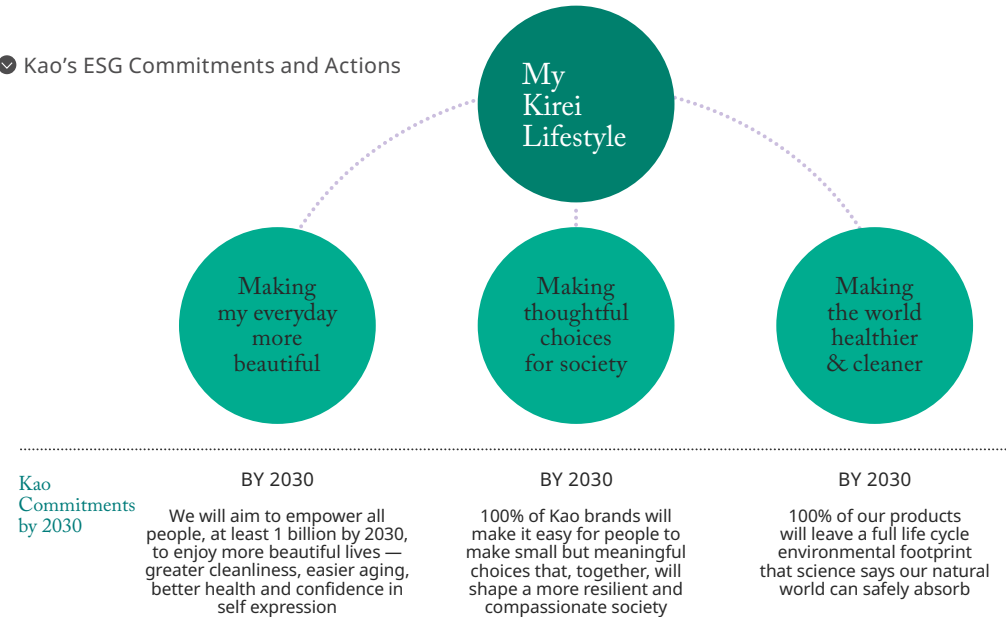
future where autonomous driving is commonplace.

Our people are our greatest asset. We foster engagement by inspiring employees to take ownership of sustainability across the company through various initiatives like dialogue sessions with the head of ESG. A consistent theme is “integrity as the only choice,” as stated in the Kao Way. The desire to do what truly matters and challenge the status quo is core to our unique culture.

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

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

☑ Kao's ESG Commitments and Actions



Our Value Creation

ESG
Strategy

Sustainable Business Innovation

Next-Gen Asphalt
Modifier Gains
Momentum in
Japan—Now
Expanding
Globally

Ryuhei
Yoshikawa
Eco Infrastructure,
Chemical Business



Autonomous driving is placing greater demands on aging road infrastructure, increasing the need for costly maintenance. To address this, we developed *NEWTLAC 5000*, a high-durability asphalt modifier that extends road life by up to five times while reducing environmental impact through the reuse of waste PET.

We began by applying the technology to private roads and car parks in Japan and then expanded to public roads through city partnerships—starting with Iwata City and now in use across multiple regions with varying climates. We are currently exploring large-scale implementation across Japan’s highway network through corporate collaborations. Internationally, we are entering markets in Asia, the U.S., and Europe, with a focus on industrial zones, factories, and logistics hubs.

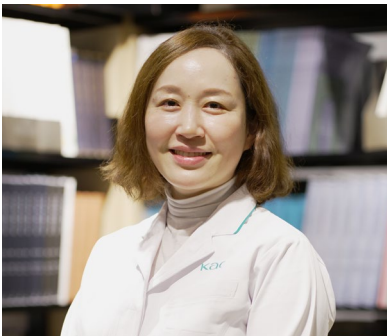
Beyond *NEWTLAC*, our chemical innovations hold wide potential across industries, and we continue to adapt our solutions to meet diverse environmental and infrastructure needs—with the goal of scalable, real-world impact.



Up to
5X
Durability

Reimagining
Mosquito
Protection

Aya Namba
Human Health Care
Products Research,
Business Development
Research Center, R&D



Mosquito-borne diseases claim many lives each year, and dengue fever is a serious public health issue in Southeast Asia. We take this issue seriously and are pursuing multiple initiatives to address it.

We conducted home visit surveys in Southeast Asia to experience daily life firsthand—gaining a deeper understanding of the heat, housing conditions, and everyday challenges. Through local insights and direct conversations, we developed *Bioré GUARD Mos Block Serum*—a product designed for daily use without the pungent smell or harshness.

We introduced Kao’s unique technology at Thai ASEAN Dengue Day to raise awareness of our breakthrough approach that prevents mosquitoes from landing on the skin.

Early findings suggest this technology may also be effective against malaria-carrying mosquitoes, and we are now conducting further studies to expand its reach.

As a team, we remain motivated to invest in research and development to protect people’s health, empower communities, and support daily life through science and empathy.



0%
Chemical
Repellent
Ingredients

Brand Building
with Purpose:
How *Guhl* Is
Redefining Hair
Care in Germany

Anna Strohm
Marketing, Guhl
Kao Germany GmbH



Guhl has become one of the fastest-growing hair care brands in Germany by establishing a distinctive market position: “genuinely familiar.”

Instead of showcasing perfectly styled hair, the brand’s advertising features a more natural, intimate setting—women shown in their bathrooms, expressing real beauty and diversity. This approach resonated strongly with consumers, resulting in 700,000*1 more shoppers and a 15%*2 increase in sales compared to the period before *Guhl*’s re-positioning.

In the 2024 campaign, *Guhl* partnered with Andrea, a woman with Down syndrome, whose personal message—“Hair is a sign of inner strength, giving you confidence and a sense of security”—inspired the creative direction.

This campaign broke away from traditional hair care advertising and was praised for its authentic message and representation. Consumer response was overwhelmingly positive, and Andrea’s appearance was widely celebrated as a powerful example of inclusion and empathy.

We are excited to grow the *Guhl* brand by connecting with consumers on a deeper level and expanding a loyal fan base through purpose-driven marketing.



15%↑
Sales

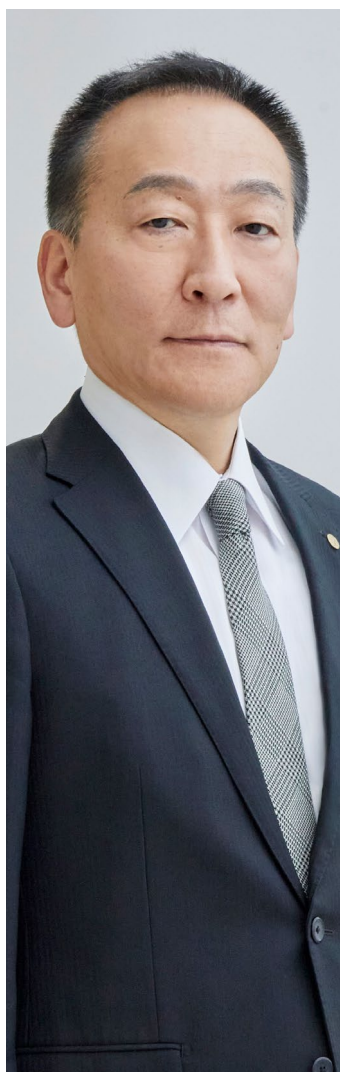
*1 GfK data, number of shoppers 2021 vs 2024 *2 Circana data, unit sales growth 2021 vs 2024



Our Value Creation

Research Strategy

Hideaki Kubo

Managing Executive Officer
Senior Vice President,
Research and Development

Global Competitiveness Driven by Core Technology Strategy

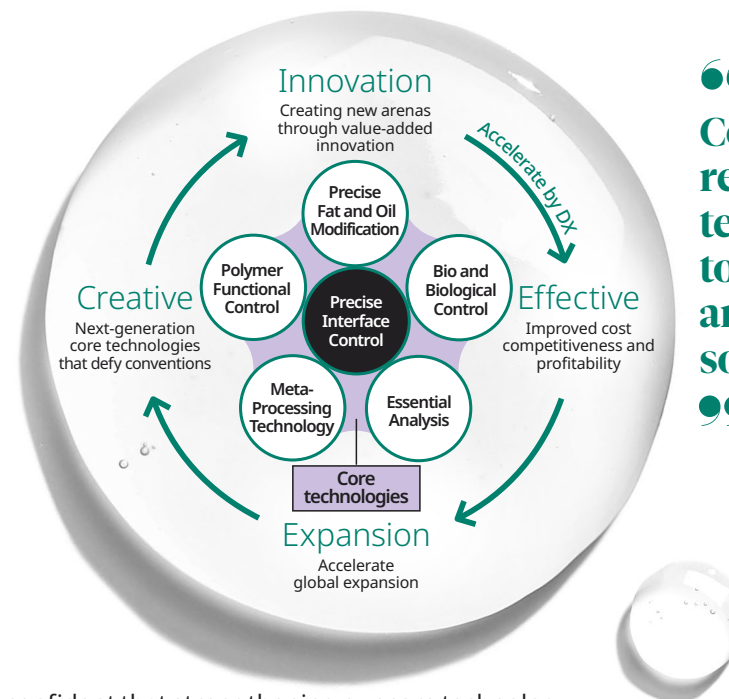
Linking Unique Core Technologies to Create Synergy

Kao may appear to be expanding across diverse business fields, but at the core of it all lies a set of unique, interconnected technologies that unify its products and services across business divisions. This synergy is what drives Kao's ability to pursue a *Global Sharp Top* business strategy and continuously create new value. Kao's mastery of chemical innovation, refined through deep collaboration with industrial partners, is adapted for consumer products. Furthermore, breakthrough technologies with unmatched performance are utilized across multiple product categories, enhancing product differentiation that competitors simply cannot replicate. The ability to harness and integrate cutting-edge technology across diverse businesses is a defining strength of Kao's research and development, which is truly unique and beyond the reach of others.

Fueling Global Growth with a Strategic Focus on Core Technologies

We are sharpening our focus on core technologies to highlight our uniqueness and competitive edge, ensuring our resources are used with maximum impact. At the heart of our core technologies is "Precise Interface Control Technology"—our unique focus and approach to innovation that manages the interaction between different materials across various fields. This technology, which precisely controls the "interfaces" across domains, is highly advanced, difficult to replicate, and gives us a strong competitive edge in the global market.

Kao has built a robust foundation of precise interface control assets, and by combining these with our five core technologies, we are positioned to swiftly develop impactful solutions that address a wide range of pressing social issues (refer to the diagram). We are



“Connecting our refined core technologies to create value and address social issues.”

confident that strengthening our core technology strategy will enhance the efficiency of our investments in innovation, ensuring sustained growth and lasting competitive edge over the medium and long term.

One powerful example is *Bio IOS®*, a highly sustainable and efficient cleaning agent. While we already use *Bio IOS®* in our laundry detergents, we see even greater potential. We are actively working to expand and maximize its application globally, not just in fabric detergents but also in skincare and haircare, and as a key chemical ingredient in other industries.



Rapidly Advancing Yoki-Monozukuri Through a Scrum-Based Team Structure

The impact of science and technology transcends boundaries, and we are committed to sharing our unique innovations globally. As we pursue global expansion, we will continue to refine our core technologies, pioneer meaningful value, and bring these advancements to market. By aligning our unwavering spirit of *Yoki-Monozukuri* with local market needs and harnessing digital technology, we will accelerate this cycle, creating distinctive value on a global scale.

At the core of this initiative is teamwork. We are getting increasingly better at a global scrum-style of working that unites business units, production, and other key organizations. By pooling our collective expertise in this way, this collaborative approach has proven to dramatically enhance our speed and accuracy. *Bioré UV* leveraged its unique encapsulation technology to navigate different regulations in several countries, enabling faster commercialization than ever before. With our global expansion well underway, we are taking this technology even further, pushing the boundaries of innovation to develop non-chemical UV care products that set new industry standards.

Tackling Urgent Social Issues with Cutting-Edge Solutions

Our people and organizational strengths are evolving, enabling us to develop world-class, globally competitive technologies. However, we are not stopping here. We will continue to refine our unique innovations, push the boundaries of possibility, and unlock commercial opportunities by addressing urgent social issues facing the world. With unwavering determination, we are committed to delivering cutting-edge solutions with meaningful impact to accelerate our global growth.

Our Value Creation Research Strategy



Mariko
Kagaya

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

Applying Technology Across Fields

Rising environmental stress has led to increasingly complex skin concerns, prompting consumers to seek more from the cleansers they use every day. Our goal is to achieve selective cleansing—removing excess sebum, specifically unsaturated fatty acids, while preserving the essential sebum that supports skin health.

In exploring this challenge, we identified *Bio IOS*, a surfactant originally used in laundry detergents, as the most effective base for this approach. By drawing on deep insights from its use in other applications, we successfully adapted *Bio IOS* for body wash—delivering high performance in a personal care format for the first time.

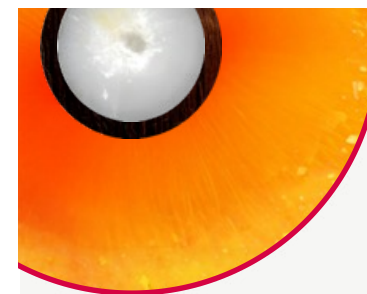
Leveraging Kao's Core Technologies for Cross-Category Innovation

Bio IOS® × Body Wash

However, *Bio IOS*'s unique properties posed formulation challenges, behaving differently from conventional surfactants, initially making it incompatible for body wash application. To overcome this we worked from scratch, reassessing all options to identify a new approach with the right performance characteristics to leverage *Bio IOS*'s potential into our body care business.

Unlocking the Power of *Bio IOS* for a New Era of Cleansing

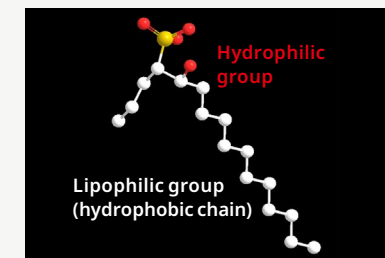
Among the many surfactants we've explored, *Bio IOS* stands out for its unique potential. Unlike conventional ingredients that focus solely on removing impurities, *Bio IOS* enables cleansing that actively improves the condition of skin and hair. This breakthrough challenges traditional perceptions of washing—transforming it from a routine into a restorative experience. Our goal is to turn this innovation into clear, tangible value and bring its benefits to consumers worldwide.



Bio IOS®

- This is a sustainable clean base that combines Kao's core technology of Precise Interface Control as well as Precise Fat and Oil Modification to utilize the fruit of oil palm without any extra space.

We are expanding the possibilities of cleaning value by having unique properties that differ from conventional surfactants, selectively removing stains, and adding new functionality to surface cleaning.



- Demonstrating superior cleaning performance even in small quantities through a unique structure with two parental bases. Compatible with a wide range of usage environments, including low temperatures and hard water.

Our Value Creation
Research
Strategy

Combining Technologies to Protect Dry and Sensitive Skin Globally

Curél

Expanding Ceramide Innovation Across Categories to Unlock New Growth
Curél Powder in Balm was developed to address a broader range of concerns for those with dry and sensitive skin—including sebum, sweat, dust and irritation. The result is a unique formulation that supports the skin’s barrier while delivering daily protection.

Seeing potential in a powder-rich gel format, we applied cross-category knowledge—drawing from our expertise in powder foundations—to encapsulate ceramide-functioning ingredients within a powder base. Using a scrum team model, we collaborated across divisions to bring this idea to life.

We worked closely with the Processing Development Research lab to create the ceramide powder, partnered with R&D in China to validate its effectiveness, and engaged with the Technology Development to ensure production quality. These efforts led to the successful commercialization of a differentiated, high-performance skin care solution.

Understanding and Responding to Dry and Sensitive Skin Around the World
As awareness of dry and sensitive skin grows, we anticipate increased interest in skin health. Curél stands out in its approach by supporting the skin’s barrier function through ceramide care. We believe that this approach has a universal and essential quality that transcends the very concept of beauty.

We have a mission to understand the symptoms of sensitive skin around the world and offer optimal skincare solutions. We will respond to these needs using the latest dermatological knowledge and technologies.



Xuanhe Ning
Skin Care Products Research,
Business Development Research Center, R&D



A New Engine for Agile Co-Creation

Incubation Center Tokyo

Related Divisions Unite to Accelerate Activities
The Incubation Center Tokyo (ICT) was established to create new products and services within a year using lean startup principles, with a strong emphasis on speed. Teams from research, development, production, and other fields engage in agile co-creation to launch ideas quickly. By executing rapid PDCA cycles, integrating customer feedback, and continuously refining product quality, ICT accelerates time-to-market while maintaining high standards.

Driven by a strong commitment to societal impact, ICT focuses on developing innovative businesses and entering new categories that conventional processes could not address. It also serves as a hub for talent development, enabling employees to apply their knowledge, strengthen their capabilities, and grow through hands-on innovation.

Tackling Issues with Social Value
Building on over a century of technology and safety expertise from its origins as the former Tokyo Plant, ICT leverages Kao’s legacy in high-mix, low-volume cosmetics manufacturing.

It now serves as a platform for collaboration with external partners to tackle challenges with social value. By blending the spirit of *Yoki-Monozukuri* with advanced technology, ICT is creating new value and supporting Kao’s long-term growth.



Keiji Eto
Plant Manager, Tokyo Plant (Incubation Center Tokyo),
Manufacturing and Technology Development Center,
Supply Chain Management



Our Value Creation

Human Capital Strategy

Hideki Mamiya

Senior Executive Officer
Senior Vice President,
Human Capital Strategy



Fostering a Challenge-Driven Culture

Empowering Employees to Drive Growth

To expand the *Global Sharp Top* business, we must unleash the full potential of our employees by fostering a corporate culture that embraces challenges. Kao's objective is to build a dynamic workforce and organization that thrives on innovation, professionalism, collaboration, and diversity while staying true to our core principle of integrity as the only choice.

This involves shifting our mindset from a focus on equality to equity, emphasizing absolute rather than relative standards, and moving away from uniformity and formality toward embracing diversity and autonomy. At the core of this transformation is our commitment to developing highly motivated talent. We provide equitable opportunities for all employees while ensuring that those with drive and passion have the resources, support, and freedom to develop their unique strengths, unlock new opportunities and foster their growth.

A major step has been to move away from matrix-style organizational management and toward a more agile, empowered workforce. By delegating greater authority and fostering stronger unity, we will enhance the collective strength of our organization.

We are committed to building an environment that values taking on bold challenges while achieving tangible results—where employees and teams are recognized and rewarded for their ambition and achievements. Through targeted human capital development investments, we are instilling a culture that embraces new challenges at every level. I am pleased to report that our most recent internal survey shows that 71% of employees are actively taking

on challenges to pursue growth and achieve more, a testament to the evolving mindset within Kao.

Our Corporate Philosophy, the Kao Way, is rooted in the spirit of “Innovation for today & tomorrow,” a core value that drives us never to settle for the status quo. By reinforcing this DNA through ongoing initiatives, we will further embed a culture of bold thinking and breakthrough innovation, ensuring that Kao remains at the forefront of progress.

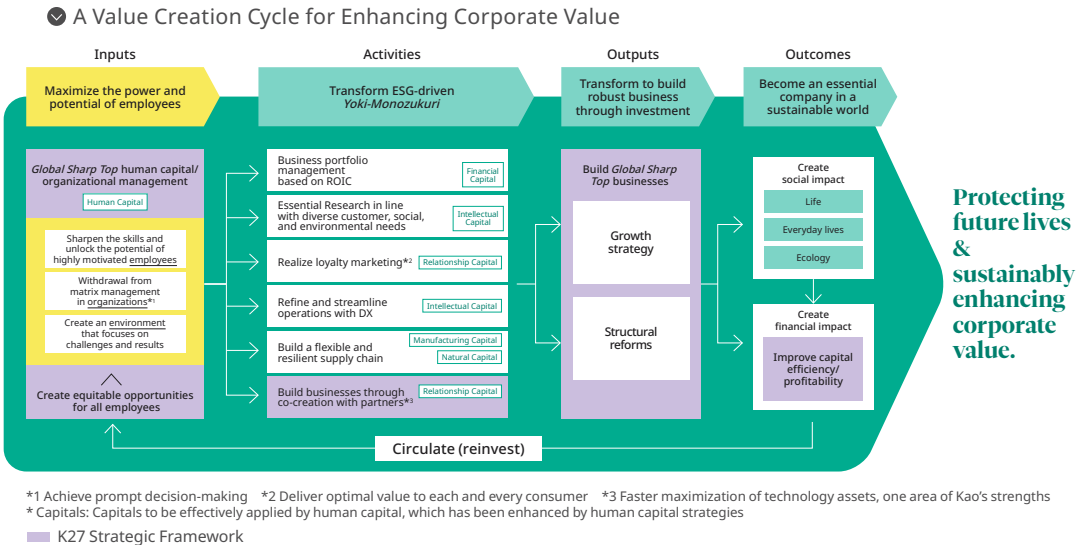
Creating Opportunities for Growth and Discovery

Human capital thrives through diverse experiences, and it is our responsibility as a company to create these opportunities through meaningful roles, professional development, and continuous learning.

“

Fostering a culture that embraces challenges and proactively cultivates experiences.

”





In 2024, we made steady and bold strides in advancing DE&I and employee well-being, launching initiatives such as internal recruitment, DX Adventure Programs, subscription-based self-development learning, 360-degree leadership assessments, and performance-based promotions and demotions. In 2021, we introduced Objectives and Key Results (OKR), which has actively fostered a culture of open dialogue between leaders and team members and driven increased employee engagement.

To expand our *Global Sharp Top* business and enhance our corporate value sustainably, we are committed to empowering ambitious employees with the right environment, challenges, and opportunities to excel. While our initiatives already deliver positive results, we recognize that this is just the beginning. By refining our strategies and executing them with greater precision, we will reinforce our culture of embracing challenges and establish a solid foundation for the Kao Group's continued global success.



71%

Employees actively taking on challenges*

* Employee Awareness Survey

Our Value Creation

Human Capital Strategy

Internal Recruitment Initiative

Mariko Arakawa

Career Development,
Human Capital Strategy



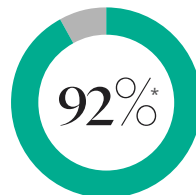
Empowering Passionate Talent Around the World to Take On New Challenges

In 2024, the Kao Group launched an internal recruitment initiative to give employees more opportunities to develop their own careers. The program received a strong response—232 employees applied, and 35 successfully assigned over Kao Group companies or divisions, including international assignment.

Employees expressed gratitude for the chance to tackle new challenges on their own initiative. In a post-program survey, 92% of applicants said the experience was beneficial to their careers.

We are still in the early stages, but we feel this is real progress toward our long-term vision. Moving forward, we will continue working to create opportunities for motivated talent across the globe to take ownership of their careers.

* Agreed that the internal recruitment system is very beneficial to their career (applicants in 2024).



Taking On Challenges

Global Human Capital Exchange

Felicia

E-commerce Marketing
PT Kao Indonesia



New Levels of Impact with the Scrum Team: Global Marketing

My assignment as an expatriate in Japan has provided valuable insights into how we do business both in Japan and globally. More importantly, it pushed me to take on new challenges beyond what I thought I was capable of.

As the regional lead for TikTok, I successfully led a cross-country initiative with a team spanning Japan, Indonesia, Thailand, and Vietnam. We held open discussions and continuously supported each other with advice to keep operations running smoothly across our diverse cultures and backgrounds.

As a result, we launched TikTok Shops simultaneously in three countries and achieved our targets in all of them. Moving forward, I'll continue to draw on my experiences in Japan while tackling global challenges—always guided by the bigger question: what's best for Kao, regardless of where we're working?



New Career Challenges

Kaoru Matsushita

DX Solutions,
Digital Strategy



Continuing to Take On Challenges

Throughout my career, I've embraced various challenges—from process development to international assignments and plant management. At age 60, I took on a new career challenge by joining the DX Strategy, driven by the desire to learn about cutting-edge global technologies and contribute further to Kao.

A key opportunity has been the development of low-code applications. I began learning on my own, gradually putting new knowledge into practice. This eventually led to my reskilling and helping to drive DX initiatives across the company.

Looking ahead, I hope to support the growth of more "motivated talent" within Kao—working alongside both younger and more experienced colleagues who are taking on similar challenges—while continuing to learn about the latest technologies, including generative AI.

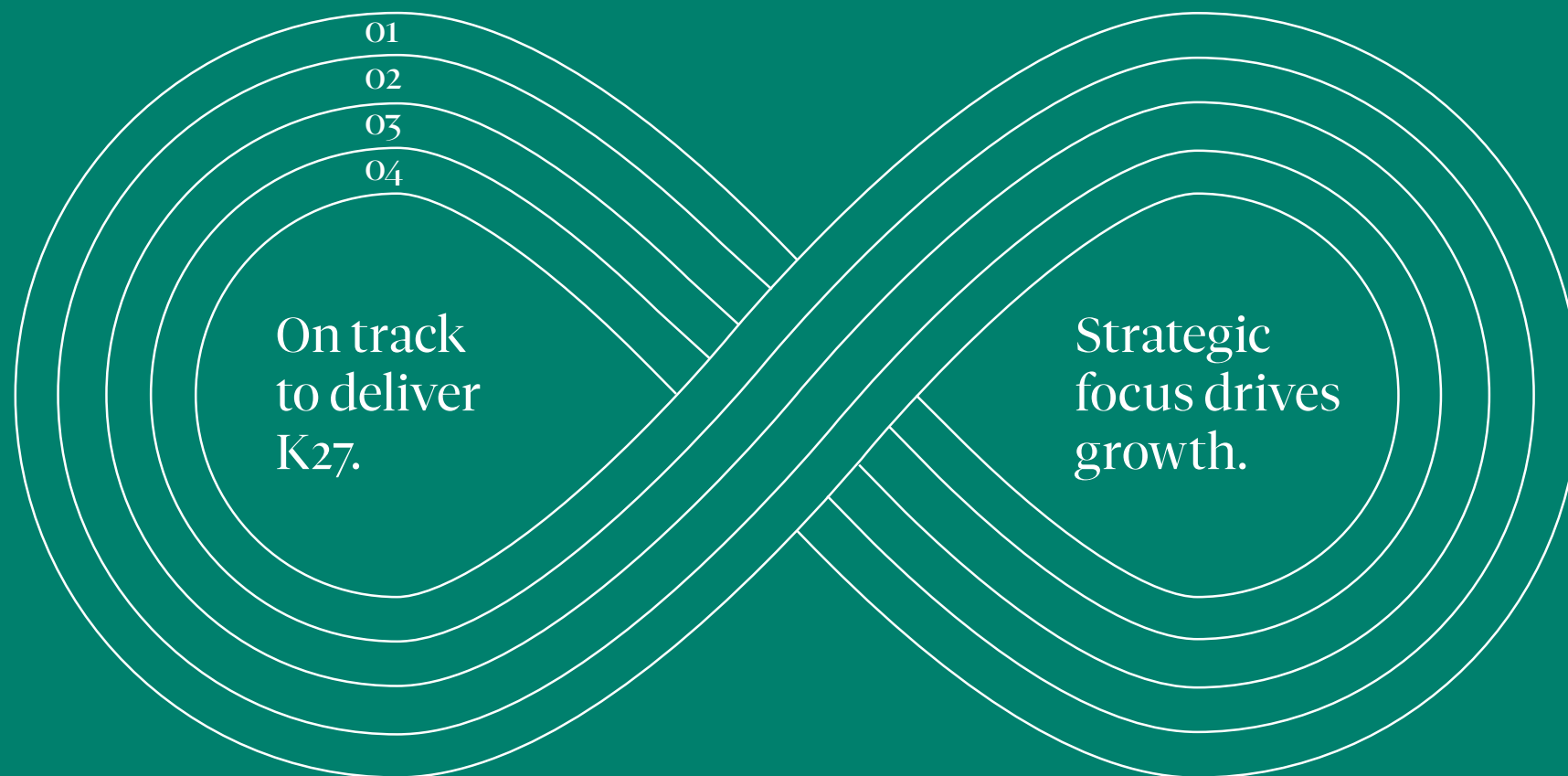


Driving toward K27 and beyond /

Momentum
with purpose.



Sense of
excitement.



01

Build *Global Sharp Top* Businesses

Global shift to essential, highly profitable businesses

02

***Global Sharp Top* Human Capital / Organizational Management**

Decisive investment in human capital
Withdrawal from matrix management

03

Improve Capital Efficiency / Profitability

Maximize the value of management capital

04

Build Businesses Through Co-Creation with Partners

Faster maximization of technology assets

K27

Build *Global Sharp Top* Businesses

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



Driving Transformation with Speed and Scrum-style Management

Turning Data Insights into Loyalty

As digital technology continues to advance, the world is becoming increasingly interconnected. As consumer behavior evolves beyond traditional boundaries, Kao is leveraging cutting-edge technology and artificial intelligence to transform its marketing approach, accelerating our *Global Sharp Top* strategy.

Our core strength lies in scientific, evidence-based marketing. This data-driven methodology enables us to gain in-depth insights into precise consumer behavior and market trends, optimize the effectiveness of our investments, and implement bold, agile strategies that deliver results.

Kao utilizes advanced digital tools, including social listening, to monitor consumer interests and behaviors in real time. In addition to adopting cutting-edge analytical tools, we are investing in the development of digital transformation (DX) talent, such as data analysts, to enhance both speed and precision of our insights.

This approach enables us to fully accelerate our *Yoki-Monozukuri* cycle, strengthens consumer loyalty, and enhances our brand equity. As a result, we have made strategic pricing adjustments that reflect the true value of our offerings, enabling us to successfully raise prices while simultaneously increasing market share.

By enhancing the visibility of our marketing investment effectiveness using advanced digital tools, we are ensuring more transparent and accurate decision-making and have significantly improved profitability through strategic reallocation of resources.

Additionally, We have implemented a new demand and supply management framework driven by Return on Invested Capital (ROIC)-based decision-making.

We are shifting our focus toward profit management, with more accurate volume and revenue forecasting to supports long-term business sustainability and growth.

Accessing real-time data and consumer insight is enabling seamless collaboration across divisions and regions, creating agile, high-performing scrum teams that work toward shared goals. This has led to impressive results; for instance, the speed of product development in our hair care category has increased sixfold.

Capturing Global Demand to Shift Toward High-Profit Businesses

Having worked extensively outside Japan, I know firsthand what true globalization demands. *Global Sharp Top* is not just a strategy—it’s a critical driver of our future success.

Our goal is to become truly indispensable to the people who need us most. Instead of chasing market share alone, we’re focused on building lasting loyalty—by offering unique value that only Kao can provide.

By deepening our understanding of diverse global consumers and addressing pressing social challenges, we will drive substantial growth and create a lasting, positive impact.

“Data-driven insight is advancing our efficiency, innovation, and long-term profitability.”

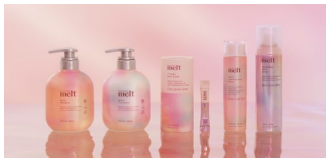


Bioré UV: Realization of continuous and high-speed PDCA.

Value share in sunscreen market

16% → 23%
2020 2024

* Intage SRI+ Sunscreen Market Value Share Jan-Dec each year



melt: Using a scrum-style system and digital technology.

Product development speed

6X



Oribe: Rapid growth driven by EC. Sales index

100 → 200
2018 2024



Now in
27
 countries and regions
As of March 2025

K27

Build *Global Sharp Top Businesses*

United Globally to Lead in Skin Protection

Bioré UV

Rapid Decision-Making Across Divisions to Accelerate Global Growth

As Kao R&D enters its next phase, we are advancing a unified global strategy for skin protection, aimed at capturing untapped commercial potential beyond Japan. This shift moves us from regionally fragmented efforts to coordinated global execution, led by the newly established the *Global Skin Protection Steering Board*. By bringing together decision-makers and experts worldwide, we’ve created a platform to align strategy and fast-track execution.

Close collaboration with Japan’s R&D has enabled regional teams to make informed, independent decisions aligned with global priorities. The results are clear: we’ve accelerated time-to-market for key innovations. This year, for example, we launched new *Bioré Aqua Rich UV* products in the U.S. and EMEA, derived from our high-performance Japanese formulas.

Process innovation, including the adoption of scrum teams, has allowed us to respond quickly to regulatory and market needs, particularly in Western markets. This agile model is now being embedded across Kao, to enhance our speed and responsiveness.

Delivering High-Value, Differentiated Solutions Worldwide

All change comes with its own set of challenges. Balancing priorities across passionate teams requires shared vision, careful facilitation and coordination, and we’ve taken decisive steps to maintain momentum.

Our goal is to globalize Kao’s proven skin protection science and build a stronger presence in untapped markets. By expanding cross-functional collaboration, we remain committed to protecting future generations from environmental threats while contributing to a more beautiful, sustainable world.



Niyati Chanchani
 REO, Vice President,
 Beauty Research,
 Americas Research Laboratories

K27

Build Global Sharp Top Businesses



Satoshi Nohara
Hair Care Business,
Health Beauty Care Business,
Global Consumer Care Business



2 million +
pcs sold*

4X sales
expectations

* As of the end of March 2025

Agile by Design:
Powering Sustainable
Growth with DX

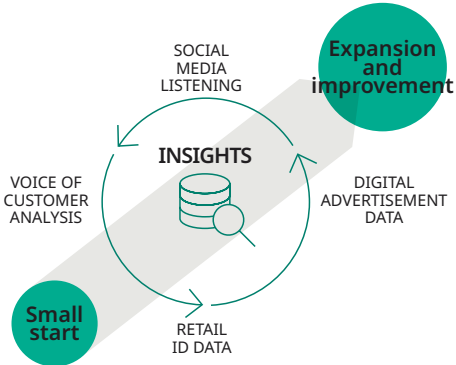
melt

Scrum Team Increased Development Speed Sixfold
Our brand, *melt*, was developed six times faster than conventional methods, thanks to the scrum team system, where cross-divisional representatives collaborate to make optimal decisions. By aligning their perspectives with our shared goal of shaping consumer emotions and leveraging individual expertise, this culture of open dialogue—regardless of position—has heightened team passion and focus, significantly speeding up the implementation phase.

Leveraging DX to Scale Repeatable Success
We utilize digital transformation (DX) in our marketing to improve speed and accuracy. The product was initially rolled out on a small scale to major retail chains and limited areas. We quickly analyzed the market using big data and expanded our marketing based on success patterns, which consistently delivered results. The strategies developed with the brand *melt* were also applied to *The ANSWER*, leading to sales that exceeded expectations.

As a result, our in-bath hair care market share increased for the first time in nine years. We will focus on DX and our proactive scrum teams to drive innovation and growth in hair and beauty care.

✔ Insights Gained through Actual Market Big Data Analysis



Oribe D2C: A Platform
for Premium Growth

Oribe

Increase Presence as a Luxury Hair Care Brand
As the leader of the *Oribe* brand, my priority is to solidify its position as the world's most desirable luxury hair care brand. From the start, *Oribe* was built with a Sharp Top strategy and has grown through a balanced omni-channel model—salon, retail, e-commerce, and D2C—all working together to drive customer engagement, acquisition, and brand visibility. While maintaining momentum in our core U.S. market, we are now laying the groundwork for meaningful expansion in EMEA.

Invest in D2C to Become a Pillar of Strategic Growth
D2C is a strategic growth pillar, and we are investing significantly in [Oribe.com](https://www.oribe.com) and social media. D2C not only has significant sales growth potential and is highly profitable, but it also serves as our flagship store, allowing us to curate an immersive, always-on customer journey where we can tell our story, educate, inspire, and engage our community of #oribeobsessed loyalists.

The remarkable double-digit D2C growth since 2020 has resulted from strategic investments in advertising, PR, marketing, and technology. Looking forward, our vision is to significantly grow our global footprint and expand brand recognition to increase the size of our business. By focusing on quality, community, and continuous innovation, we will continue to earn consumer loyalty and valuable brand connection.



Jessica Friedman
General Manager
Oribe Hair Care, LLC



2018 2024

100 → 200
Sales index

15% → 41%
EC composition ratio

K27

Build *Global Sharp Top* Businesses

Tomoko Uchiyama

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



Business Flexibility and Resilience for Global Growth

Maximizing Research and Production Assets to Drive Profitability

In 2024, we concentrated on strengthening the foundation of our business. As we move forward, we are sharpening our competitive edge to become more agile and resilient. As the new leader of the Cosmetics Business, I am committed to addressing any remaining structural challenges, optimizing costs, and charting a clear course toward sustained global growth.

Our profitability relies on maximizing the potential of our unique technologies and production approaches across brands and product categories, enhancing investment efficiency. As we continue to improve our manufacturing systems and profitability to meet the diverse needs of customers around the world, significant untapped potential remains in further leveraging our broad technology assets across the cosmetics business portfolio.

Kao's extensive and diverse research insights provide a competitive advantage that is hard to match. Our skin science, for example, has moved beyond cosmetics, enabling high-performing applications across product lines. I intend to draw extensively on my research background to ensure we translate these innovations into increasingly stronger returns. The Cosmetics Business aims to contribute at least one-third of the projected increase of 40.0 billion yen in income as part of Kao's overall growth strategy by 2027, playing a key role in accelerating the *Global Sharp Top* strategy.

Aiming for *Global Sharp Top* Strategy with Six Brands

We will prioritize investment in six brands, focusing on dynamic global expansion to build the *Global Sharp Top* business. Our efforts will center on accelerating business expansion through data-driven strategies and asset accumulation.

SENSAI is a luxury brand that blends Japanese aesthetics with advanced science and technology. When launching new products, we have integrated

data into our planning and rapidly iterated through the PDCA cycle, enabling steady growth.

Our net sales from our EMEA e-commerce site were 1.5 times higher than the previous year, and we will apply this knowledge to support our entry into the Asian market and sustain momentum.

MOLTON BROWN has achieved notable success through a unique strategy of establishing new touchpoints in luxury hotels and other locations, which in turn drives traffic to our e-commerce platforms. We have seen substantial growth in Malaysia and Taiwan, and we are now making significant efforts to strengthen our presence in Indonesia, where we have recently entered the market. With the global fragrance market expanding, we anticipate even greater growth ahead.

By leveraging digital transformation (DX), *KATE* is creating co-creative digital spaces to engage and expand core fans. The brand continues to lead Japan's makeup market, and we plan to extend this approach across various Asian markets.

We aim to grow *Curél* by applying its dermatological strengths and tailoring them to meet the specific needs of each market.

My approach to work involves bringing everyone together in scrum teams, harnessing our collective wisdom to overcome challenges, and learning from those experiences. The Cosmetics Business consists of professional organizations, each with its own expertise and bold vision. I will unite these organizations and their strengths as we take significant steps forward to further transform.

“
Each brand has a unique edge — we're looking to scale that globally.
”



* 2024-2027

Aiming to Be the World's No.1 Brand for Dry Sensitive Skin



Now in
12
countries and regions
As of March 2025

Driving Business Growth by Penetrating the Derma Care Market

Curél is the brand driving global growth in the cosmetics business by penetrating the global derma care market.

Based on ceramide care technology, we aim to solve dry and sensitive skin issues worldwide. The Curél way is to address skin problems in highly targeted ways with tailored and unique technology.

For example, *Powder in Balm*, while containing high levels of ceramide functional ingredients, is also effective in controlling sebum and leaving the skin surface smooth and silky. It continues to gain support by meeting the needs of Asian consumers who are concerned about oily skin.

Proposing New Value in Response to Local Needs

We are now turning our attention to Europe, where many people have dry, sensitive skin and needs are high. We plan to aggressively promote our products utilizing knowledge and experience from Japan, listening to local European dermatologists and clearly communicating Curél's unique value proposition.

I have been working in Taiwan for a long time, and after my recent transfer to Japan, I have been reminded that skin issues vary significantly by region. With this renewed perspective, we will focus on capturing local needs and creating new value.

We aim to achieve an 8% CAGR in net sales by 2027 (compared to 2024), and the number of countries where we are deployed is expected to roughly double by 2027 compared to 2024.



Liu Hsiu ping
President,
Masstige Brand Business,
Cosmetics Business,
Global Consumer Care Business

Ceramide Care Technology as Our Competitive Edge

Curél

K27
Build Global Sharp Top Businesses

K27

Build Global Sharp Top Businesses

Daisuke Hamada

Senior Executive Officer
President, Chemical Business



Micro-Level Technology Solves Macro Issues and Drives Growth

Unique Value Creation Centered Around Interfacial Science

The strength of Kao's Chemical Business is its wealth of technology assets, particularly in our core competence of interfacial science. Companies that excel in individual substances only have business opportunities related to the specific use cases of those substances. Meanwhile, we have created customer value through technologies that control the interfaces, meaning that we have business opportunities with every interface worldwide.

By leveraging interfacial science, we have created customer value and established valuable business operations. Although the various business fields in which we operate may seem unrelated at first, they are actually linked by the same fundamental technologies. We are building *Global Sharp Top* businesses using our strengths in three fields: interfacial science, which is the central element, fat and oil science, and polymer science.

Building a High-Value Business with Global Growth Drivers

We are shifting toward a higher value-added business structure by strengthening our *Global Sharp Top* strategy. Our focus is on businesses with strong technologies and global potential—those that are growing but haven't yet reached a global leadership position, as well as those already leading in specific regions or specialty areas. We see both as key engines of future growth.

We are targeting expansion in high-value areas, such as inkjet inks, asphalt modifiers, agrochemical *Adjuvants*, and semiconductor chemicals. These are opportunities where our proprietary technologies can differentiate us and create new business value.

In our core operations, we plan to launch our *Global Sharp Top* business for *Tertiary amines* in the U.S., aiming for non-linear growth and maximized profitability.

Linking Technologies to Solve Crucial Social Issues

The materiality of the Chemical Business includes multiple aspects: balancing an increase in food production while preserving the environment, achieving decarbonization, responding to an advanced information society, and contributing to safe and secure hygiene and infrastructure.

Our ideal approach is to use Kao's core technology in precise interface control and implement micro-level interface control to solve macro-level social issues and achieve business growth.

For example, in the agrochemical sector, we faced challenges with chemicals adhering to crop leaves. In response, we developed a technology that enables chemicals to spread evenly across leaves, helping to reduce agrochemical usage. We also applied this technology in a foam fire extinguishing agent that effectively extinguishes oil fires by coating the surface of highly water-repellent oil with a low-environmental-impact foam. Our ability to connect technologies across various fields stems from our accumulated technological assets and skilled internal talent.

Leading Global Growth with Technologies Refined Through Co-Creation

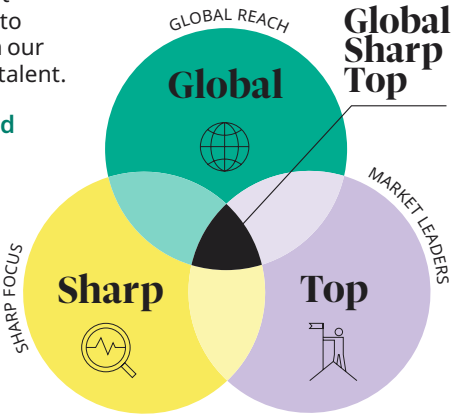
Co-creation with partners is essential to delivering value to end customers. To remain a trusted partner, we continuously refine our technologies. These advancements also support innovation within our Consumer Care Business. Effective co-creation initiatives require strong relationships and a talented Chemicals team to support business growth.

With over 60% of sales generated outside Japan and operations in 16 countries, the Chemical Business will continue to boldly pursue new challenges and serve as a foundation for Kao's global growth.

“

Over 60% of our sales are generated outside Japan, with continued global growth to look forward to.

”



K27

Build *Global Sharp Top* Businesses



Wang Yuntong
Agrochemical, Chemical Business

Market Share of Pesticide Adjuvants by Company

No.1*

Adjuvants (Functional Spreader)

Auxiliary materials used during pesticide spraying—Kao's proprietary Precise Interface Control (advanced wetting technology) enables efficient pesticide adhesion to water-repellant plant surfaces, contributing to reduced pesticides.

* Data from "2023 Pesticide Guidelines: Market Share of Pesticide Adjuvants by Company," as surveyed by the Japan Plant Protection Association



Pioneering and Growing Agribusiness in China

Adjuvants

Resolving Agricultural Challenges Through Precise Interface Control Technology

China's agricultural sector, characterized by its vast farmlands and labor shortages, has seen the world's fastest adoption of drone technology for pesticide spraying. However, drone spraying encounters several challenges, including pesticide drift caused by wind and uneven coverage on plant surfaces.

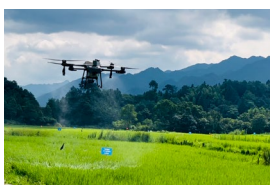
To successfully deliver this technology to *Genba* (the front lines of our marketplace), it is essential to build trust among key players, including the government, IT companies and distribution partners.

Drawing on my previous experience as a journalist in China, I am committed to refining my expertise to drive the business further forward.

Unlocking Potential in the Agrochemical Value Chain

From cultivation and harvest through to storage, transportation, processing, consumption, and back to the soil—the agribusiness value chain holds vast potential. Kao Chemicals' greatest strength lies in its ability to flexibly respond to industry needs, creating and delivering diverse products that cross traditional boundaries.

It is essential for someone to step up as a pioneer and forge a path to elevate the standards of the entire industry. My mission is to bring the latest technologies to the agribusiness *Genba* and solve key issues.



Drone spraying of Adjuvants

Global Sites Fueling Market Share Growth

Tertiary amines

Entering the European Sanitizer Market Is a Big Opportunity

Entering the sanitizer market is an exciting opportunity for Kao. To do so, we will leverage our *Global Sharp Top* expertise in *Tertiary amines*, a key ingredient for high-performance sanitizers. Our strong foundation in this area positions us well to navigate the European market's high barriers and particularly strict regulatory environment.

Tertiary amines are essential for creating effective sanitizers, and our deep production expertise allows us to significantly enhance our offerings. Despite the challenges posed by complex regulatory requirements—such as obtaining permits and product registrations—we are confident in our ability to manage them. Strong relationships built with authorities over time and our experienced team will help us overcome these hurdles.

Expanding Market Share with Innovation

As we move forward, our goal is to create a seamless production process that transforms natural ingredients into sustainable and high-quality sanitizers. By leveraging our strengths across Asia, Europe, and the U.S., we aim to innovate and capture market share across the global sanitizer market. Ultimately, developing products that enrich lives and strengthen Kao's leadership position. As I always say, "Don't just dream—do it!"



Jürgen Jonalik
President & CEO
Kao Chemicals GmbH



Tertiary amines Plant (Germany)

K27

Global Sharp Top Human Capital / Organizational Management

Global Sharp Top:

Powered by Our People



Takeru Kawakami

Packaging Technology Research, Kao

To build a future where every Kao product is a trusted choice, we will manufacture with care for both people and the planet, creating products that individuals can take pride in using.



Keisha Ringo

SCM, Kao USA

We are dedicated to achieving flawless execution of innovative product launches that enhance our consumers' lives, as well as providing robust stewardship across the entire lifecycle—from inception to final use.



Fanni Varkonyi

Marketing, Molton Brown (UK)

We strive for a future where *Molton Brown* makes a meaningful positive impact on sustainability and is widely recognized by both customers and the industry for these efforts, driving growth in the process.



Kazuyoshi Nogawa

Sensory Science Research, Kao

Our goal is to create distinctive aromas that provide a competitive edge. By leveraging innovative technologies, enhancing consumer value, and improving speed, we aim to maximize ROIC and value for all stakeholders.



Cui, Tianwei

Product Development,
Kao (Shanghai) Product Service

Our goal is to establish *Bioré UV* as the brand of choice for every college student in China. In a vast and competitive market, we are driven to succeed by truly understanding consumer needs and proudly highlighting what makes *Bioré* exceptional.



Kristin Adams

Marketing, Kao Collins (USA)

We are elevating Kao Collins to be the global leader in high-value inks. By employing a strategic approach in marketing, we will build deeper trust and foster innovation with industry-leading sustainable technology.



Zhou, Xuejun

Global Business Planning
and Management, Kao

We will offer product information and lifestyle tips in multiple languages for foreign nationals in Japan, opening new connections and driving the global expansion of Kao's products.



Hiroya Sato

Sales Department,
Kao Group Customer Marketing

In collaboration with our distribution partners, we aim to strengthen Kao's global presence by partnering with retailers to showcase and communicate the exceptional benefits of our products to international visitors in Japan.



Isana Kontsevaya

Kao Salon, EMEA

Our goal is to establish *Oribe* as the top luxury brand in EMEA, while also driving market growth for *Goldwell* and galvanizing our employees around profitability goals.



Lin, Tsen hsien

Sales Division, Kao Taiwan

We will deliver high-quality products and the best service experience for global customers, positioning our company as an industry leader while ensuring that every choice increases market share and enhances consumer satisfaction and trust.



Tan Linchia

Procurement, Kao

We implement initiatives that are unique and relevant to Indonesia. For example, with hand-washing lessons at small-scale agricultural organizations and schools, we are improving local hygiene, promoting corporate citizenship, and creating corporate value.

K27

Improving Capital Efficiency and Profitability

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



Strengthening Earning Power and Strategic Financing to Drive Global Growth

FY2024: ROIC Improved by 5.1 Points, Exceeding the Plan to Reach 9.2%

We are pleased to report a 5.1 percentage point improvement in return on invested capital (ROIC), reaching 9.2% for FY2024. This strong performance exceeds our initial goals and reflects solid progress in strengthening our business fundamentals.

The improvement is a direct result of proactive structural reforms aimed at enhancing our business portfolio. In FY2023, we introduced ROIC by business, which played a key role in guiding transformation efforts across three focus areas: “Reorganizing less efficient business units,” “Restructuring human resources,” and “Enhancing earning power.” ROIC gains were seen across all sectors, with especially strong improvements in “Business Transformation” by +10.6 pts and “Stable Earnings” by +6.8 pts. The Fabric Home Care, in particular, delivered robust growth, reinforcing our earnings base.

Conversely, due to inventory adjustments in the cosmetics

sector caused by the economic slowdown in the Chinese market, there were areas where we fell short of our targets. We will implement targeted measures this fiscal year to address these challenges and remain committed to achieving the ambitious goals set in our Mid-term Plan K27.

Drive Profitability with Earning Power Reforms and Enhanced ROIC Management

We are focused on reforming our earning power and enhancing profitability by increasing marginal profit and gross profit margins. Specifically, we are committed to setting fair prices that reflect the value added from the consumer’s perspective. To improve profit margins from all angles, we are implementing various measures, including thorough TCR initiative and reviewing product mix within categories. As a result of these efforts, there is a growing awareness within the company of the importance of prioritizing profit margins over absolute sales figures.

Additionally, enhancing ROIC by improving capital

“Shifting focus from volume to margins to maximize profitability.”

Performance Improvement Results and Targets by Business Area

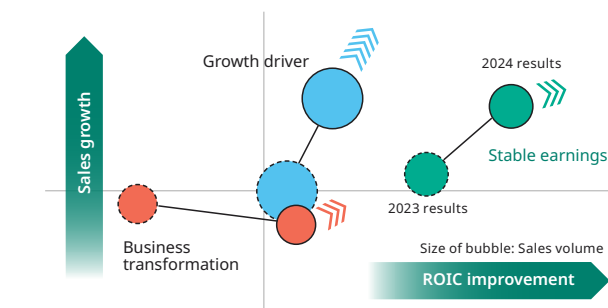
	Stable earnings	Growth driver	Business transformation	Total
Sales growth rate (%)	+5.9	+4.3 <small>+5.7 *3</small>	(2.3)	+3.3
Improvement in operating income*1 (billion yen)	+15.9	(0.7) <small>+6.0 *3</small>	+18.8	+31.9
Improvement in ROIC (pts)	+6.8	+1.0 <small>+1.5 *3</small>	+10.6	+5.1
K27 ROIC targets*2	20%	12%	7%	11.0% <small>or more</small>

*1 Compared to 2023 “core profit”

*2 ROIC targets have been changed due to changes in the cosmetics business environment

*3 Excluding the impact on the Chinese cosmetics market in 2024

Image of ROIC Improvement in 3 Areas



● Stable earnings: Fabric Care, Home Care, Personal Health
● Growth driver: Skin Care, Chemicals, Cosmetics, Commercial-use Hygiene Products
● Business transformation: Hair Care, Sanitary

K27

Improving Capital Efficiency and Profitability

efficiency is critical. We are increasing asset efficiency by reducing inventory and SKUs, keeping capital investments within the limits of depreciation expenses, and selling inefficient fixed assets. Particularly in terms of inventory reduction, we continually assess the entire supply chain by asking, “Why is this inventory necessary?” and “Why is it accumulating?” By addressing root causes, we aim to shift and sharpen employees’ inventory management mindset. Furthermore, starting in FY2024, we have implemented a performance-based compensation system tied to Economic Value Added (EVA) for all employees. Starting in FY2025, we have established a system that allows employees to devise their own measures for improving ROIC and incorporate them into their Objectives and Key Results (OKR). By encouraging all employees, including those in corporate and functional departments, to engage in the “value creation cycle aimed at increasing corporate value,” we can enhance the vitality of the entire organization, which will drive further growth.

FY2025: Driving Growth and Solidifying Our Foundation

FY2025 is a crucial year for achieving the goals of our Mid-term Plan K27. We have set targets of 160 billion yen in operating profit (+13.4 billion yen from the previous fiscal year) and a ROIC of 9.4% or higher, and we are committed to pursuing further growth.

The Health Beauty Care Business and the Cosmetics Business are primary drivers of this growth. We plan to accelerate our global expansion by introducing new value in the skincare business, with a focus on UV care. Furthermore, in the Cosmetics Business, we plan to make concentrated investments in six key brands to revitalize our operations in China and broaden our market reach.

In the Hygiene Living Care Business, we aim to strengthen our “earning power” by continuously launching new high value-added products to increase profitability. In the Chemical Business, we will optimize the use of the *Tertiary amine* manufacturing facilities established

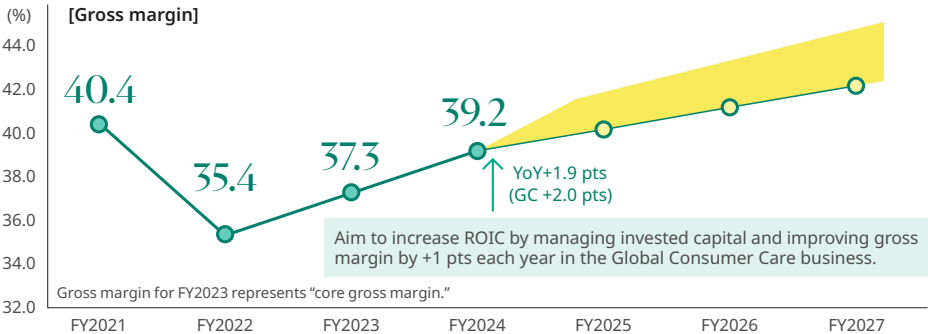
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Empowering employees to drive ROIC: fostering ownership and strategic awareness.

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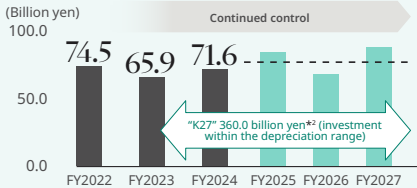
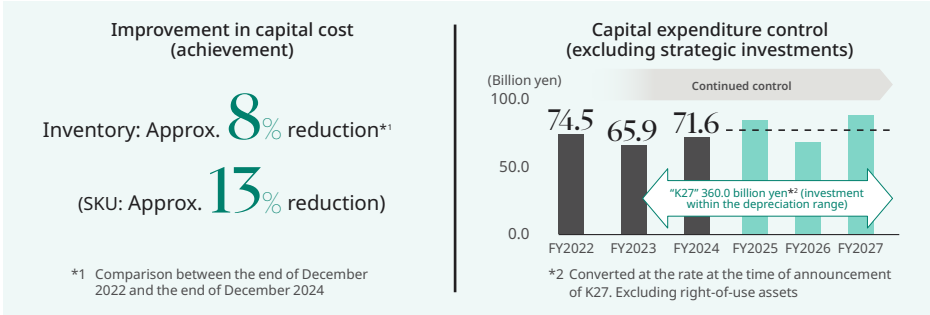
▼

Promoting ROIC



ROIC =

perspective



K27

Improving Capital Efficiency and Profitability

“

Strategic global allocation of management resources.

”

last year in Europe, striving to contribute to profits by capturing the growing demand in high value-added areas such as semiconductors and electronic materials. FY2025 is a pivotal year to reinforce our earning power and establish a strong foundation for profitable global growth in 2026 onwards.

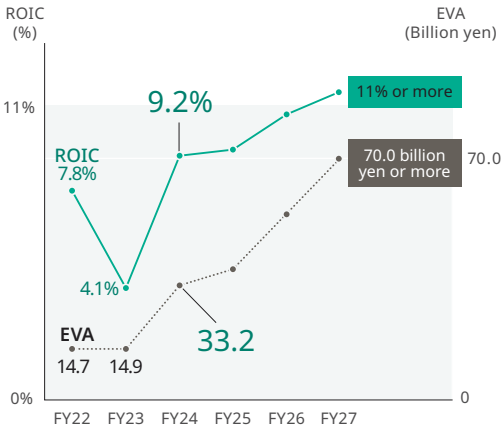
Enhancing Strategic Financing to Power Global Growth

To provide robust financial support for our global growth strategy, we are strengthening our strategic finance functions starting in FY2025. First, we have established a new Financial Planning and Analysis (FP&A) Group within the Accounting and Finance Department. This group will play a crucial decision-making role with each business division to maximize business value. We will utilize our financial expertise to propose strategies and optimally allocate management resources, effectively acting as a navigator for the business and significantly driving global growth. Additionally, we have formed a new Corporate Finance Strategy that operates alongside the Accounting and Finance Department. This department is focused on maximizing corporate value by strategically allocating management resources globally, in line with our business portfolio strategy. The department will also be responsible for formulating and supporting the implementation of mid-term plans. As the key driver of our mid-term capital policies, we will actively promote strategic investments, including the planning and execution of mergers and acquisitions, alliances, and investments in new businesses. Our mid-term capital policy focuses on managing cash flow (CF) through three main pillars:

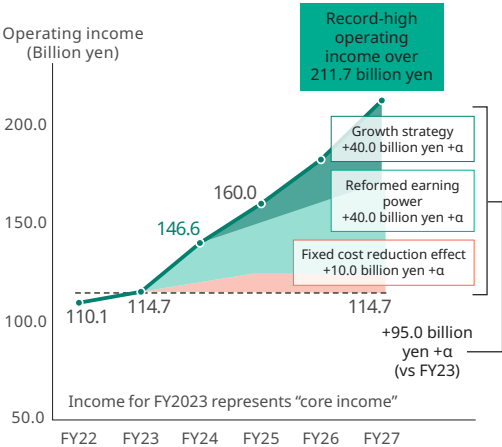
- Shareholder Returns: Maintain stable dividends for our shareholders
- Capital Investment: Strategic investment management centered on ROIC and high-growth opportunities
- Strategic Investment: Invest in M&A and new business ventures to foster future growth and share buybacks

For our strategic investments, we are open to utilizing borrowings to supplement existing cash flow and actively pursue M&A and new business opportunities that align with our global growth objectives. Share buybacks will also be considered. We strive to enhance capital efficiency by implementing these strategies flexibly, taking into account potential investment opportunities, stock price fluctuations, and our available cash reserves. We remain committed to collaborating with our stakeholders to meet their expectations and to further enhance our corporate value.

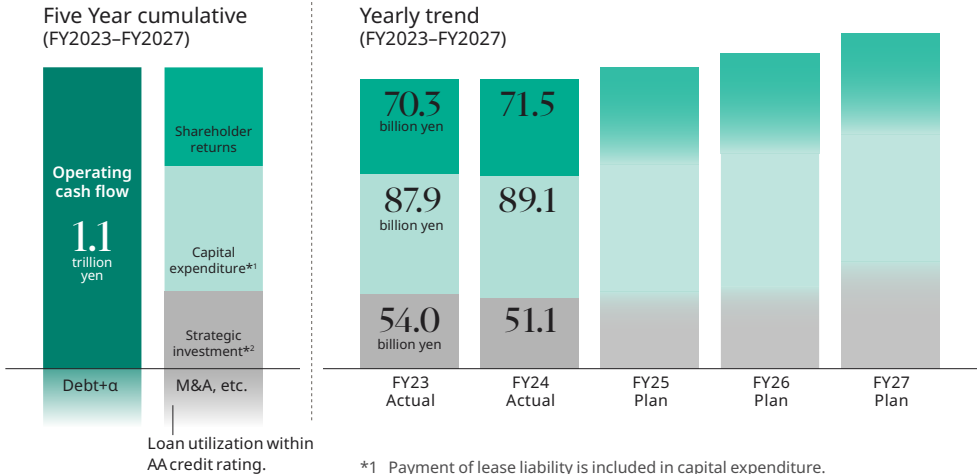
ROIC (Estimate)



Operating Income (Estimate)



K27 Mid-term Capital Policy



*1 Payment of lease liability is included in capital expenditure.

*2 Strategic investment includes growth investments such as M&A and new business development, as well as an increase in cash on hand reserved for future strategic investment.

Exchange rate (FY2023 and FY2024: Actual rate; FY2025 onwards: FY2025 assumption rate)

Exchange rate (K27 assumption rate)

K27

Improving Capital Efficiency and Profitability

Enhancing Brand Loyalty and Profitable Growth

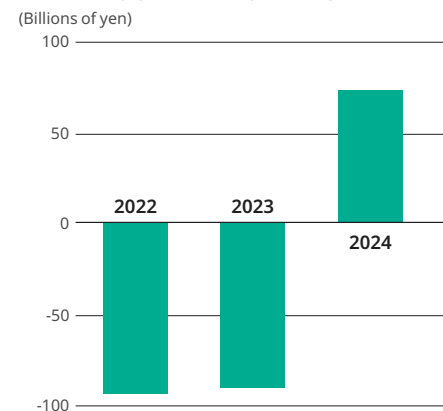
Sanitary Business



Yuichi Iwano

President, Sanitary Business, Hygiene Living Care Business, Global Consumer Care

Sanitary products operating income



* Core profits for 2023 exclude the impact of structural reforms
 * 2024 excludes profits from the transfer of the pet care business

Consumer Centric Innovation: Now and Always

Kao has consistently prioritized functionality through manufacturing, with a strong focus on delivering high-quality products that reflect consumer needs. However, our sanitary business—requiring significant infrastructure for diaper and feminine care production—has faced challenges, as frequent new product launches have sometimes impacted profitability.

Since assuming this role in 2022, I have worked closely with my team to address these issues and identify opportunities for greater efficiency and longer-term value creation.

Three out of four hygiene product users, concerned about leakages and skin irritations, prefer to continue using their current products. To address this, we returned to Kao's foundational values by re-emphasizing a consumer-centric approach designed to rebuild brand loyalty.

We began by analyzing consumer behavior to better understand the decision-making criteria and timing that influence product selection. These insights have guided development of products intended for consistent, long-term use. We also adopted a purpose-driven marketing approach that builds emotional connection with our brands. For example, the *Laurier* in Workplaces project, which provides sanitary napkins in workplace restrooms, has been adopted by over 400 companies and has significantly enhanced brand affinity. As a result of these consumer-focused efforts, we have seen more than a 20% year-on-year increase in the number of customers expressing strong

empathy and loyalty toward our brand.

In addition, we have made our production system more flexible. By streamlining our product focus, we consolidated sub-brands and unified product specifications, reducing SKUs by 20%. This approach, which prioritized consumer perspectives to boost loyalty and optimized our production framework, significantly increased the sanitary business's profitability, allowing us to achieve our profit target two years ahead of schedule.

The Power of a Shared "North Star"

I framed our common profitability improvement objectives as everyone's "North Star" for reform and deliberated how each individual could contribute toward achieving this goal. It would be difficult to carry out optimized activities without the alignment of everyone from research, product development, production, marketing, and sales. To facilitate this, I integrated the reform guidelines into specific actions that reinforced both the brand and profitability before sharing this with each division. I made sure that each initiative addressed would lead to increased profitability, which enabled everyone to attain a unified perspective and take action.



What impressed me most during this reform was the capability of our personnel at the *Genba*. Despite facing challenging changes, such as the termination of production in China, the passion and commitment of our team members were truly remarkable. Together, they formed a scrum team with the goal of improving profitability and enabled us to achieve results considerably faster than expected.

On Track to Become a Core Growth Driver

Kao's hygiene products enjoy a strong reputation for quality, especially in Asia. I believe this venture will provide us with stable cash flow and serve as a key area for Kao to pursue global growth. I am confident that, as a team, we have effectively demonstrated how to implement structural reforms within a business by improving the profitability of our sanitary division. Going forward, I will continue to advocate efforts to boost customer loyalty, enhance added value and improvements in production efficiency, and further accelerate profitability.

K27

Improving Capital Efficiency and Profitability

TCR in Action:

Driving Impact on ROIC and Creating Value



Yoshiaki Oshima

Vice President,
TCR Promotion Office

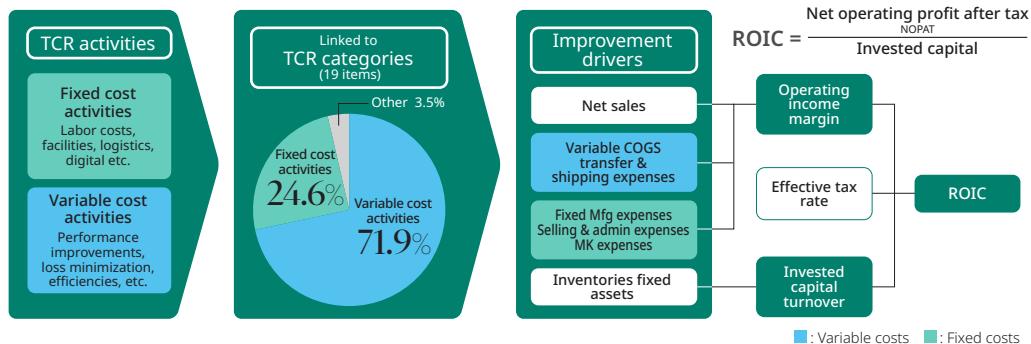
Maximizing Asset Efficiency and Driving Profitable Growth

Kao's Total Cost Reduction (TCR) initiative is a *Genba*-driven approach that has been embedded in our culture for over 40 years. Rooted in zero-based thinking, TCR aims to maximize asset utilization through advanced technologies and continuous process innovation.

TCR extends far beyond traditional cost-cutting. It empowers employees to identify value-creating improvements at the ground level—demonstrating that even small ideas can lead to meaningful gains. These grassroots efforts have consistently contributed to improved capital efficiency, time savings, and profitability.

In recent years, especially following the COVID-19 pandemic, TCR has driven measurable outcomes, including reductions in fixed and variable costs and operating profit gains. Notably, around half of these improvements have come from our overseas operations, reflecting

“ROIC Reverse Tree” of TCR activities



the scalability of the TCR activities.

Visualizing Impact

We use a ROIC Reverse Tree (see diagram) to show how on-site TCR activities contribute to improving ROIC across the organization. Each activity is mapped to one of 19 TCR categories, which are grouped under key improvement drivers such as cost of sales and selling, general, and administrative expenses.

The visualization helps frontline employees clearly understand how their individual efforts drive company-wide performance, directly impacting both operating profit and invested capital. By making these connections visible, the ROIC Reverse Tree reinforces accountability and empowers employees to contribute to Kao's financial and operational efficiency.

Project Leaders Drive Momentum

This project has been the driving force behind TCR activities since its inception. We are now in the seventh phase of our efforts and focused on “doubling cost and time-performance efficiencies” as part of our process innovation efforts. Cross-functional leaders spearhead initiatives on key themes such as marketing innovation and supply chain management.

Connecting Globally to Spark Engagement

To deepen engagement, we created a dedicated page on our company website to share TCR-related contents. It features messages from the President & CEO, along with real-world and inspiring examples of TCR initiatives from Japan and around the world.

TCR Activities 2024 (Global Total)

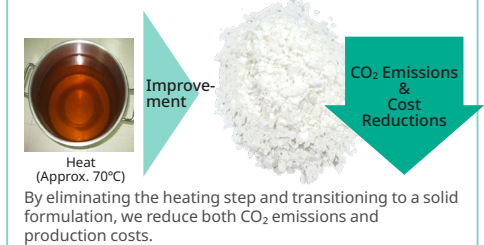


Each year, we hold an awards ceremony where the grand prize is determined by employee votes. In 2024, a total of 4,765 TCR activities were carried out globally, with seven receiving top honors. This culture of recognition continues to energize and sustain our TCR efforts across the organization.

Some of the Grand Prize Winners of the TCR Awards 2024

Changing Shampoo Manufacturing Process to Save Energy

Kao Industrial (Thailand) Co., Ltd.



Leveraging Digital Transformation to Optimize Inventory Operations

Ehime Factory Production Department



Kao employees in Thailand receiving TCR Awards 2024



K27

Co-Creation with
Partners

Mitsunori Saka

Executive Officer
President, Global Consumer Care -
Business Connected



New Business Connected Group Positions Us for Accelerated Growth

Leading an Organization That Embodies Transformation

Business Connected was launched in January 2025 as an organization aimed at enhancing both internal and external business collaboration and productivity across divisions, with the goal of achieving sustainable global growth. This division is closely aligned with the latest trends and consistently monitors global business operations with a holistic perspective. For example, we often pose questions such as, “Can this marketing approach be adapted for other businesses, countries, and areas?” or “Will collaborating with that external organization drive innovation?” By connecting multiple businesses both inside and outside the company, we will create new business models that Kao was unable to achieve previously. Moreover, as we consolidate content across each business, we eliminate overlaps and inefficiencies. This leads to more efficient investments and directs the organization toward total optimization. Although this organization has just started, I believe it plays a crucial role in achieving Kao’s global growth ambitions.

Co-Creation with External Partners

We are actively working to establish businesses through co-creation with external partners to expand Kao’s global business. For example, through our co-creation with Thai Charoen Pokphand (CP) Group, we plan to introduce new value by combining the Kao Group’s innovative product development capabilities with CP Group’s extensive business network. We are shifting away from the mindset of handling everything on our own and will instead co-create with companies that have strengths and connections in various countries to establish a sustainable global business.

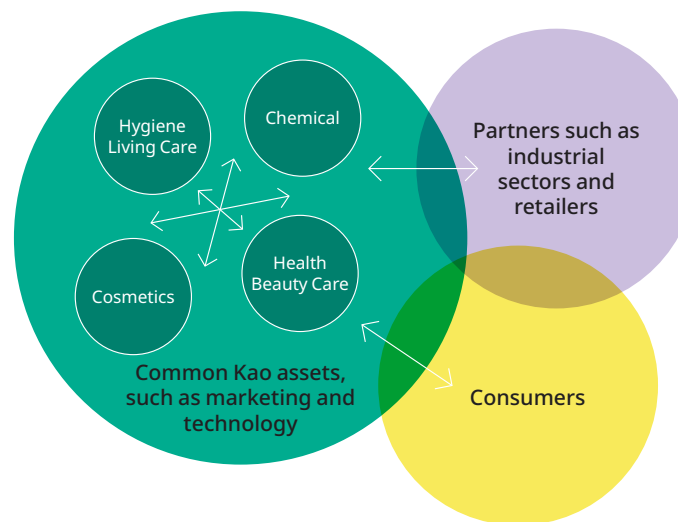
My Kao Platform: Co-Creation with Consumers

Within our organization is [My Kao](#), a two-way platform that connects Kao with consumers and implements active co-creation. For example, with *Curél*, we launched the *Curél ROOM*, enabling direct communication between consumers and company representatives. By collecting information such as seasonal skin concerns, opinions, and feedback, these real-life insights are used to inform products and marketing messaging. Products and services that the world truly needs are being co-created together with consumers and Kao.

Our commitment to co-creation, built on strong partnerships, will remain a key driver of sustainable global growth.

“Creating new business models through co-creation with internal teams, external partners, and consumers.”

✔ Co-creation that aims to maximize asset utilization



K27

Co-Creation with Partners

Partnership Accelerates Business Growth

Charoen Pokphand (CP) Group and Kao



Shinji Matsuoka
Vice President, Marketing
Kao Industrial (Thailand) Co., Ltd.

Realizing Co-Creation with Shared Visions and Goals
Kao has launched a co-creation initiative with the CP Group, a leading corporation in Thailand, to drive global growth and support a sustainable society. Our shared passion and Kao’s strengths in comprehensive proposals across consumer, chemical, and ESG activities have advanced this partnership.

Combining Our Strengths Enhances Feasibility and Efficiency
At the time of the product launch, we faced differences in corporate environments and cultures, which initially slowed the project’s momentum. However, through ongoing dialogue, we gradually established a sense of unity. By integrating the expertise and resources of both companies, we were able to generate new ideas and expedite product development. Additionally, by leveraging the networks and platforms of the CP Group, I believe we can continue to expand our business and accelerate shared and profitable growth.

Moving forward, my vision is to create value that genuinely meets needs and to develop sustainable business models that have yet to be imagined. I believe that co-creation with the CP Group will help us achieve these goals.



Mr. Tanit Chearavanont
Group Chief Commercial Officer, CP Axta Public Company Limited
This collaboration is an important opportunity for us to work with Kao and their innovative products, to jointly reduce environmental impact and waste. With CP’s extensive network, we aim to provide access for Thai consumers to safe and environmentally friendly products. This collaboration not only enhance the quality of life for consumers in Thailand but will also play an instrumental role in addressing pressing environmental and social challenges on both national and international fronts.



Driving Growth Together in Emerging Countries

Mitsui & Co. and Kao

Taking on Challenges in Brazil, a Leader in the Beauty Industry
With a beauty and personal care market valued at approximately three trillion yen, Brazil ranks as the fourth largest in the world and stands as a true beauty powerhouse. Kao entered this dynamic market in 2015, but scaling the business proved challenging due to limited local networks. To overcome this, we formed a joint venture with Mitsui & Co., Ltd. With its deep investment experience in Brazil, active involvement in M&A, management of over 20 local affiliates, and Japanese professionals fluent in the local language, Mitsui & Co. brings a range of strategic strengths. This partnership and our approach to co-creation will enable us to unlock new opportunities and drive sustainable growth in the Brazilian market.

Both Companies Collaborate Toward Shared Goals, Breaking Free from Conventional Approaches
To maximize the potential of this joint venture, I welcome the diverse combined perspectives. Furthermore, to ensure long-term sustainability for both companies, we negotiated fair distribution of roles and profits and clarified our shared goals. As a result, our first joint project, *Bioré*, performed exceptionally well in its trial sales in Brazil, paving the way for a full-scale launch and opening the door to explore local production as a next step. Kao and Mitsui & Co. will continue to strengthen our combined efforts across production, distribution, and marketing to support further expansion, particularly in emerging markets.



Yu Baba
President
TBP

Mr. Hajime Ishihara
Vice President, Sales & Marketing TBP (Seconded from Mitsui & Co., Ltd.)
Kao is a unique company with its consumer-focused perspectives, R&D capabilities, and brand development expertise. While many in Brazil know *Bioré*, a significant number are still unfamiliar with Kao, indicating strong growth potential. We aim to leverage our global presence and customer network to support Kao’s expansion beyond Japan.



Governance

Integrity



and impact.



Makoto
Takashima
Outside Director

Sarah
Casanova
Outside Director

Eriko
Sakurai
Outside Director

Roundtable Discussion with Outside Directors

Driving Transformation Through Rigorous and Open Discussion

Active Dialogue Powered by Diversity of Perspectives

Sakurai Kao's Board meetings often stretch from morning until the afternoon, with spirited discussions continuing right through lunch. The openness is truly unique, with Outside Directors bringing diverse perspectives and engaging in constructive dialogue. Their high expectations drive tough but meaningful questions for the executive team. These intense sessions always leave me inspired and, frankly, a little exhausted in the best way.

Takashima While maintaining diversity, our Board is sized to foster open, meaningful dialogue. It is more than a forum for executives to respond to inquiries, often seen in Japanese companies; there is genuine engagement. I see a clear willingness from the executive team to embrace these discussions and try to apply them to management, even when the feedback is tough.

Casanova When I first attended the Board of Directors meeting in March 2025, I was pleasantly surprised by how open it was. This felt like a board meeting

where we could truly get to the essence of the discussion. The shared goals and values among members foster a welcoming atmosphere where fresh ideas are not only accepted but encouraged.

Supporting Structural Reform and Empowering Bold, Decisive Action

Sakurai When I joined as an Outside Director in 2022, Kao was facing some of its most difficult decisions. To drive future growth, we supported a sharper focus on high-growth businesses and advocated for structural reforms in human capital to accelerate progress. Although there was understandable hesitation, open and constructive discussions helped clarify our direction. This then led to bold actions, including transferring challenging businesses to more suitable partners. The structural reform has strengthened our ability to manage the portfolio with more strategic precision. I hope to inspire increasingly agile and decisive actions moving forward.

Takashima Since my appointment as an Outside Director in 2024, I have seen a company undergoing structural reform, yet firmly grounded in its core values.

Governance

Roundtable Discussion with Outside Directors



“Our high expectations of Kao inspire us to ask tough, thoughtful questions.”

Through the Board discussions, I have confirmed that The Kao Way—anchored in R&D, technology, and a commitment to quality—has remained unchanged as the guiding philosophy. What has notably evolved is our strategic agility, which is now sharper and more responsive to a rapidly changing world.

Furthermore, to drive global growth from 2025, we clarified execution responsibilities across businesses and regions. Kao values a flat structure, but overseas, market differences demand tailored approaches. We emphasized the importance of clearly defining responsibilities across each business and region to enable more agile management anchored in local needs. I am pleased to see that these views are now reflected in the new organizational structure.

Securing Local Talent and Co-Creating for Global Growth

Takashima We have made solid progress in clarifying strategic execution priorities and assigning responsibilities in AEMEA, which is vital to keep moving forward. The important factor is securing and developing talented local human resources, as the saying goes, “business is people.” Kao has built its brand by consistently attracting and nurturing exceptional talent.

Casanova Kao has tremendous potential and room to grow. Its strength in R&D and product quality is clear, but we must better communicate this to the public. A key challenge is enhancing our marketing and digital strategies to better communicate our products and values and build stronger brand awareness.

Sakurai Global expansion requires active co-creation with local partners. In 2024, we signed a Memorandum of Understanding with Thailand’s Charoen Pokphand Group to collaborate on key initiatives. Shifting from a solo approach to trusted partnerships marks a significant strategic shift and is vital to Kao’s global growth.

Evolving Scrum-Style Management to Unlock Speed and Creativity

Casanova Japanese companies have traditionally taken a cautious approach to decision-making, but Kao is now embracing a bolder, more assertive mindset. Western firms often take swift action and refine as they go—there is something we can learn from that mindset. I believe we, too, should take a more proactive approach and address challenges directly. A key step is to clearly define team accountability for results.

“The executive team embraces feedback, recognizing that growth comes from being challenged.”





Governance

Roundtable Discussion with Outside Directors



By executing with passion, confidence, and a shared ambition, the opportunity for global growth is enormous.



Sakurai Kao has long valued diligence and attention to detail, but we are now beginning to see the seeds of change take hold. In transforming our Hair Care Business, we successfully reduced product development time to one-sixth by assembling top talent and adopting a scrum structure with clear accountability. This process proved to be a valuable experience for Kao.

Takashima Our trusted products have established Kao's position in Japan, but this alone may not suffice globally. To accelerate progress, we need to extend the scrum structure more broadly. The company-wide R&D conference I attended highlighted the value of collaboration, which boosts creativity and energizes research. Activating such mechanisms will significantly enhance our speed.

Supporting the Growth of a Global Fanbase and Driving Future Expansion

Sakurai Kao has an exceptionally committed team, providing a solid foundation for future growth. With effective portfolio management, meaningful progress is within reach. Establishing a positive cycle between people, brands, and products is key to sustained success. As an Outside Director, I am committed to supporting this vision.

Casanova The number one priority is talent. A company's strength lies in its people. When employees are passionate and aligned around shared goals, they achieve remarkable results. To make a global impact, we must focus on the highest-growth areas. The toughest part of strategy is deciding what *not* to pursue. As a Board member, I will continue my oversight to keep Kao focused on true growth areas.

Takashima We are committed to delivering products and services that prioritize sustainability and promote diversity, the core principles of The Kao Way. Embracing this philosophy and strengthening the emotional connection with our portfolio of brands is essential to growing our global fan base and building confidence in who we are as a company and what we stand for. The Board of Directors is fully behind this journey.





Corporate Governance Structure

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

Basic Policy

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

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

Reasons for Choosing the Audit & Supervisory Board Structure

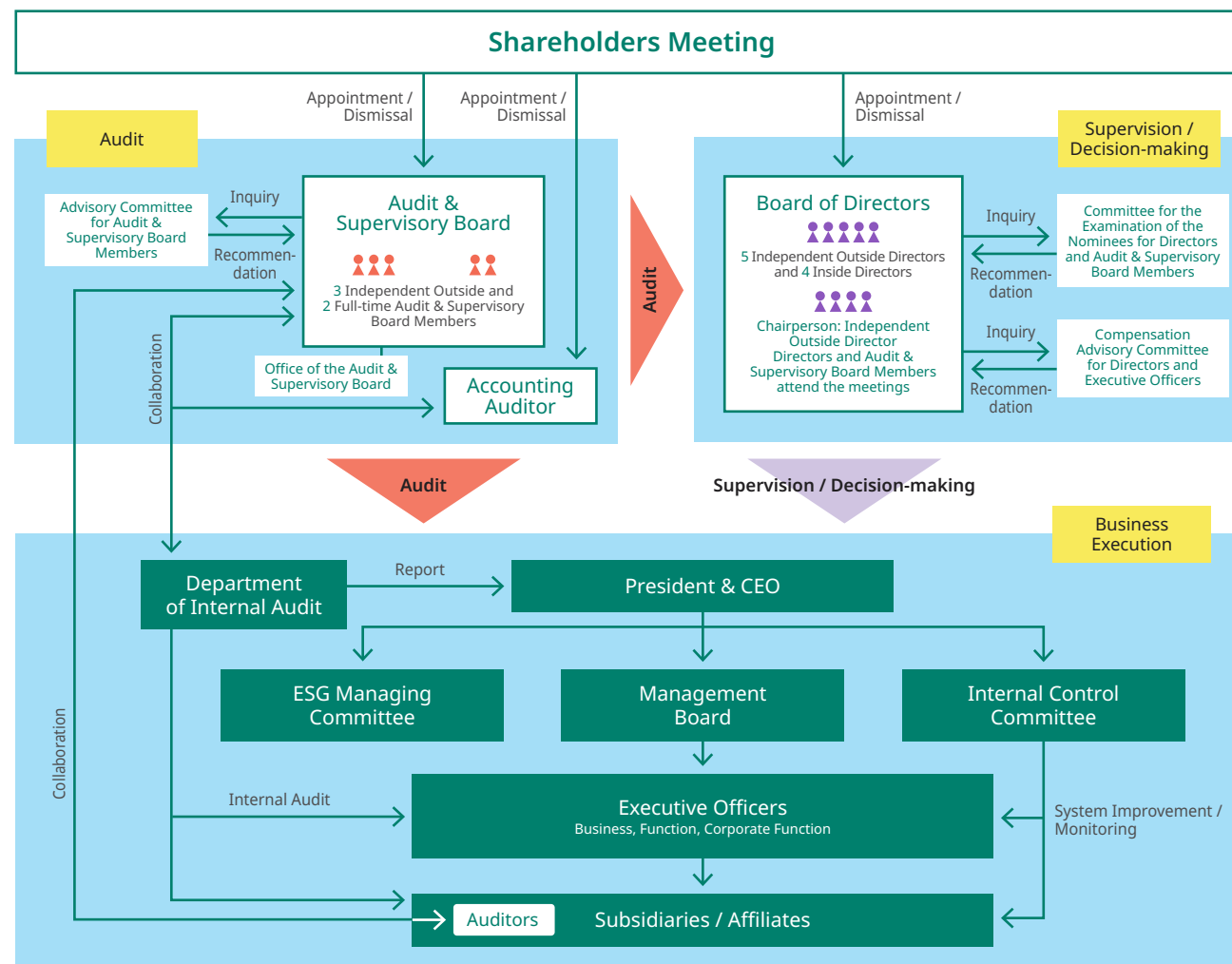
We have adopted the Audit & Supervisory Board structure for the following reasons:

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

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

Corporate Governance Structure

(As of March 21, 2025)



Board of Directors’ Activities

Actively Discussing Key Issues to Facilitate Prompt and Bold Decision-Making

Driving Strategic Growth Through Proactive Risk Management and Decision-Making

Kao’s Board of Directors fosters a culture that encourages management to take appropriate risks and make timely, bold decisions. The Board plays a crucial role in supervising the effective allocation of management resources, including human capital, and in overseeing the implementation of strategies. In FY2024, the Board engaged in active and multifaceted deliberations focused on global growth and business enhancement. The insights gained from these discussions will inform strategies for continued growth in the future.

● Key Topics for Deliberation

Structural Reforms and Logistics: In-Depth Deliberations on Key Changes and Cost Efficiency

In the Cosmetics Business, the focus was on narrowing down brand portfolios, analyzing business trends, and evaluating policies in China, underscoring the need for fundamental structural changes. For the Sanitary Business, deliberations centered on brand equity, marketing strategies, and methods to enhance competitive advantage.

Additionally, discussions addressed the transformation of logistics operations. The significance and strengths of logistics functions were evaluated, and future streamlining directions were confirmed. Particular focus was placed on reducing logistics costs and analyzing their relationship to customer-level business profitability.

Global Growth: Emphasizing Human Capital Acquisition and Enhancing ROIC

Outside Directors offered remarks on the importance of acquiring, hiring and utilizing local talent, and how unique marketing in combination with digital technology will further boost our competitive edge. They proposed holding strategic deliberations on the relationship between the corporate brand and product brands, and noted the need to improve how product launches communicate Kao’s unique value.

Discussions on the Chemical Business strategy included exploring geographical market expansion and considering business growth opportunities. Remarks also emphasized balancing sales growth with improvements in Return on Invested Capital (ROIC).

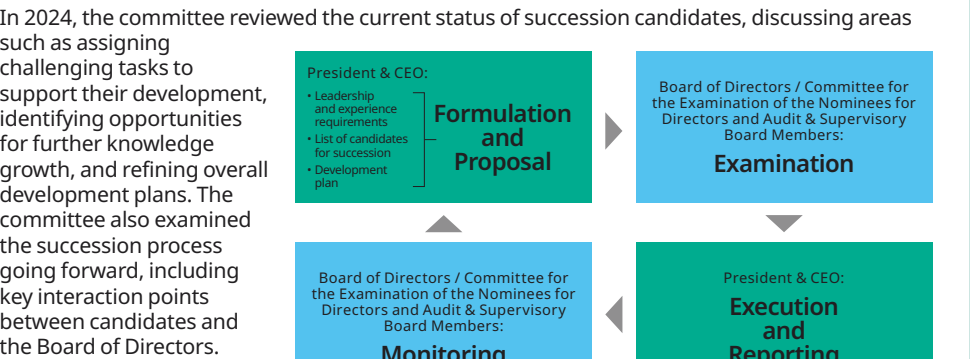
Human Capital Strategy: Encouraging Diverse Employees to Embrace Challenges

Discussions centered on enhancing our human capital strategy by addressing insights from employee survey results. Proposals included evaluating the effectiveness of middle management and implementing coaching programs, which have contributed to boosting engagement across the organization.

We will continue to monitor the progress and outcomes of our new human capital revitalization and internal recruitment systems, designed to encourage employees to take on new challenges. We aim to foster a culture that stimulates a wide range of initiatives across the Kao Group.

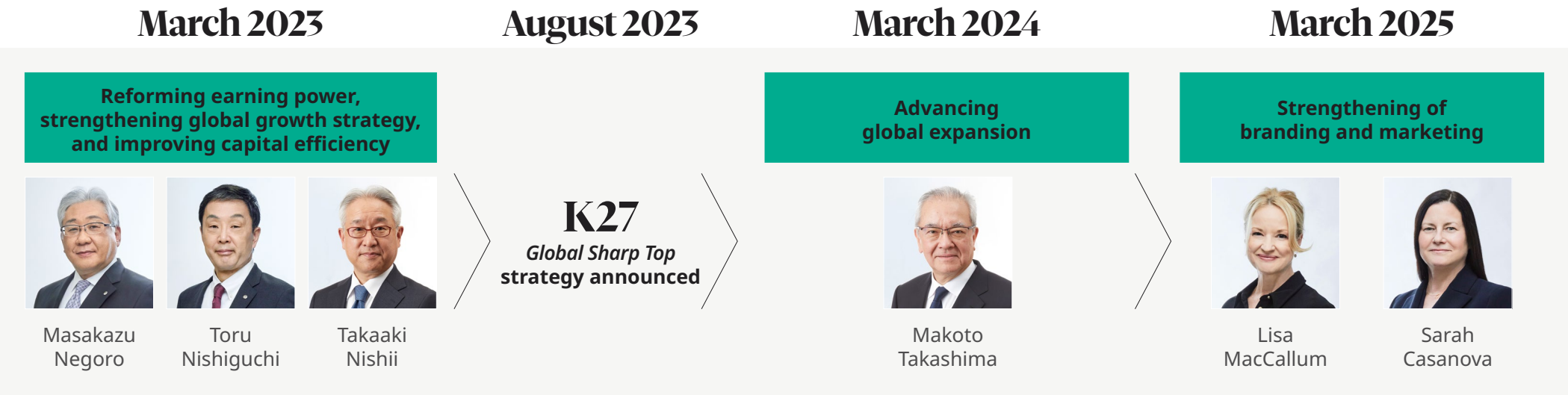
Succession Planning: A Top Priority in Ongoing Deliberations

We prioritize talent and succession planning, particularly in relation to the critical role of President & CEO. The Board of Directors and the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members hold ongoing discussions on President & CEO succession. The committee defines mid- to long-term leadership requirements, compiles a list of potential successors, and deliberates on this list. The President & CEO implements the development plan and reports progress, while the committee monitors the process.



Evolving Board Composition to Implement the Strategy

Acceleration of Global Expansion Through Strategic Appointments



Evolution of the Board's Composition

Kao continuously reviews the composition of its Board of Directors to align with strategic objectives.

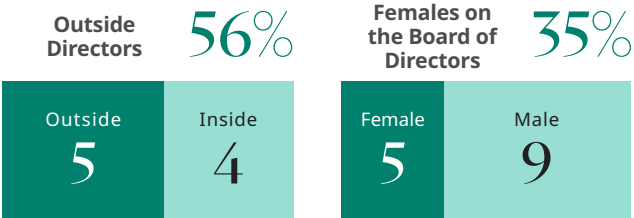
• Majority of Outside Directors

Pursuant to the resolution of the 119th Annual General Meeting of Shareholders held in March 2025, Outside Directors now comprise the majority of the Board. Bringing diverse experience and expertise, Independent Directors exercise oversight over initiatives to enhance corporate value, including the realization of K27.

• Ratio of Female Directors, and Females on the Board of Directors is Minimum 30%

Pursuant to the 2025 resolution, Kao has achieved its target of appointing women to at least 30% of the Board

positions. Ratio of females on the Board of Directors has also exceeded 35%. Kao remains committed to enhancing corporate value through oversight and a Board that reflects diversity in gender, nationality, ethnicity, and age.



Nominations of Strategic Directors

In March 2023, Mr. Negoro was appointed as an Inside Director overseeing Accounting, Finance, and Management Finance to support reforms enhancing profit-generation. Mr. Nishiguchi was appointed as an Inside Director to reinforce the Company's global growth strategy. Mr. Nishii, noted for leading ROIC-focused management at Ajinomoto Co., Inc., was appointed as an Outside Director. In March 2024, Mr. Takashima, who brings extensive global insight and financial expertise, was appointed as an Outside Director. In March 2025, to strengthen oversight of global brand communication, corporate branding expert Ms. MacCallum was appointed as an Inside Director, and Ms. Casanova, with broad marketing experience across regions including Asia, was appointed as an Outside Director.



Skills Matrix of the Directors and Audit & Supervisory Board Members

A Board United by Purpose, Strengthened by Diverse Expertise

As of March 21, 2025

		Inside Directors				Outside Directors					Inside Audit & Supervisory Board Members		Outside Audit & Supervisory Board Members		
		Yoshihiro Hasebe	Masakazu Negoro	Toru Nishiguchi	Lisa MacCallum	Osamu Shinobe	Eriko Sakurai	Takaaki Nishii	Makoto Takashima	Sarah Casanova	Yasushi Wada	Mami Murata	Nobuhiro Oka	Saeko Arai	Junya Naito
Term of office		9 years	2 years	2 years	–	7 years	3 years	2 years	1 year	–	2 years	–	7 years	1 year	–
Gender		Male	Male	Male	Female	Male	Female	Male	Male	Female	Male	Female	Male	Female	Male
Nationality		Japan	Japan	Japan	Australia	Japan	Japan	Japan	Japan	Canada	Japan	Japan	Japan	Japan	Japan
Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members						○	◎	○	○	○			○		
Committee for the Examination of the Nominees of Directors and Executive Officers		○				◎	○	○	○	○					
Experience, knowledge, and expertise	Management	●				●	●	●	●	●					
	Global	●	●	●	●	●	●	●	●	●	●			●	●
	Consumer goods industry	●		●	●			●		●		●			
	Chemical industry	●	●				●								
	Branding			●	●					●		●			
	Human capital strategy	●			●		●	●		●					
	R&D	●													
	Environment / Society	●	●		●	●	●			●	●	●	●		
	IT / DX	●			●									●	
	Legal / Risk management					●			●		●		●		●
	Finance / Accounting		●		●			●	●					●	

For more information [Leadership](#)

◎ is the committee's chairperson
● are the areas in which they are expected to make a particular contribution



Skills Matrix of the Directors and Audit & Supervisory Board Members

● Main reasons

Position(s) / Profile			Main reasons
Inside Directors	Yoshihiro Hasebe	–	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 / Experience as the Company's officer responsible for Human Capital Development
	Masakazu Negoro	Responsible for Management Finance Unit	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	Responsible for Global Consumer Care Business, Global; President, Global Consumer Care, Asia	Experience in the Company's Consumer Products Business / Experience in management and global marketing at the Company's overseas subsidiaries / MBA
	Lisa MacCallum	Founder and President, Inspired Companies Pty Ltd.	Experience leading business transformations and brand repositioning for a leading global sporting goods company / Experience advising on brand purpose, strategy, employee experience, ESG communications, and the impact of digitization / Chartered Accountant with major firm experience
Outside Directors	Osamu Shinobe	Special Advisor, ANA HOLDINGS INC.	Experience as the top executive of a major global airline (including experience as Chairman of CSR and the Environmental Management Committee)
	Eriko Sakurai	Former President, Dow Chemical Japan Limited	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
	Takaaki Nishii	Senior Corporate Advisor, Ajinomoto Co., Inc.	Experience as the top executive of a major global food company (mid-term ROIC management results) / Experience in restructuring overseas subsidiaries / Experience in the human resources department
	Makoto Takashima	Chairman of the Board, SMBC	Experience as the top executive of a major global financial institution / Experience in international and corporate planning departments / Experience in risk management and legal affairs in bank management
	Sarah Casanova	Former Representative Director, President and CEO, McDonald's Company (Japan), Ltd.	Experience managing the Japanese Company of a major global restaurant chain / Experience as a head of various countries and regions, including Japan / Marketing experience in various countries and regions / MBA (Marketing / HR focus)
Inside Audit & Supervisory Board Members	Yasushi Wada	–	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
	Mami Murata	–	Experience in the Consumer Products Business / Experience in overseeing Strategic Public Relations (including social contributions) and serving as Deputy Head of the Marketing Innovation Division / Experience as Executive Director of the Kao Foundation for Arts and Science
Outside Audit & Supervisory Board Members	Nobuhiro Oka	Lawyer	Attorney-at-Law / Ph.D. in Law (Chuo University) / Professor at Keio University Law School
	Saeko Arai	Certified Public Accountant	Certified Public Accountant / Experience as a representative of a U.S. corporation / Experience as a partner of an IT venture company
	Junya Naito	Lawyer	Attorney-at-Law, Japan and New York, U.S.A.

Evaluating the Effectiveness of the Board of Directors

Enhancing Corporate Value by Evaluating Effectiveness and Identifying Key Issues

Enhancing the Depth and Objectivity of Board Effectiveness Evaluations

To strengthen the functions of the Board of Directors, Kao evaluates and analyzes the Board’s overall effectiveness, incorporating self-assessments by each Director and disclosing summarized results. Insights from these evaluations were applied in this fiscal year’s Board discussions and operations.

Since FY2015, we have conducted annual survey assessments of all Directors and Audit & Supervisory Board Members, along with Board discussions. In FY2024, we interviewed several Directors and engaged a third-party organization to evaluate the Board’s effectiveness, aiming to further enhance the evaluation’s depth and objectivity. Moving forward, we plan to conduct third-party evaluations every three years.

Comments from Directors and Audit & Supervisory Board Members on Effectiveness Evaluation

- “I would like to discuss the direction of personnel, goods, and capital investments in alignment with Kao’s vision and growth strategies to help formulate the next mid- to long-term management plan.”
- “I aim to enhance ROIC management and engage in more in-depth discussions with each business unit, as well as collectively, to address profitability and capital efficiency.”
- “K27 has gradually caused a shift toward structural reform and businesses that pursue added value. The remaining key issues are the Cosmetic Business and global strategies. There is a need for the Board of Directors to continue overseeing execution and offer encouragement.”
- “I would like to continue welcoming global business leaders as Outside Directors.”
- “To enhance the effectiveness of the Board of Directors and the two committees, I aim to ensure more time for exchanging ideas and improve the efficiency of meetings.”

● FY2024 initiatives, effectiveness evaluation, and future initiatives

	FY2024 initiatives	Current evaluation and future initiatives
Content	<ul style="list-style-type: none">• Discussions regarding the Board of Directors composition, including diversity (gender, internationalism, skills, etc.).	<ul style="list-style-type: none">• Steady progress on the diversity of the Board of Directors. Ongoing discussions are needed to align with future ideals.
Discussions and monitoring functions	<ul style="list-style-type: none">• Discussions regarding growth strategies and business segments that are experiencing issues.• Evolve monitoring indicators under ROIC management—reflect and report them in the Corporate Strategy Dashboard.• Discuss succession planning and the nurturing and acquisition of next-generation leaders who will drive growth strategies.	<ul style="list-style-type: none">• Ongoing discussions on struggling business segments have yielded results.• Profitability discussions are now more mid- to long-term with ROIC implementation.• Follow-up discussions needed on K27, growth strategies, and challenged segments, especially Cosmetics.• Deeper discussions required on human capital strategy and CEO succession planning.• Governance and monitoring for international businesses and subsidiaries can be enhanced.
Operation	<ul style="list-style-type: none">• Promote the use of Board of Directors presentation formats to clarify discussion points.	<ul style="list-style-type: none">• Clarification of points has helped to secure more time for discussions.• Promote the distribution of materials in advance according to their deadlines.
Dialogue with shareholders	<ul style="list-style-type: none">• Conduct integrated IR and SR activities—report and discuss within the Board of Directors.• Strategy briefings for DX and Hair Care conducted post discussions with the Board of Directors.	<ul style="list-style-type: none">• Successfully integrated IR, SR, and PR for better engagement.• Enhance the disclosure of growth strategies further.• Consider more opportunities for dialogue with Outside Directors.

For more information [Results of the Evaluation of the Effectiveness of the Board of Directors](#)

Engagement

Open and Constructive Management Dialogue to Sustainably Enhance Corporate Value

Ongoing Open Dialogue to Drive Management

Kao's Directors and management prioritize listening to a diverse range of shareholders, investors, and stakeholders, engaging in open, constructive dialogue.

● FY2024 engagement results

IR interview	SR interview	Shareholder briefings
364 sessions*	11 sessions	810 participants*
* Including overseas IR roadshow interviews * Approx. number of participants. Online briefings for shareholders (two briefings).		

Major topics in dialogues

- Progress in the Kao Group Mid-term Plan K27 and structural reforms
- Growth strategy and global expansion
- Price strategy
- EVA and ROIC
- Capital Allocation
- Effectiveness of Board of Directors
- Appointment and compensation of Directors
- Human capital strategy and scrum organizational management
- Advancing women's leadership and participation
- Communication with the stock market, etc.

Insights from these discussions are reported to the Board and, when relevant to enhancing corporate value, integrated into management strategies and communicated transparently.

Deepening Exchanges on Key Themes

We conduct individual interviews and focused meetings on topics like ESG and structural reform to enhance a broader understanding of work in progress and encourage feedback.

In response to investor interest, we held strategy briefings in FY2024, including an online event on Hair Care business transformation and a live video session with Kao Taiwan, engaging approximately 460 individual shareholders. Participants valued the clarity and focused Q&A that came from listening directly to the people responsible. We plan to expand these direct dialogue opportunities.

Outside Japan, we maintained ongoing dialogues with regional investors in key markets in North America, EMEA (Europe, the Middle East, and Africa), and Asia. In recent years, we have also



➡ The online event connected with Taiwan via video feed

been able to conduct more flexible and timely IR activities online. Furthermore, we participate in securities firm conferences to strengthen global investor relations.

Ongoing Individual Discussions with Major Shareholders

Management and Directors also focus efforts on individual discussions with major shareholders. In October 2024, they focused on our progress in structural reforms and our governance initiatives. In February 2025, the President & CEO, other members of management, and Outside Directors shared the Board of Directors' views on both company and shareholder proposals at the Annual General Meeting of Shareholders.

Many people expressed a desire for direct dialogue with Outside Directors, and we are committed to providing additional and focused opportunities to do so.

Active Q&A Sessions at Shareholders Meetings

At Kao's shareholders meetings, Directors, Audit & Supervisory Board Members and, Executive Officers give thoughtful and authentic responses to questions from shareholders and have placed focus on maintaining a stance for deepening dialogue for

many years. At the 119th Annual General Meeting of Shareholders, held in March 2025, an active Q&A session was held for approximately three hours. Directors, Audit & Supervisory Board Members and Executive Officers responded earnestly to input from shareholders, resulting in more fulfilling opportunities for dialogue.

Q&A Examples

Q : While I have confidence in Kao's management, I believe there is more that can be done. What are you aiming for with the *Global Sharp Top* strategy?

A : To attain sustainable growth, we are solidifying our foundation through structural reforms. Building upon this, we will strive for global growth with unique products that consumers will choose to keep using over the long term.

Q : To what extent do you engage in research that creates something from scratch?

A : We allocate resources while focusing on a balance between product development, applied technology, and fundamental research. Going forward, we seek to spark innovation that can tackle social issues head-on.

Risk and Crisis Management

ERM* Supporting Strategy and Execution in a Time of Uncertainty

* Enterprise Risk Management: Activities aimed at identifying and assessing all major risks in an integrated and comprehensive manner and taking countermeasures to enhance corporate value.

Kao views the diverse and complex risks it faces as opportunities, not just threats. We introduced ERM in 2016 and have been striving to enhance risk management globally ever since. Carrying out appropriate risk management not only fulfills the conventional role of minimizing physical damage and financial losses but also supports efforts for taking on new challenges, boosts the probability of success in business, and further enhances our corporate value worldwide.

Risk and Crisis Management

We define risk as the effect of uncertainty on the achievement of our management targets and the execution of our business activities. We appropriately manage the various risks and crises that may occur within management and our businesses in general.

Priorities within the Kao Risk and Crisis Management Policy:

- 1. Protection of human lives
- 2. Environmental conservation
- 3. Business continuity
- 4. Asset protection

The Risk and Crisis Management Committee has established a risk and crisis management system and activity guidelines, and our divisions and affiliates conduct risk management based on this system and these guidelines. The Management Board reviews risk and crisis management activities, and this verification is approved by the Board of Directors. The Internal Control Committee verifies the effectiveness of risk and crisis management activities.

Kao's ERM

In Kao's ERM, the *Genba* and management initiatives are powerfully integrated.

We conducted a risk survey for *Genba* and interviews with management to identify and assess the major risks and action issues that could hinder the achievement of the Mid-term Plan K27. We have defined "corporate risks" as risks that would have a major impact on management and require an enhanced response. The Management Board decides on risk themes and risk owners (Executive Officers) and establishes a countermeasure team to carry out initiatives. The Risk and Crisis Management Committee deliberates on the effectiveness of the countermeasures and manages their progress. The Management Board reviews the themes every year.

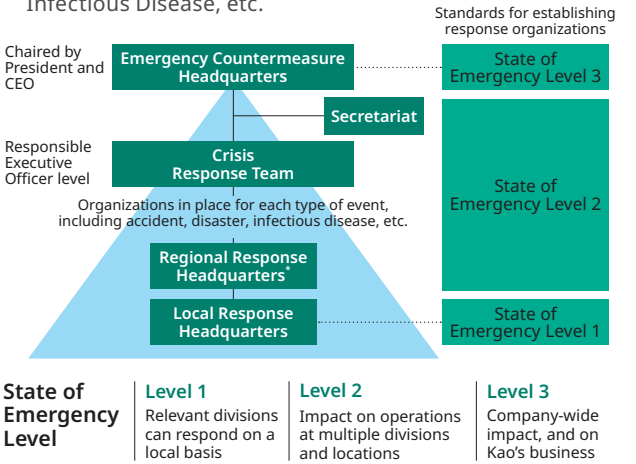
Crisis Response

In the event of a crisis, a response team is deployed corresponding to the level of the emergency to minimize physical damage and financial losses.

Main Themes Regarding Corporate Risks

Corporate risk theme	Details of risks
Large-scale earthquakes and other natural disasters and BCP response	The risk of harm to employees, damage to facilities, the supply chain, and difficulties in supplying products to markets resulting from large-scale earthquakes or other natural disasters, such as large typhoons and floods brought on by climate change.
Geopolitics	The risk of human casualties, temporary suspensions of operations due to supply chain disruptions, or changes in consumer purchasing due to the destabilization of political and social conditions, diplomatic tensions, conflicts or other reasons.
Risk of cyberattacks	The risk of temporary suspensions of business activities, such as supply chain activities, due to cyberattacks targeting plants, manufacturing facilities or business partners.
Responsiveness to social issues	The risk of initiatives to resolve social issues being inadequate or being perceived as inadequate. The risk of failure to demonstrate adequate progress toward the KPIs outlined in the KLP may be perceived as "greenwashing" or avoiding information disclosure out of the fear of being labeled as "greenwashing" will be perceived as "greenhushing."
Product quality issues	The risk of serious product quality issues arising that would result in loss of social credibility.
Reputation management	The risk that brand value and social credibility will decline due to the spread of negative evaluations or misunderstandings about our initiatives on social media and other platforms.
Pandemic response	The risk of a temporary suspension of operations due to pandemic outbreak. The risk of shrinking cosmetics market, etc., due to changes in purchasing behavior.

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



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

Audit & Supervisory Board Activities

Improving Auditability by Listening to Stakeholders and Engaging at *Genba*

The Audit & Supervisory Board (ASB) Members are entrusted by shareholders to audit Directors’ and Executive Officers’ execution of duties from an independent standpoint. Thus, they are engaged in auditing activities to achieve sound and sustainable growth of Kao and the Group companies and establish governance that builds trust with stakeholders.

Audit Policy

The Kao Group has introduced ROIC company-wide and has decisively implemented structural reforms to support its goal of sustaining *Global Sharp Top* businesses. With management aligned on the urgency of reform, we have adopted an audit policy focused on monitoring the implementation of the K27 Strategic Framework and responses to key management and environmental risks. Our auditing activities also cover sustainability-related matters, reflecting the expectations of stakeholders.

Particularly Important Points in ASB Members’ Activities

Lively Exchange of Opinions

In auditing the execution of duties by Directors and Executive Officers, we place importance on evaluating decision-making processes and resolutions at key meetings, including the Board of Directors and the Management Board. We also emphasize open, constructive

dialogue with management, including regular opinion-exchange sessions that encourage candid discussion.

Dialogue with People at *Genba*

We conduct *Genba* audits and interviews at worksites, divisions, and both domestic and overseas subsidiaries and affiliates. These audits emphasize understanding how well corporate strategy is shared, identifying proactive efforts, uncovering local challenges, and gathering feedback and requests from the field. The results are shared directly with management to inform decision-making. To enhance effectiveness, we apply the PDCA cycle by sharing comments and recommendations from ASB Members following *Genba* audits and interviews. These include both suggestions for improvement and recognition of best practices, which divisions and group companies actively incorporate into their future initiatives. In FY2024, at least one Outside ASB member participated in approximately 80% of the 113 interviews conducted, including those at 20 overseas affiliates.

Composition and Execution of Duties of the ASB

The ASB consists of five members. The two full-time members bring extensive internal execution experience and broad organizational knowledge, while the three outside members offer leadership experience and deep professional expertise. Together, they share audit-related information in a timely manner and engage in deliberations from diverse perspectives.

To support their activities, the Office of the ASB was established under the direct authority of the Board. Its members assist ASB Members in fulfilling their duties and also serve concurrently as auditors for subsidiaries.



➔ *Genba* audits and interviews at Kao Chemical Plant, Penang, Malaysia

Deliberations by ASB

Number of meetings held:

10

Attendance rate:

100%

Duration: (Average hours)

2.0

Main agenda of ASB meetings

Number of resolutions:

24

Audit policy, Critical auditing items, Audit report, Appointment & compensation of ASBMs, etc

Number of matters considered:

14

Revision of the policy on selection of candidate of ASBMs. Process of auditing internal control systems Exchange of opinions with Representative Directors and Outside Directors, Confirmation of the effectiveness of evaluation process, etc.

Besides agenda items discussed at ASB meetings, the members freely exchange opinions regarding the skills of ASB Members, management and other areas of concern as needed.

Audit & Supervisory Board Activities

Evaluation of the Effectiveness of ASB

Each year, the Board sets evaluation items, focusing on critical auditing matters, and reviews the Board's effectiveness from a multifaceted and objective perspective. For FY2024, based on comprehensive and open discussions at ASB meetings, self-evaluations by ASB Members, and feedback from Representative Directors, Outside Directors, and other relevant parties, it was concluded that the Board's overall system was functioning effectively.

Feedbacks from Board of Directors and Executive Officers

- "Regarding the management issues which are thoroughly examined through dialogue at *Genba*, it's excellent that I was able to compare my views at the Board of Directors."
- "Through audits and interviews, I have received valuable findings and advice, which allow me to view my department more objectively."
- "With the growing importance of global governance, I expect to see the audit function continue to improve sustainably."

Regarding the penetration of ROIC by business, which was identified as an issue in FY2023, we confirmed progress in ROIC utilization by each department in FY2024.

To strengthen cooperation among ASB, Accounting Auditor, and Internal Audit, we began holding "Three Types of Audits* Meetings" to share audit plans and key issues with each other. We also exchanged opinions on disclosure of non-financial information recognizing it as a mid- to long-term issue.

Furthermore, we confirmed the initiatives aimed at improving capital efficiency and profitability and identified the specific outcomes through *Genba* audits. In terms of group governance in Japan, audit effectiveness has improved through a system where members of the Office of the ASB concurrently serve as auditors for group companies. Additionally, regular meetings involving auditors from all Kao Group companies have promoted knowledge-sharing across the organization.

The key issues identified through our effectiveness evaluation include the progress of the *Global Sharp Top* business—particularly growth strategies for the Cosmetics Business—and the need to strengthen cross-functional overseas governance led by headquarters.

These issues have been shared with the Board of Directors and reflected in auditing activities and critical audit focus areas for FY2025, with the aim of further enhancing the Board's effectiveness.

For more information [NOTICE OF THE 119th ANNUAL GENERAL MEETING OF SHAREHOLDERS P65-66](#)



Outside Audit &
Supervisory
Board
Member
Saeko Arai

Enhancing Governance Systems to Support Global Growth

Board of Directors meetings foster an open, inclusive environment where ASB members can speak freely, enabling lively and constructive discussion. In this setting, we contribute to improving management quality by offering clear, informed perspectives—similar to the role played by the ASB.

Drawing on my experience in startups, I bring agile decision-making expertise that supports Kao's growth, particularly as we engage with a broad range of partners.

Kao's ASB adopts a notably progressive approach. In addition to thorough on-site interviews, the ASB conducts effectiveness evaluations and discloses detailed activity results to ensure highly transparent governance. Innovative steps have been taken, such as the Compensation Advisory Committee of ASB.

A core value of The Kao Way is a culture of "Integrity as the only choice," which

underpins Kao's strong governance foundation. It is vital to stay mindful of this culture, ensure it is consistently embraced across the group, and remain aware of the challenges we face. As a member of the ASB, I support Kao in upholding its corporate philosophy while promoting a deeper understanding of ROIC.

I will continue to monitor Kao's global growth plans and progress to ensure that key discussions take place and decisions are properly executed. We aim to help build stronger global governance in collaboration with the Three Types of Audits framework, especially by strengthening the internal audit function, including for overseas operations.

* Three Types of Audits = Audit & Supervisory Board, Accounting Auditor, and the Department of Internal Audit



Disclosure Aligned with TCFD Recommendations

Kao endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019 and has since disclosed information based on its recommendations. Kao views climate change as both a major risk to future management and an opportunity for growth.

We assessed financial impacts under the 1.5°C and 4°C scenarios, calculating potential losses if no actions are taken, such as price adjustments. Due to a supply-demand imbalance, we expect palm oil procurement risks to increase costs in both scenarios. To address this, Kao is developing sustainable raw materials, such as high-performance agents like *Bio IOS®*, and alternatives. By innovating ahead of competitors, we not only mitigate risks but also create differentiation-driven business opportunities. In the Consumer Care Business, mitigation opportunities include growing demand for water- and energy-saving products, as well as those that reduce plastic waste. In the Chemical Business, our products help customers lower their climate-related risks. We also see adaptation opportunities, such as rising demand for UV care, self-tanning, and other skin protection products, as well as disinfectants, detergents, and repellents that reduce the risk of infectious diseases. We will continue to both mitigate risks and pursue growth by turning environmental and societal challenges into opportunities for innovation—in line with Kao's Sustainable Product Development Policy.

Key Activities and Progress in FY2024

Key activities			Progress in FY2024
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.		● The ESG Steering Committee for decarbonization has held deliberations on carbon zero.
Strategy	● A 4°C increase in average temperature will have a significant impact on society. As such, it is important to make meaningful contributions toward limiting the global rise in temperature to 1.5°C.		● See Main Business Risks and Key Business Opportunities at the bottom for details.
Risk management	● 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. ● See "Risk and Crisis Management" section for details.		
Metrics and targets	● 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.		
		Target for 2030	Results in 2024
	% reduction in absolute scope 1+2 CO ₂ emissions	55% (base year: 2017)* ¹	42%
	% of renewable energy in electricity consumption	100%* ²	69%
	% reduction in absolute full lifecycle CO ₂ emissions	22% (base year: 2017)	15%
	Contribution to greenhouse gas reduction* ^{3*4}	10,000 thousand tons - CO ₂	4,434 thousand tons - CO ₂

*1 This has been approved by the Science Based Targets Initiative as one of the targets for the 1.5°C scenario
*2 We have become a member of RE100
*3 The seven greenhouse gases (GHG) agreed upon at COP 17 and CMP 7 under the United Nations Framework Convention on Climate Change
*4 The total emission reductions achieved across society due to products from the Kao Group

Main Business Risks

Financial impact in 2050 (unit: 100 million yen) * Amount of loss if no action is taken, such as a price pass-on			
Area of evaluation	1.5°C scenario	4°C scenario	Kao's response
Potential carbon tax	-254	-93	Promote the use of renewable energy according to the 1.5°C scenario.
Introduction of restrictions on plastics	-79 Taxation	-	Reinforce efforts to support the transition to a society based on plastic recycling.
	-46 Mandatory Use of Recycled Plastic	-	Promote Innovation for Reduction and Innovation for Recycling.
Fossil-based raw material price increase	-* ¹	-* ¹	Fossil-based raw material reduction.
Raw material price increase (palm oil)* ²	-791	-761	Optimize palm oil and alternatives, and boost R&D.
Energy price increase	-11	-11	Encourage photovoltaic power system adoption.
Intensification of extreme weather	-4	-46	Develop a BCP-focused production system.

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

Key Business Opportunities

Mitigation	● The Consumer Care Business: Expand the ethical products business (water-saving, energy-saving, plastic waste reduction, third-party certified label products, etc.). ● Chemical Business: Develop and sell products that help customers reduce climate change risks. ● Joint activities: Promote products utilizing CCUS (CO ₂ utilization) technology.
	● Enhance products that contribute to clean and comfortable living in higher temperatures (detergents, antibacterial products, antiperspirants, repellents, etc.). ● Enhance products that protect skin from sunlight (Skin Protection Business). ● Skin Protection Business (UV care, self-tanning, repellents, etc.) sales target in 2030: 100 billion yen

Data deep dive

Zooming in
on the details



helps us see the
big picture.



Business Segments and Main Product Categories

* Actual results for the fiscal year ended December 31, 2024

		Net sales	Share of net sales	Operating income	Operating margin	Main brands
		1,628.4 billion yen	100.0%	146.6 billion yen ^{*4}	9.0%	
Consumer Products Business	Hygiene and Living Care Business <ul style="list-style-type: none"> Laundry detergents Fabric treatments Kitchen cleaning products House cleaning products Paper-based cleaning products Sanitary napkins Baby diapers 	544.3 billion yen Like-for-like growth ^{*1} +2.8%	33.5%	75.8 billion yen Like-for-like growth ^{*5} +33.9 billion yen	13.9% Like-for-like growth ^{*5} +5.9 pts	
	Health and Beauty Care Business <ul style="list-style-type: none"> Skin care products Hair care products Professional hair care products Bath additives Oral care products Thermo products 	424.0 billion yen Like-for-like growth ^{*1} +4.1%	26.0%	34.4 billion yen Like-for-like growth ^{*5} -8.4 billion yen	8.1% Like-for-like growth ^{*5} -2.8 pts	
	Life Care Business <ul style="list-style-type: none"> Commercial-use hygiene products 	55.9 billion yen Like-for-like growth ^{*1} -2.6%	3.4%	6.3 billion yen Like-for-like growth ^{*5} +7.6 billion yen	11.3% Like-for-like growth ^{*5} +13.6 pts	
	Cosmetics Business <ul style="list-style-type: none"> Counseling cosmetics Self-selection cosmetics 	244.1 billion yen Like-for-like growth ^{*1} +0.0% ^{*2}	15.0%	-3.7 billion yen Like-for-like growth ^{*5} -9.0 billion yen	-1.5% Like-for-like growth ^{*5} -3.7 pts	
Chemical Business	Chemical Business <ul style="list-style-type: none"> Oleo chemicals Performance chemicals Information materials 	405.9 billion yen ^{*3} Like-for-like growth ^{*1} +6.1%	22.1%	34.6 billion yen Like-for-like growth ^{*5} +9.9 billion yen	8.5% Like-for-like growth ^{*5} +1.7 pts	

*1 Excluding the effect of currency translation

*2 Excluding the impact of China, the provision for product returns due to cosmetics brand consolidation in Japan implemented in the previous fiscal year, and other factors, sales increased by approximately 4% on a like-for-like basis

*3 Net sales of the Chemical Business include intersegment transactions

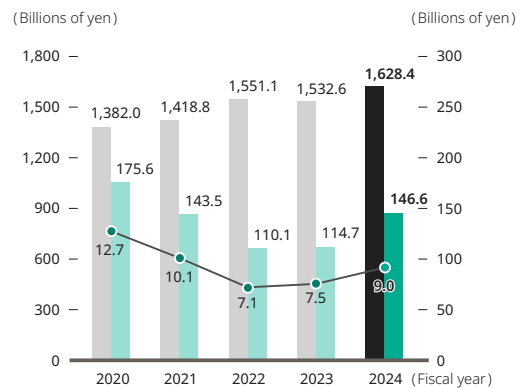
*4 Including corporate expenses not allocated to each segment

*5 The figures for operating income and operating margin are compared with the core income of the previous fiscal year



Financial Highlights

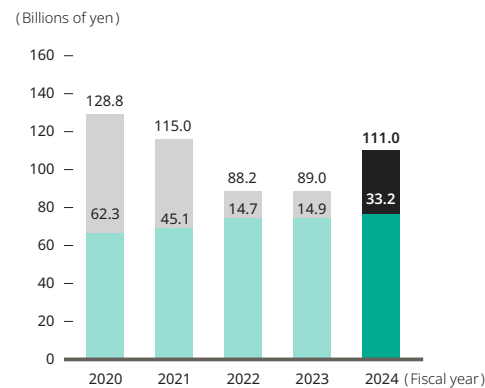
Net Sales / Operating Income*¹ / Operating Margin*¹



■ Net sales (left) ■ Operating income (right) ● Operating margin (%)

* 1 FY2023 figures are calculated based on core income. The Kao group presents income, excluding impacts of structural reforms for FY2023 as "core income"

Adjusted NOPAT*^{1,2} / EVA*^{1,3}

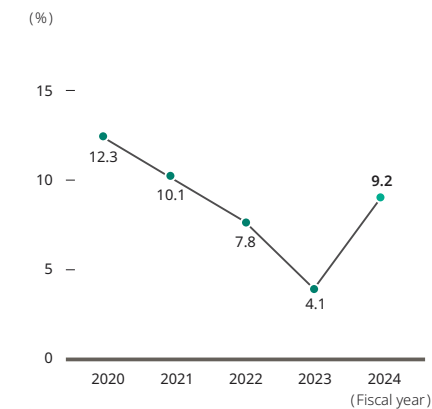


■ Adjusted NOPAT ■ EVA ■ Cost of capital

* 2 Net income + After-tax interest expense + Other one-time expenses (e.g., structural reform costs)

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

ROIC*⁴



● ROIC

* 4 Return on invested capital

Differences in Calculation Methods Between EVA and ROIC

Since 1999, Kao has adopted EVA (Economic Value Added) as a key management indicator. In August 2023, with the announcement of its Mid-term Plan K27, Kao formally adopted ROIC (Return on Invested Capital) as a core metric.

EVA and ROIC differ in the definitions of Invested Capital*⁵ and NOPAT (Net Operating Profit After Tax) used in the calculation process.

EVA = Adjusted NOPAT – (Adjusted Invested Capital × WACC*⁶)

Adjusted NOPAT = Net income + After-tax interest expense
+ Other one-time expenses
(e.g., structural reform costs)

Adjusted Invested Capital = Total equity + Borrowings
+ Bonds
+ Part of other financial liabilities*⁷
+ Previously amortized goodwill and others

ROIC = NOPAT / Invested Capital

NOPAT = Net income + After-tax interest expense

Invested Capital = Total equity + Borrowings + Bonds
+ Part of other financial liabilities*⁷

In the Kao Integrated Report 2023 published in May 2023, ROIC was calculated based on the same Adjusted NOPAT and Adjusted Invested Capital used for EVA. As a result, ROIC figures disclosed in that report differ from those presented in and after the 2024 Integrated Report.

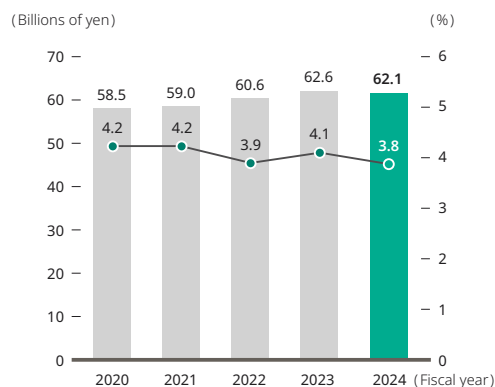
* 5 Calculated using the average of beginning and end-of-period balances for the fiscal year

* 6 Weighted average cost of capital (WACC)

* 7 Excluding lease liabilities

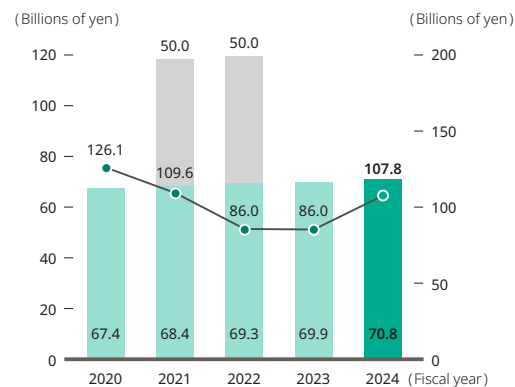
For more information [EVA Management](#)

R&D Expenses / R&D Expenses Ratio



■ R&D expenses (left) ● R&D expenses ratio (right)

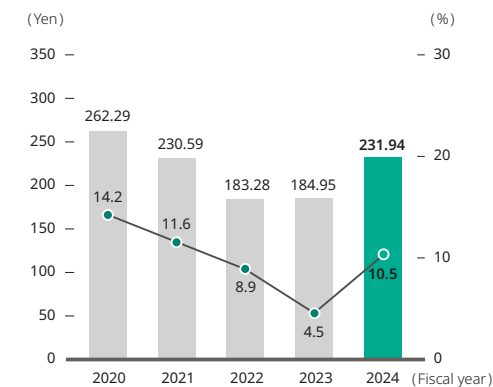
Net Income Attributable to Owners of the Parent*¹ / Shareholder Returns*⁸



■ Share repurchases (left) ■ Total dividend amount (left)
● Net income attributable to owners of the parent (right)

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

ROE*⁹ / EPS*^{1,10}

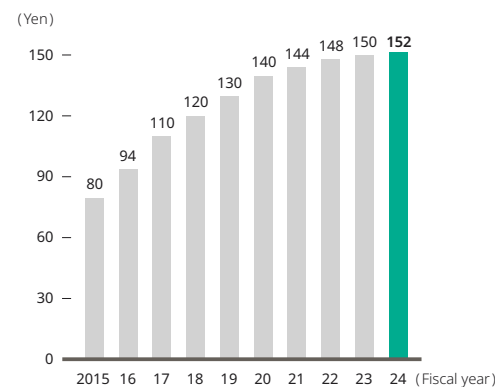


■ EPS (left) ● ROE (right)

* 9 Ratio of net income to equity attributable to owners of the parent

* 10 Basic earnings per share

Cash Dividends per Share



Historical Financial Data

	IFRS (Millions of yen)				
	FY2020	FY2021	FY2022	FY2023	FY2024
For the year:					
Economic Value Added (EVA®)	62,265	45,127	14,669	14,920	33,243
Net sales	1,381,997	1,418,768	1,551,059	1,532,579	1,628,448
Operating income	175,563	143,510	110,071	60,035	146,644
(% of sales)	12.7	10.1	7.1	3.9	9.0
Income before income taxes	173,971	150,002	115,848	63,842	151,024
Net income	128,067	111,415	87,742	46,157	110,374
Net income attributable to owners of the parent	126,142	109,636	86,038	43,870	107,767
Net cash flows from operating activities	214,718	175,524	130,905	202,481	201,585
Net cash flows from investing activities	(61,941)	(67,232)	(74,911)	(109,302)	(45,902)
Free cash flow	152,777	108,292	55,994	93,179	155,683
Net cash flows from financing activities	(87,065)	(141,573)	(139,311)	(79,983)	(104,578)
Capital expenditures	86,149	87,766	94,567	93,178	93,530
Depreciation and amortization	86,080	87,341	89,738	89,595	88,422
Research and development expenses	58,509	58,993	60,601	62,575	62,092
(% of sales)	4.2	4.2	3.9	4.1	3.8
Advertising	71,984	74,847	74,664	75,841	88,270
(% of sales)	5.2	5.3	4.8	4.9	5.4
At year end:					
Total assets	1,665,616	1,704,007	1,726,350	1,769,514	1,867,237
Equity attributable to owners of the parent	923,687	965,137	972,061	983,658	1,066,776
Ratio of equity attributable to owners of the parent to total assets (%)	55.5	56.6	56.3	55.6	57.1
Number of employees (people)	33,409	33,507	35,411	34,257	32,566
Per share:					
Basic earnings per share (EPS) (yen)	262.29	230.59	183.28	94.37	231.94
Annual cash dividends per share (yen)	140.00	144.00	148.00	150.00	152.00
Number of issued shares, including treasury shares, at the end of the year (in thousands of shares)	482,000	475,000	465,900	465,900	465,900
Share price at the end of the year (yen)	7,970	6,019	5,255	5,800	6,388
Key financial ratios:					
Ratio of net income to equity attributable to owners of the parent (ROE) (%)	14.2	11.6	8.9	4.5	10.5

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

External Evaluation

External Evaluation



The only company in Japan that has been selected for



2024 CDP Triple-A:
Only 8 companies worldwide



Kao has been selected as an A-List company with the highest rating across all categories within the survey for worldwide more than 24,800 companies conducted by a leading international nonprofit organization, CDP, regarding climate change, forests, and water security. This marks the fifth consecutive year that Kao has achieved Triple-A status.

The only company in Asia that has been recognized for



19 consecutive years:
Only 6 companies worldwide



Kao has been recognized as one of the World's Most Ethical Companies® in 2025, announced by the Ethisphere.

Kao is one of only six companies worldwide and the only Asian company to have received the award for 19 consecutive years since it was established in 2007.

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

Socially Responsible Investment Indexes



2024 CONSTITUENT MSCI NIHONKABU
ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



FTSE Blossom
Japan Index



FTSE Blossom
Japan Sector
Relative Index

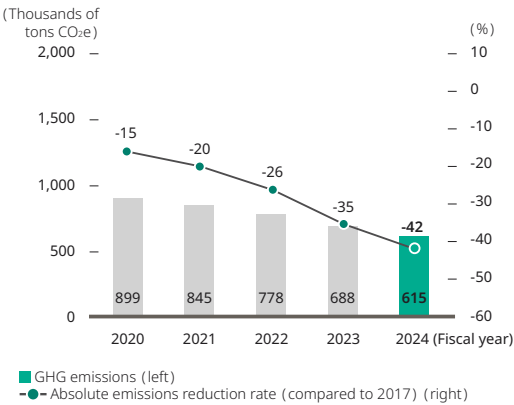


FTSE4Good



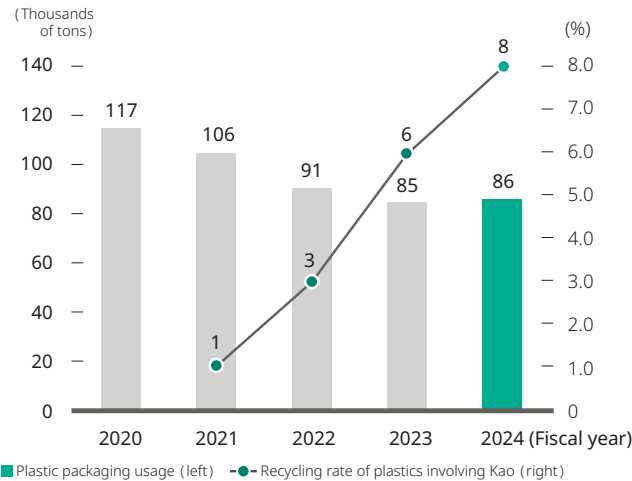
ESG Highlights

GHG Emissions (all sites)*1



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

Plastic Packaging Usage / Recycling Rate of Plastics Involving Kao

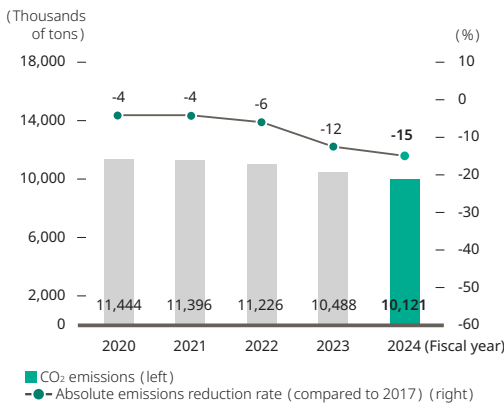


Recycling Rate of Plastics Involving Kao

8%

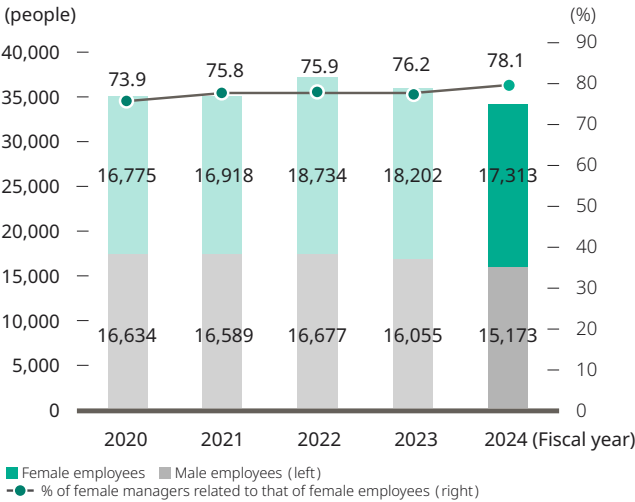


CO₂ Emissions Across the Product Lifecycle*2



* 2 “CO₂ emissions over the entire product lifecycle” is calculated by multiplying the CO₂ emissions over the product lifecycle per unit volume of products sold both within and outside Japan (excluding Kao Group’s production and logistics processes) by the annual sales volume of the product in question and adding up the actual amount of CO₂ emissions over Kao Group’s production and logistics processes. However, this amount does not include emissions related to the use and disposal of Chemical products

Number of Employees by Gender*3/ % of Female Managers Related to That of Female Employees*4

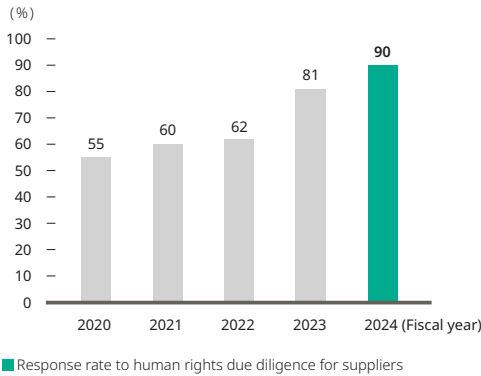


* 3 Employees seconded from Kao Group to outside are excluded, but employees seconded from outside to Kao Group are included
From 2022, employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees.
* 4 Calculated as a weighted average based on the number of management positions at each group company

% of Female Managers Related to That of Female Employees

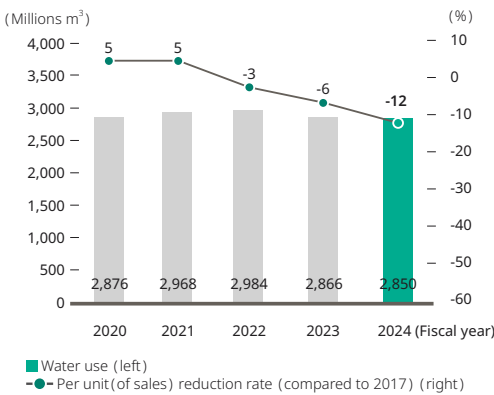
78.1%

Response Rate for Human Rights Due Diligence (Risk assessment of the Kao Group’s direct material suppliers) *5



* 5 Number of suppliers that conducted risk assessments as a percentage of the number of suppliers with whom Kao did business within the applicable year

Water Consumption Trends Throughout the Product Life Cycle (Kao Group)*6



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

Corporate Overview and Stock Information

Corporate Overview

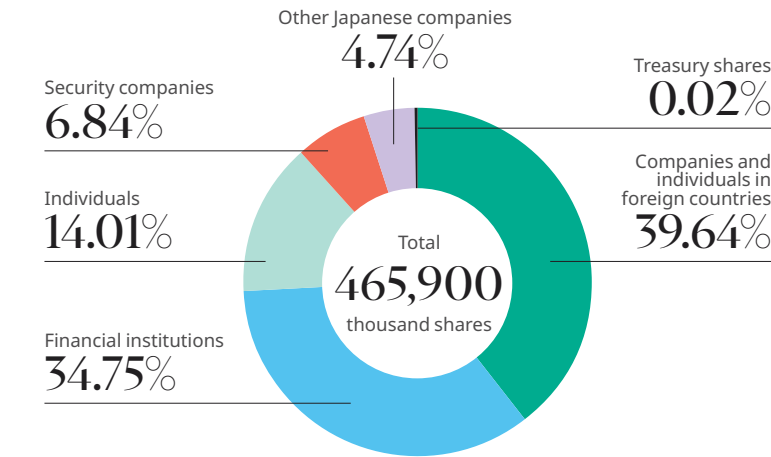
Company	Kao Corporation
Head Office	14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo 103-8210, Japan
Founded	June 19, 1887
Incorporated	May 21, 1940
Share Capital	85.4 billion yen
Employees	7,861 (number of employees in Kao Group consolidated companies: 32,566)
Subsidiaries	111 (of which 93 are subsidiaries outside Japan)
Associates	7 (of which 4 are associates outside Japan)



Stock Information

Stock Listing	Tokyo Stock Exchange
Ticker Symbol Number	4452
Total Number of Authorized Shares	1,000,000,000 shares
Total Number of Issued Shares	465,900,000 shares
Number of Shareholders	181,513
Administrator of Shareholder Register	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

Composition of Shareholders



Status of Top 10 Shareholders

Shareholders	Number of shares (thousand shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	88,024	18.90
Custody Bank of Japan, Ltd. (Trust Account)	32,182	6.91
STATE STREET BANK WEST CLIENT – TREATY 505234	10,521	2.26
SMBC Nikko Securities Inc.	8,975	1.93
Oasis Opportunities Fund One SPC - ECHO SP	6,879	1.48
Mizuho Securities Co., Ltd.	6,858	1.47
Japan Securities Finance Co., Ltd.	6,799	1.46
Nippon Life Insurance Company	6,691	1.44
STATE STREET BANK AND TRUST COMPANY 505001	6,567	1.41
JP MORGAN CHASE BANK 385781	6,456	1.39

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 Disclosure Framework

Editorial Policy

The Kao Integrated Report communicates to our key stakeholders the challenges we are addressing as we strive to become “a company that is essential to a sustainable society” and outlines our plans to achieve this goal. This year, we offer a closer look at Kao’s dynamic progress under our Mid-term Plan K27, highlighting how our employees are driving impact through the *Global Sharp Top* strategy and scrum team approach to create new value. We hope this report deepens your understanding of Kao and serves as a strong foundation to spark meaningful dialogue and value - added collaboration with our stakeholders.

In preparing this report, we referred to the International Integrated Reporting Framework recommended by the IFRS Foundation, as well as the Guidance for Collaborative Value Creation 2.0 published by the Ministry of Economy, Trade, and Industry. Kao is committed to continuously strengthening the content and impact of our Integrated Report, through ongoing feedback and dialogue with a diverse range of our stakeholders as part of achieving the company’s long - standing purpose and commitment to increasing Kao’s corporate value.

- Reporting period:

FY2024 (January 1 – December 31, 2024)
 * Some portions contain activities conducted prior to FY2024 and those planned for FY2025 and after (results and planned)
- Organizations covered:

Kao Group (Kao Corporation and its subsidiaries and affiliates)
 * Some data regarding the environment and society refer to Kao Corporation and its subsidiaries (noted in the text)
 * “Kao” refers to the Kao Group
- Accounting standards:

International Financial Reporting Standards (IFRS) applied from FY2016 onwards
- Date published:

June, 2025

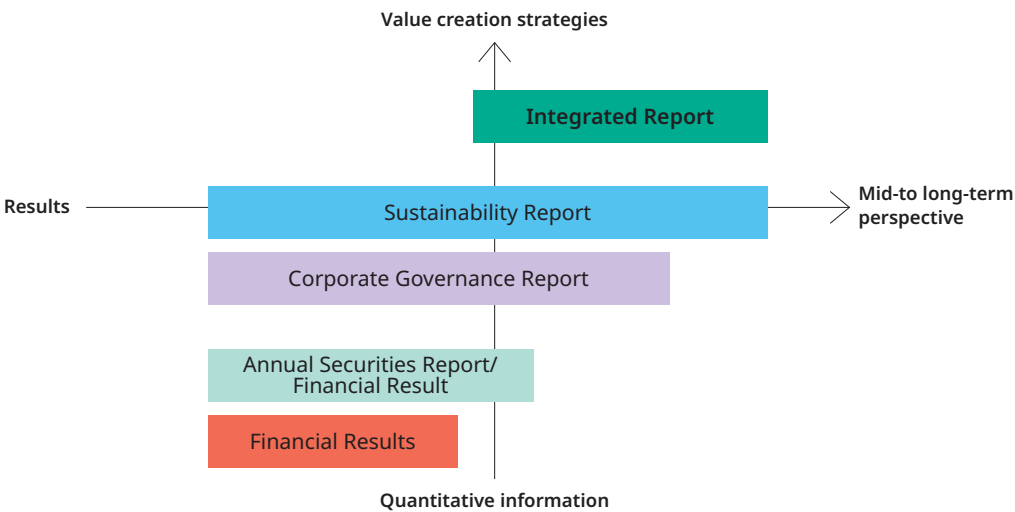
Disclaimer on Forward-looking Statements

The forward-looking statements contained in this report are based on information available at the time of publication and on assumptions that management believes to be reasonable. These statements are not guarantees 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 Sustainability Report both present progress and data related to our ESG initiatives and corporate strategies. We also encourage you to visit Kao’s various websites for supplementary information.



 [Integrated Report](#)



* The cover represents Kao's Moonshot vision

 [Sustainability Report](#)



 [Investor Relations Information](#)

 [Corporate Governance](#)

 [Annual Securities Report/ Financial Result](#)



 [Multi-stakeholder Policy](#)



Chiaki Mukai The first Asian female astronaut
Corporate Executive Fellow (Responsible for Value Design)

One more step toward your dream—because every great achievement begins with a vision. As an astronaut and a scientist, I stand behind Kao’s moonshot: a bold leap toward a better future.



Kao Corporation

14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku,
Tokyo 103-8210, Japan

Published in June 2025

