

Environmental accounting

To efficiently and effectively promote its environmental activities, Kao quantifies the costs and results of those activities in numerical terms.

2020 environmental accounting report

- The aggregation methods we use to comply with the Japanese Ministry of the Environment's Environmental Accounting Guidelines 2005. We also reference the Environmental Accounting Guidelines for Chemical Companies (November 2003) issued by the Japan Chemical Industry Association.
- Boundary: the domestic Kao Group*¹ and major overseas subsidiaries*²
- Concerns the period from January 1, 2020 to December 31, 2020



Please see below for environmental conservation results (numerical results).
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 Product lifecycle and environmental impact

*1 Kao Corporation, Kao-Quaker Company, Limited., Kao Group Customer Marketing Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kanebo Cosmetics Inc., Kanebo Cosmetics Sales Inc., e'quipe, Ltd., Kao Professional Services Co., Ltd., Goldwell Japan Co., Ltd., Molton Brown Japan Ltd., Kao Paper Manufacturing Fuji, Kao Business Associe Co., Ltd., Kao Logistics Co., Ltd., Kao System Logistics Co., Ltd., Kao Field Marketing Co., Ltd., Kao Creative House Corporation, Shohi Seikatsu Kenkyusho Inc., Kao Peony Co., Ltd., Healthcare Committee Inc., and Kao Cosmetic Products Odawara Co., Ltd.

*2 Kao Chemical Corporation Shanghai, Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao, Incorporated, Kao Industrial (Thailand) Co., Ltd., Kao Soap (Malaysia) Sdn. Bhd., Fatty Chemical (Malaysia) Sdn. Bhd., Kao Plasticizer (Malaysia) Sdn. Bhd., Kao Oleochemical (Malaysia) Sdn. Bhd., PT. Kao Indonesia Chemicals, Kao Specialties Americas LLC, Quimi-Kao, S.A. de C.V., Kao Corporation S.A., Kao (Hefei) Co., Ltd., Kao Chemicals GmbH, PT Kao Indonesia, Kao Manufacturing Germany GmbH, Kao (Shanghai) Chemical Industries Co., Ltd., Kao USA Inc., Molton Brown Limited, Kao Corporation Shanghai, Huludao Jinxing Casting Materials Co., Ltd.

Environmental conservation costs (categories corresponding to business activities)

(Unit: millions of yen)

| Categories | Key activities | Inside Japan | | Asia, Americas and Europe | |
|--|---|--------------|--------------------|---------------------------|--------------------|
| | | Investment | Cost* ¹ | Investment | Cost* ¹ |
| (1) Business area costs | | 991 | 4,419 | 1,673 | 5,267 |
| Breakdown | ①Pollution prevention | 106 | 1,913 | 413 | 1,657 |
| | ②Global environmental conservation | 265 | 399 | 360 | 817 |
| | ③Resource circulation | 620 | 2,107 | 900 | 2,793 |
| (2) Upstream/downstream costs | Plant and equipment for eco-conscious products, packaging recycling | 0 | 2,375 | 0 | 1,232 |
| (3) Administration costs | Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites | 0 | 1,305 | 0 | 231 |
| (4) R&D costs | Eco-conscious R&D | 2,971 | 6,076 | 5 | 116 |
| (5) Social activity costs | Nature and environmental conservation and tree-planting activities outside worksites, donations | 1 | 111 | 12 | 10 |
| (6) Environmental remediation costs | | 0 | 0 | 0 | 10 |
| Total | | 3,963 | 14,286 | 1,690 | 6,866 |

Environmental conservation costs (categories corresponding to areas of environmental conservation measures)

(Unit: millions of yen)

| Categories | Key activities | Inside Japan | | Asia, Americas and Europe | |
|---|--|--------------|--------------------|---------------------------|--------------------|
| | | Investment | Cost* ¹ | Investment | Cost* ¹ |
| ①Cost related to global warming measures | Energy conservation | 265 | 399 | 129 | 434 |
| ②Cost related to ozone layer protection measures | Switch to CFC alternatives | 0 | 0 | 231 | 363 |
| ③Cost related to air quality conservation measures | Air pollution prevention, dust pollution prevention, malodor prevention | 8 | 522 | 305 | 578 |
| ④Cost related to noise and vibration measures | Noise prevention | 0 | 5 | 2 | 66 |
| ⑤Cost related to environmental conservation measures for aquatic, ground, and geologic environments | Water contamination prevention | 98 | 1,387 | 85 | 1,002 |
| ⑥Cost related to waste and recycling measures | Resource conservation, industrial waste reductions, recycling | 620 | 4,482 | 900 | 2,877 |
| ⑦Cost related to measures to reduce chemical risks and emissions | R&D on products and production | 2,971 | 6,076 | 5 | 116 |
| ⑧Cost related to nature and environmental conservation | Nature and environmental conservation and tree-planting activities outside worksites, donations | 1 | 110 | 33 | 94 |
| ⑨Other costs | Acquisition and maintenance of EMS certification, environmental publicity, tree-planting activities within worksites | 0 | 1,305 | 0 | 1,336 |
| Total | | 3,963 | 14,286 | 1,690 | 6,866 |

Economic effect associated with environmental conservation activities*²

(Unit: millions of yen)

| Details of benefits | Inside Japan | | Asia, Americas and Europe | |
|-------------------------------------|---|--------|---------------------------|--------------|
| | Amount | Amount | Amount | Amount |
| Revenue | Sales value of valuable resources and fixed assets | | 423 | 166 |
| Cost reductions*³ | Reduction in costs through energy conservation | | 104 | 162 |
| | Reduction in costs through resource conservation | | 1,366 | 1,264 |
| | Reduction in operation costs (maintenance costs, etc. of eco-conscious equipment) | | 215 | 423 |
| Total | | | 2,108 | 2,015 |

*1 Cost includes depreciation costs.

*2 For economic effect, only amounts from selling valuable resources and fixed assets and the amount of cost reductions are recorded. Economic effects based on assumption such as risk mitigation, so-called "deemed effects" are not recorded.

*3 The amounts of cost reductions contains only the relevant fiscal year of the annual cost reduction for items generated during that year. Cost reduction amounts generated over multiple years are not included.