

Strategy

To make Kao a company with a global presence that is valuable to society, which is what Kao aims to be by 2030, we implement ESG perspectives at the core of management and aim for sustainable growth. Our ESG Strategy, the Kirei Lifestyle Plan (KLP), aims to enrich the lives of consumers, and as such, it is shaped from the consumer's point of view and unique to Kao.

Through "ESG-driven *Yoki-Monozukuri*" based on the KLP, our ESG Strategy will lead to realizing sustainability around the world and enhancing our corporate value.

Philosophy supporting Kao's ESG activities

The Kao Way

Since our founding, we have made it our mission to contribute to sustainability through our business activities. The Kao Way is our corporate philosophy, and it stipulates our mission to create a Kirei world in which all life lives in harmony. It further states: "As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei Life (a cleaner, more beautiful, and healthier life for all people and the planet). We share joy and create a safer, more harmonious world for all through innovation that delivers outstanding value." "To realize a Kirei World in which all life lives in harmony" is our mission, as well as our purpose.

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The Kao Way (corporate philosophy)
<https://www.kao.com/global/en/corporate/purpose/kaoway/>

Kao Group Mid-term Plan K25 and Long-term Vision K30

We have integrated ESG into the core of our management in order to make Kao a company with a global presence, valuable to society, as defined in Vision for 2030 in our Long-Term Vision K30. The three objectives of K30 are (1) to become an essential company in a sustainable world, (2) to become a high-profit global company that also significantly contributes to society, and (3) to provide returns to stakeholders according to levels of growth. We aim to generate sales of 2.5 trillion yen. Developing our business for the purpose of benefiting society will grow our business as a result, and we will return the profits to society.

We announced the Kao Group Mid-term Plan 2025 (K25), which is focused on achieving K30, in December 2020. With the vision of "sustainability as the only path" and the concept of "Kirei—Making Life Beautiful," K25 sets three objectives: (1) become an essential company in a sustainable world, (2) transform to build robust business through investment, and (3) maximize the power and potential of employees.

In signaling our resolve to implement ESG-driven management to achieve K25 on our journey to 2030, we have defined the ESG goals of "zero waste / carbon zero" for E, "one and only personalize" for S, and "one team with integrity" for G. We will build business with our new focus of "Save lives, protect people," and undertake this effort in collaboration with like-minded stakeholders.

Kirei Lifestyle Plan, Kao's ESG Strategy

Our ESG Strategy, the KLP, expresses the direction we are taking with specific ESG activities that put consumers in the driver's seat as well as our ambitions for the future. The KLP consists of Kao's ESG Vision and Kao's ESG Commitments and Actions to achieve this vision.

Kao's ESG Vision

Kao's ESG Vision is based on the concept that our ESG activities are designed to help people around the world live more sustainably and benefit the wider society and the planet.

Our value of "walking the right path" is presented as the foundation of our ESG activities and embodies one of the core tenets of our founder Tomiro Nagase; "Good fortune is given only to those who work diligently and behave with integrity."

Kao's ESG Commitments and Actions

The KLP includes three main pillars connected to enriching the lives of people, namely "Making my everyday more beautiful," "Making thoughtful choices for society," and "Making the world healthier & cleaner." Walking the right path is the foundation that supports these pillars.

Kao Actions, our priority action themes, are set for each pillar as well as for our 2030 Commitments, which are our ambitious goals to achieve by 2030.

We believe that achieving K25 as we progress toward our vision for 2030 in the areas of society and the environment, where global-scale upheavals are anticipated, will require the resolve to transform

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ourselves to help bring positive transformation to society. As the importance of governance is growing, we will further strengthen the effectiveness of our governance in line with our core value of “walking the right path.”

Individual mid- to long-term targets have also been set for each of the 19 Kao Actions to facilitate effective and reliable activities.

Business growth through realizing the Kirei Lifestyle

K25 is based on the approach of developing our business for the purpose of benefiting society, and achieving business growth as a result. This philosophy is symbolized by the fact that our purpose is to realize a Kirei world in which all life lives in harmony and the vision of K25 is “sustainability as the only path.” We believe that our ESG actions taken with the goal of enriching the lives of consumers and realizing a sustainable world will result in business growth and creation of a cycle where generated profit is returned to stakeholders, consumers and the wider society. The KLP is the main driver to achieve this management vision, and ESG is therefore positioned as investment and the basis for our future finances.

It is said that technological innovation is essential to address the serious social issues of today and to realize a sustainable society. Kao is focusing on *Yoki-Monozukuri* based on innovation proposals, and “ESG-driven *Yoki-Monozukuri*,” which incorporates innovative technologies based on essential research, will be a major strength. Furthermore, we believe that Kao can trigger innovations that transcend technology. We believe we can support Kao’s sustainable growth and

have a significant impact on people, society, and the planet.

We will deepen our existing fields of business and expand into new business domains based on the Kirei Lifestyle Plan, thereby amplifying our transformative impacts on society and achieving business growth at the same time. The plan to build our business with the new focus of “Save lives, protect people” set forth in K25 is part of this.

The KLP will also contribute to increasing our corporate brand value and product brand value. The spirit of the KLP is also integrated into our products, campaigns, programs, communications and other activities. We believe that contributing to enriching the lives of consumers and to society and environmental sustainability will allow us to gain the trust of consumers and a wide range of stakeholders, earn a strong reputation, and contribute to enhancing our corporate brand value.

One of the Kao Actions is “Purpose driven brands.” It strengthens the brands’ purpose/reason for existing and gains empathy from consumers, thus contributing to greater brand loyalty. This is why we set purpose-driven brand development as the pillar for high profitability in our core businesses in K25. We will develop strong ties with consumers through loyalty marketing, thereby improving our high-profit structure.

Under K25, which integrates the concept of ESG, we will further strengthen “ESG-driven *Yoki-Monozukuri*” rooted in our purpose. We believe that this will lead to Kao becoming a company essential for a sustainable world, development of business linked to contributing to a sustainable world, and business growth as a result.



Kao Integrated Report 2023 Our Value Creation
<https://www.kao.com/global/en/investor-relations/library/reports/>

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Kao's ESG Vision

A Kirei Lifestyle means living a beautiful life inside and out.

A Kirei Lifestyle is full of compassion.

Where making your own life clean and beautiful never compromises the beauty and cleanliness of the world around you.

A Kirei Lifestyle is enjoying today, with the peace of mind that those joys will be there tomorrow.

It's the chance to express who you truly are, with the confidence that you are walking the right path.

Even in the smallest, everyday moments.

That's why, at Kao, everything we do is in service of this lifestyle.

It's why we do what is right, not what is easy.

We put our innovation and imagination to the task of enriching lives by finding ways for people the world over to live the Kirei Lifestyle.



BY 2030
We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self expression



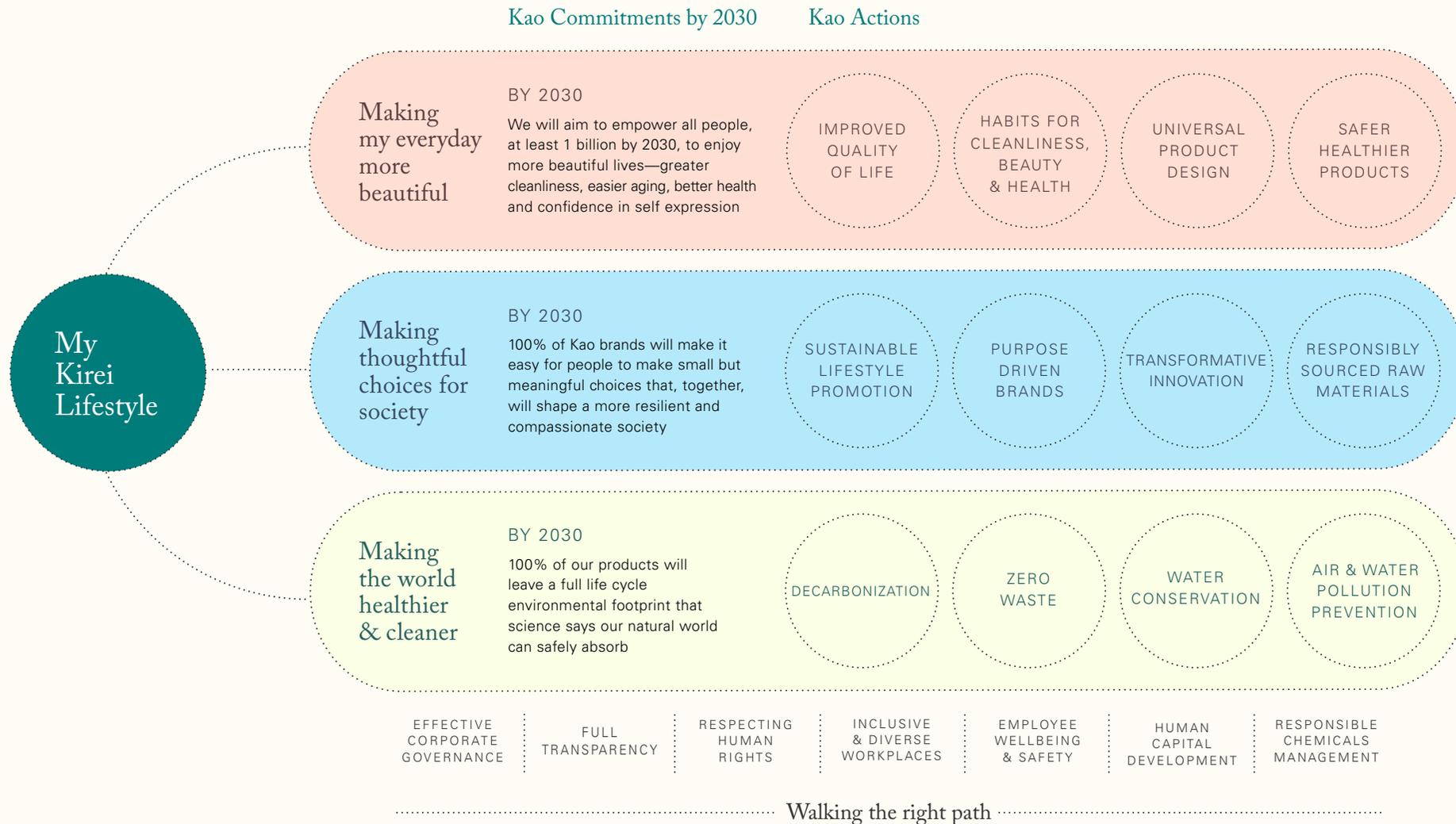
BY 2030
100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society



BY 2030
100% of our products will leave a full lifecycle environmental footprint that science says our natural world can safely absorb

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Kao's ESG Commitments and Actions



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The Kao value creation model

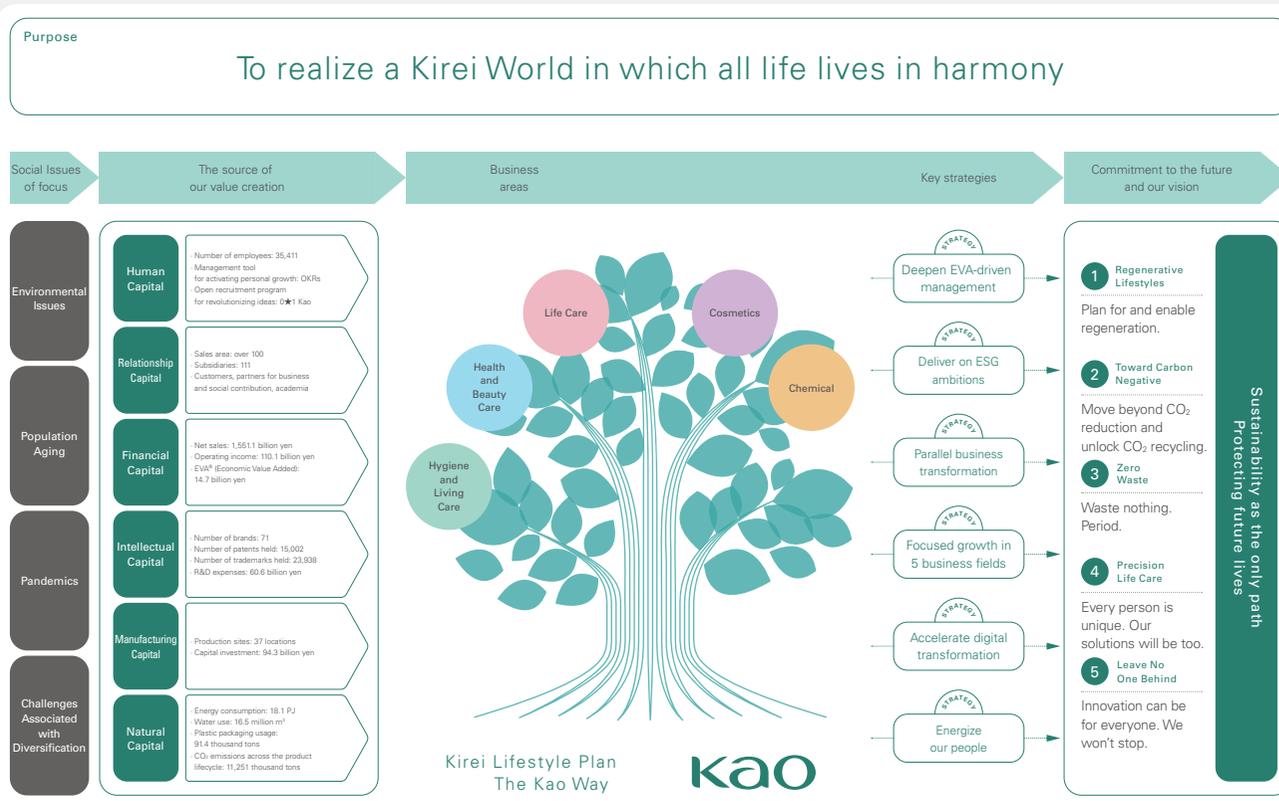


Kao Integrated Report 2023
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The Mid-term Plan “K25” is an important milestone aimed at our purpose to realize a Kirei world in which all life lives in harmony.

We will transform our business model to improve Kao, making it a company that protects future lives based on the concept of sustainability as the only path. Furthermore, together with many like-minded partners, we will accelerate our progress toward the next stage of value creation and profitable development.

Value Creation Model

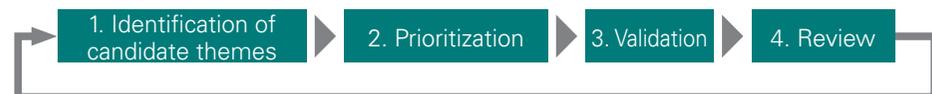


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Selection process for the Kao Actions as material themes

Kao selected the 19 Kao Actions in the Kao ESG Commitments and Actions through the following four steps.

Selection process



Selection of Kao Actions implemented in 2018

1. Identification of candidate themes

1.1 Making a list of candidate themes

We used the following to help identify candidate themes:

- ISO26000
- GRI Standards
- SDGs
- Evaluation items used by ESG assessment bodies
- Global mega-trends
- In-house workshops
- Materiality at other companies
- Third-party opinions

As a result of this process, 78 candidate themes (17 environmental, 37 social and 24 governance) were selected.

1.2 Top management interviews

We held interviews with eight members of top management including representative directors, directors and managing executive officers, and compiled their thoughts and requests regarding Kao's ESG Strategy.

1.3 Region-based workshops

Using a workshop format in the regions of Asia, the Americas and Europe, we identified activities that would simultaneously satisfy business needs, sustainability needs and customer and consumer needs from the viewpoint of our operational sites. We then identified elements in those activities that serve becoming a company with a global presence.

Objectives of selecting the Kao Actions

1. Targeted action in view of changing social circumstances and issues, and the changing expectations for Kao
2. Strategic implementation of ESG activities based on Kao policy and changes in business environment and strategy
3. Efficient investment and effective use of management resources

2. Prioritization

Of the 78 candidate themes identified in 1.1, we asked some external stakeholders and employees to rate their priority in growing our business and increasing our corporate value.

Evaluator attributes

- External stakeholders: 32 (21 Japanese, 11 non-Japanese)
- Employees: 71 (39 Japanese, 32 non-Japanese)

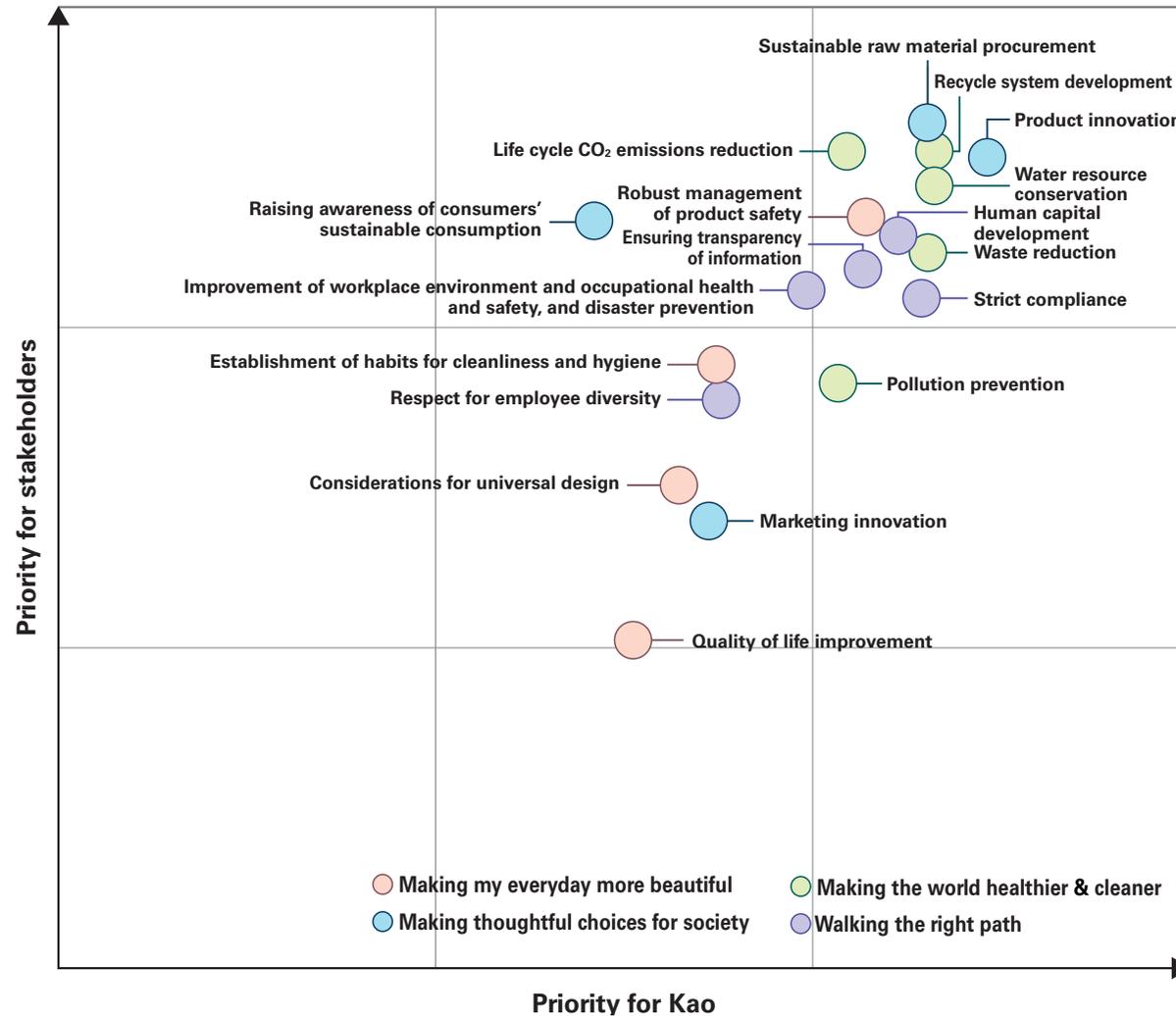
External stakeholders who provided evaluations fall under the following groups:

- Consumers/customers
- Suppliers
- Local communities
- NGOs / NPOs
- Academia
- Industry groups/same-industry companies
- Shareholders/Investors

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We then organized the results of their evaluations in the Matrix of Materiality, which maps materiality along two axes: priority for stakeholders and priority for Kao. In evaluating the level of materiality for Kao, we consider Kao's medium- to long-term impact on the environment and society in accordance with the principle of double materiality.

Matrix of Materiality



The ESG Promotion Meeting, attended by division leaders, reviewed materiality based on the results of the evaluations and third-party opinions, and then selected the 19 Kao Actions.

Themes that were not included in the Kao Actions despite being relatively highly rated in the evaluations will be managed and implemented under a separate organization. For instance, "Disaster preparation and reconstruction assistance" was highly rated externally. These themes have been and will continue to be implemented under the Responsible Care Promotion Committee.

3. Validation

The ESG Committee (now ESG Managing Committee) reviewed the 19 Kao Actions selected in the ESG Promotion Meeting, and the Board of Directors approved them.

Based on this, divisions set their own targets and action plans to conduct ESG activities.

4. Review

The 19 Kao Actions will be periodically reviewed and revised using the selection steps 1 to 3. In addition, the actions are reviewed each year at a meeting of the ESG External Advisory Board.

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Relationship between our Commitment to the Future and the KLP Kao Actions

The Mid-term Plan 2025 (K25), published in 2020, indicated our focus on four social issues based on rapid changes around the world: Environmental issues, Population aging, Pandemics, and Challenges associated with diversification. We also declared our policy to upgrade existing businesses and accelerate the creation of new businesses. Our Commitment to the Future was established in 2021 by incorporating KLP Kao Actions that were strongly related to business activities. Going forward, we will clarify indicators for each commitment according to the growth of our business.

Indicators corresponding to our Commitment to the Future

We will specify the indicators and KPIs for each theme in accordance with progress in the formulation and execution of business plans.

Commitment to the Future	Corresponding priority theme and indicators of the KLP
<p>1 Plan for and enable regeneration.</p>	<p>[Improved quality of life]</p> <ul style="list-style-type: none"> The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people <p>[Habits for cleanliness, beauty and health]</p> <ul style="list-style-type: none"> Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty and health using Kao products and services <p>[Universal product design]</p> <ul style="list-style-type: none"> % of new or improved products that meet Kao's Universal Design Guidelines <p>[Sustainable lifestyle promotion]</p> <ul style="list-style-type: none"> Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world
<p>2 Move beyond CO₂ reduction and unlock CO₂ recycling.</p>	<p>[Decarbonization]</p> <ul style="list-style-type: none"> % reduction in absolute full lifecycle CO₂ emissions % reduction in absolute scope 1 + 2 CO₂ emissions % of renewable energy in electricity consumption
<p>3 Waste nothing. Period.</p>	<p>[Zero waste]</p> <ul style="list-style-type: none"> Quantity of fossil-based plastics used in packaging Quantity of innovative film-based packaging penetration for Kao and others per annum Plastic recycling rate with Kao involvement Practical use of innovative film-based packaging made from collected pouches % of recycled plastic used in PET containers (Japan) % of the waste generated from Kao sites, ratio of waste that cannot be recycled * Beginning with production sites % reduction of discarded products and discarded promotional materials
<p>4 Every person is unique. Our solutions will be too.</p>	<p>[Improved quality of life]</p> <ul style="list-style-type: none"> The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people
<p>5 Innovation can be for everyone. We won't stop.</p>	<p>[Improved quality of life]</p> <ul style="list-style-type: none"> The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people

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Contributions to the SDGs

Looking ahead to 2030, Kao is focused on the SDGs that have been agreed upon and adopted by the international community. As indicators for realizing a sustainable society, the SDGs set forth an integrated approach for improving the economy, society and the environment. Contributions by companies are considered extremely important to achieving the SDGs.

As indicated below, we are working to address the Kao Action topics set in the Kao ESG Commitments and Actions with the aim of achieving the SDGs.

The SDGs that the 19 Kao Action topics contribute to

Kao Actions	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
Making my everyday more beautiful																		
Improved quality of life			●		●								●					●
Habits for cleanliness, beauty & health			●			●												●
Universal product design										●		●						●
Safer healthier products			●									●		●				●
Making thoughtful choices for society																		
Sustainable lifestyle promotion				●							●	●						●
Purpose driven brands												●						●
Transformative innovation								●				●	●					●
Responsibly sourced raw materials								●		●		●			●			●
Making the world healthier & cleaner																		
Decarbonization							●					●	●					●
Zero waste												●		●	●			●
Water conservation						●						●			●			●
Air & water pollution prevention			●			●						●		●				●
Walking the right path																		
Effective corporate governance								●										●
Full transparency								●				●						●
Respecting human rights					●			●		●								●
Inclusive & diverse workplaces					●			●		●								●
Employee wellbeing & safety			●					●										●
Human capital development			●	●	●			●		●								●
Responsible chemicals management			●			●						●		●				●

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Impacts on society through the value chain

Our business activities have various effects on society through the value chain.

The table below shows the 19 Kao Actions set in the Kao ESG Commitments and Actions, our ESG Strategy and their relationship to the value chain. The items indicate areas where our impact on society is particularly large and where the expectations on us are similarly greater. These are high-priority areas for our business growth and increasing our corporate value.

Relationship between the 19 Kao Actions and the value chain

Kao Actions	Material procurement	Development / Manufacturing	Distribution	Sales	Use	Disposal / Recycling
Making my everyday more beautiful						
Improved quality of life				●	●	
Habits for cleanliness, beauty & health				●	●	
Universal product design				●	●	●
Safer healthier products					●	●
Making thoughtful choices for society						
Sustainable lifestyle promotion				●	●	●
Purpose driven brands	●	●			●	●
Transformative innovation	●	●			●	●
Responsibly sourced raw materials	●					
Making the world healthier & cleaner						
Decarbonization	●	●	●	●	●	●
Zero waste	●	●	●	●	●	●
Water conservation	●	●	●	●	●	●
Air & water pollution prevention		●			●	●
Walking the right path						
Effective corporate governance	●	●	●	●	●	●
Full transparency	●	●	●	●	●	●
Respecting human rights	●	●	●	●	●	●
Inclusive & diverse workplaces		●	●	●		
Employee wellbeing & safety		●	●	●		
Human capital development		●	●	●		
Responsible chemicals management	●	●	●	●	●	●