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In Line with the Company’s Plan to Reduce Its CO₂ Emissions to Zero by 2040, Kao Has Signed Its First Corporate PPA —Kao Will Be Purchasing Electricity Generated Using Solar Power Directly from the Power Producer

Kao Corporation is working to help realize a decarbonized society, and is aiming to reduce its carbon dioxide (CO₂) emissions to zero by 2040 and become carbon negative by 2050. As part of its efforts to achieve these goals, Kao has signed the master agreement for a corporate Power Purchase Agreement (PPA) with power provider JENEX Co., Ltd. and electricity retail supplier Minnadenryoku, Inc. The supply of electric power under this agreement is scheduled to begin in February 2022, and the electricity will be used at Kao’s headquarters (located in Tokyo).

A PPA is different from other systems that Kao has already been using, such as non-fossil fuel energy certificates^{*1}. With the PPA system, an electricity user purchases renewable energy directly from the power provider at a fixed price over an extended period. The electricity user is able to procure a stable supply of renewable energy, while the power provider benefits from the easier access to financing, which makes it possible to step up investment in new electricity generating facilities. So far, there have been relatively few instances of corporate PPAs being implemented in Japan, and this is the first time that Kao has used a PPA. It also represents the first step in the implementation of the JCLP Project for the Development of Corporate Power Purchase Agreements (PPAs) that was launched by the Japan Climate Leaders’ Partnership (JCLP), a coalition of Japanese companies of which Kao is a member, and which is aiming to help realize a sustainable, decarbonized society.

^{*1} The non-fossil fuel energy certificates system provides visualization, in the form of a certificate, of the value of being derived from non-fossil fuel sources that is possessed by electricity that has been generated using such sources. Transactions using this system began in Japan in 2018.

Kao’s ESG Strategy, the Kirei Lifestyle Plan that it launched in April 2019, incorporates 19 key leadership actions, which are its priority action themes. Kao’s adoption of a corporate PPA will contribute towards the “Decarbonization” Kao Action, an area where Kao has set itself the mid- to long-term targets outlined below. So far, Kao has already made progress in terms of switching over to renewable energy for the electricity that the company uses, for example by procuring electricity

for which non-fossil fuel energy certificates are available, and by installing photovoltaic power electricity generation equipment for Kao's own use.

- By 2030, Kao will have reduced Scope 1+2*² CO₂ emissions (absolute value) by 55% (taking 2017 as the base year)
- By 2030, Kao will have reduced CO₂ emissions (absolute value) throughout the product lifecycle*³ by 22% (taking 2017 as the base year)
- By 2030, 100% of the electricity used will be sourced from renewable energy

*² The volume of greenhouse gases emitted directly by business enterprises and other organizations.

*³ The volume of CO₂ emissions deriving from raw materials procurement, manufacturing, transportation, product usage, and disposal of used products.

It is anticipated that, under the new corporate PPA, Kao will purchase renewable energy generated by JENEX's photovoltaic power generating facilities (which are scheduled to be constructed in Shizuoka Prefecture) and by Minna-power's photovoltaic power generating facilities (in Hyogo Prefecture and Nara Prefecture); the electric power will be supplied via Minna-denryoku, and is expected to be used at Kao's headquarters. It is estimated that the amount of electricity generated in this way will total around 850 MWh per year, which represents approximately 30% of the annual electricity consumption of Kao's headquarters, and equates to an annual reduction in CO₂ emissions of around 460 tons. For the remaining portion of the electricity used at Kao's headquarters, Kao will be using electric power for which non-fossil fuel energy certificates are available. This means that Kao will have switched over to using renewable energy for 100% of the approximately 2,800 MWh of electricity that is used at its headquarters every year, which is expected to lead to a reduction in annual CO₂ emissions of around 1,500 tons.

By integrating ESG into the core of its company management, Kao will drive business growth and better serve consumers and society through its enhanced products and services. With this socially conscious ethos, Kao will create a Kirei life for all—providing care and enrichment for the life of all people and the planet.

*This news release is a translation of a Japanese-language news release dated September 22, 2021.

About the Kirei Lifestyle Plan

Over the past 130 years, Kao has worked to improve people's lives and help them realize more sustainable lifestyles—a Kirei Lifestyle. The Japanese word 'kirei' describes something that is clean, well-ordered and beautiful, all at the same time. In the Kirei Lifestyle Plan, Kao lays out its ESG (Environmental, Social and Governance) strategy that is designed to deliver this vision of a gentler

and more sustainable way of living. By 2030, Kao aims to empower at least 1 billion people, to enjoy more beautiful lives and have 100% of its products leave a full lifecycle environmental footprint that science says our natural world can safely absorb.

For more information please click <https://www.kao.com/global/en/sustainability/>

About Kao

Kao creates high-value-added products that enrich the lives of consumers around the world. Through its portfolio of over 20 leading brands such as *Attack*, *Bioré*, *Goldwell*, *Jergens*, *John Frieda*, *Kanebo*, *Laurier*, *Merries*, and *Molton Brown*, Kao is part of the everyday lives of people in Asia, Oceania, North America, and Europe. Combined with its chemical division, which contributes to a wide range of industries, Kao generates about 1,400 billion yen in annual sales. Kao employs about 33,000 people worldwide and has 130 years of history in innovation. Please visit the Kao Group website for updated information.

<https://www.kao.com/global/en/>

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