

FOR IMMEDIATE RELEASE

May 17, 2023

Kao Issues Its First Sustainability-Linked Bond

Kao Corporation announced the launch of its Sustainability-Linked Bond (the Bond), whose financial and structural characteristics fluctuate according to Kao’s achievement status of targets for activities aimed at realizing a sustainable society. Today, May 17, 2023, Kao submitted an amended shelf registration statement for the launch of the Bond to the Director-General of the Kanto Local Finance Bureau.

■ Purpose and Background of Bond Issuance

With the corporate purpose of realizing a Kirei world in which all life lives in harmony, the Kao Group established its ESG strategy, the Kirei Lifestyle Plan in 2019. Since 2021, it has employed the Kao Group Mid-term Plan 2025 (K25) in its quest to become a company essential to a sustainable society with its vision of “protecting future lives” and “sustainability as the only path.”

The Bond demonstrates Kao’s commitment to one of the leadership actions of the Kirei Lifestyle Plan – realizing a decarbonized society for making the world healthier & cleaner. The rate of CO₂ emission reductions toward its goal of carbon zero by 2040 and carbon negative by 2050 is used as the Key Performance Indicator (KPI). The mid-term target for 2026 is calculated from the target for 2030 and is set as the Sustainability Performance Target (SPT) that determines the terms of the Bond. In addition to reducing CO₂ emissions in its business activities, Kao will contribute to a decarbonized society by delivering products and services that respond to the changing climate, contributing to reduced CO₂ emissions in society and fixing carbon in the atmosphere.

By issuing the Bond, Kao aims to increase its corporate value by enhancing capital efficiency, working to solve social issues and contributing to a sustainable society while also growing its business.

■ Overview of the Bond

Name	Kao Corporation 7th Unsecured Bonds (With special limited inter-bond pari passu clause) (Sustainability-Linked Bonds)
Total bond amount	25 billion yen (planned)
Bond maturity	5 years (planned)
Issuing period	June 2023 (planned)
KPI	Reduction rate of Scope 1+2 CO ₂ emissions (absolute value) at all Kao Group sites (Base year: FY2017)
SPT	Reduce scope 1+2 CO ₂ emissions (absolute value) by 39% by FY2026 (Base year: FY2017)
Judgment date	May 31, 2027
Bond characteristics	If the SPT is not achieved by the judgment date, the interest rate will increase by 0.10% from the day following the interest payment date that arrives immediately after the judgment date until the redemption date.
Lead manager	Daiwa Securities Co., Ltd. / Nomura Securities Co., Ltd. / Goldman Sachs Japan Co., Ltd.
Structuring Agent*	Daiwa Securities Co., Ltd.

* Those who support the issuance of Sustainability-Linked Bonds by providing advice on formulating frameworks and obtaining third-party evaluations

■ Suitability as a Sustainability-Linked Bond

Along with the Sustainability-Linked Bond, Kao has developed the Sustainability-Linked Bond Framework (the Framework) that outlines the five elements of the bond: (1) selection of KPIs, (2) setting of SPTs, (3) bond characteristics, (4) reporting and (5) verification when issuing the bonds. Kao has obtained a second opinion from Rating and Investment Information, Inc. (R&I), stating that the Framework complies with the Sustainability-Linked Bond Principles 2020 (SLBP) established by the International Capital Market Association (ICMA) and the Sustainability Linked Bond Guidelines (2022 version) established by the Ministry of the Environment.

About Kao

Kao creates high-value-added products and services that provide care and enrichment for the life of all people and the planet. 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 business, which contributes to a wide range of industries, Kao generates about 1,550 billion yen in annual sales. Kao employs about 35,400 people worldwide and has 136 years of history in innovation. Please visit [the Kao Group website](#) for updated information.

■ Related Information

- [Sustainability-Linked Bond Framework](#)
- [R&I Second Opinion](#)

- [Kao launches new ESG Strategy “Kirei Lifestyle Plan” to support consumer lifestyle changes](#)
- [Kao’s New Challenges for the Future: Accelerating Purposeful Business Commitment with ESG](#)
- [Kao sustainability website](#)

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