

Sustainable Lifestyle Promotion GRI 306-1

Enable people to live more sustainable lifestyles through information, services, and products that save precious resources such as energy and water, contributing to the realization of enriched lifestyles and increased customer loyalty.

Social issues

The effects of global warming, such as the expansion of localized heavy rainfall and typhoon damage, the scale of floods and droughts, melting glaciers, and rising sea levels, are having a significant impact on human health and lifestyles. In light of these factors, consumers are demanding more sustainable lifestyles that contribute to social and environmental sustainability. At the same time, consumer interest in climate change and decarbonization initiatives is also growing.



DECO-KATSU: Current State of Global Warming via the Ministry of the Environment
<https://ondankataisaku.env.go.jp/decokatsu/ondanka/>

Consumer interest in climate change and decarbonization initiatives is also growing.



Cabinet Office: Public Opinion Survey on Climate Change
<https://survey.gov-online.go.jp/r02/r02-kikohendo/gairyaku.pdf>

Policies

By proactively working on technical innovations and lifestyle solutions characteristic of Kao, we aim to boost our commitment to making thoughtful choices for society in the KLP.

To this end, we believe it is important not only to encourage consumers to choose Kao's environmentally friendly products, but also to help them understand the importance of sustainable lifestyles themselves through

various marketing activities, information provision, education, and awareness-raising activities. We promote activities in accordance with the following.

1. We will make manufacturing- and product-based proposals in line with the "Kao Sustainable Product Development Policy," which is based on the concept of minimizing the burden on people's lives and society while maximizing the value.
2. We will provide information that contains proposals for sustainable lifestyles.
3. We provide hands-on learning opportunities.
4. We promote activities carried out in cooperation with society, organizations, and public institutions.

Strategy

Risks and opportunities

Risks

There exists a risk that, if we cannot provide the sustainable products, services and lifestyle proposals that society demands, it could have a negative effect on realizing a sustainable society, prompting a loss of trust and empathy from society at large. At the same time, we believe there is a risk that corporate and brand value could decline, leading to lower profitability and market share.

Opportunities

If we can demonstrate leadership and carry out activities that help to realize a sustainable society, Kao will gain social credibility, which will lead to increased corporate value and loyalty. From that, we can expect to see increased sales and improved profitability.

In addition, technologies based on Kao's proprietary Essential Research can maximize the opportunities described above.

Strategy

Contribution to Kao's ESG Strategy, the Kirei Lifestyle Plan

Since Kao's founding, we have strived to enrich daily life through our business activities by listening closely to consumers, and going forward we will contribute to solving issues related to the global environment by optimizing the unique technologies we have developed over the last 130 years.

In promoting sustainable lifestyles, we propose ways to make the world healthier and cleaner, especially through decarbonization, zero waste, water conservation, and air & water pollution prevention.

They will be reflected in all phases of the product life cycle (raw material procurement, development / manufacturing / sales, product transportation, use, and disposal / recycling) of the contents and packaging.

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Contribution to the Mid-term Plan 2027 (K27)

The vision of K27 for the year 2030 is "Sustainability as the only path." To achieve this vision, our strategic approach is to "become an essential company in a sustainable world." We will take full advantage of Kao's knowledge and technologies to lead environment-sustaining activities with consumers, local governments, retailers, and industry peers.

Social impact

Our mission is to support consumer cleanliness, beauty, and health in many of life's situations. This positions us to offer consumers new ways of living through products and services, and we believe that we can work together with consumers worldwide to achieve sustainability.

For example, the widespread use of water-saving products will help reduce society's water consumption. In situations where hot water is used, saving water also contributes to reducing the amount of energy used to produce hot water. By proactively providing information like this to consumers, we encourage them to change their behavior.

We believe that providing sustainable products and information impacts society significantly because consumers use Kao products in large quantities.

Conversely, suppose Kao cannot propose or provide solutions in the above situations and quantities. That would delay the transition to a sustainable society in our daily lives. So we recognize our responsibility is a heavy one.

Contributions to the SDGs



Business impact

By disseminating information to conscious consumers who wish to lead sustainable lifestyles, loyalty to Kao products will increase, contributing to higher profitability and market share as well as brand value.

The "Mirai ni eco-peko bottle (eco-friendly refill bottle)" launched in 2023 as a refill container for *CuCute* dishwashing detergent not only increased sales by gaining empathy from consumers who want to lead a sustainable lifestyle, but also helped to improve profitability through reduced use of plastic.

In addition, by proactively leading the industry and encouraging standardization in the creation of technologies and systems, we will continue to promote purchasing behavior among consumers who are highly conscious of sustainability and gain a first-mover advantage.

Governance

Framework

Risk management in relation to promoting sustainable lifestyles is carried out by the Internal Control Committee, and opportunity management is carried out by the ESG Managing Committee, under the

supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management related to sustainable lifestyle promotion is conducted by the Internal Control Committee (twice a year) and its subordinate unit, the Risk & Crisis Management Committee (four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

Opportunity management related to sustainable lifestyle promotion is conducted by the ESG Managing Committee (six times a year). Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

In addition, the Decarbonization Steering Committee and the Plastic Packaging Steering Committee, under board-level ownership, have also undertaken strategy formulation and implementation planning, working to ensure reliable and rapid execution.

At the *Yoki-Monozukuri* meeting, we share the contents discussed and approved by the ESG Committee and promote activities in the business divisions.

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Education and promotion

E-learning for all employees

We have created an e-learning program in Japanese and English that provides essential knowledge to promote the Kirei Lifestyle Plan, and distribute it to employees within and outside Japan. To date, we have raised awareness of the current state and issues of decarbonization, LCA, zero waste, and water conservation.

Monthly meeting on environmental fields in manufacturing

While exchanging rapidly changing information among the ESG, research laboratory, business, procurement, and creative divisions, we share activity guidelines and technologies and confirm our progress so that *Yoki-Monozukuri* contributes to a sustainable society.

Collaboration with stakeholders

We believe it is important to collaborate with various stakeholders to promote sustainable lifestyles. We are promoting collaborative efforts with business partners, peers, corporate customers (distribution), and local governments, as well as creating educational programs and providing educational materials for the next generation.

Business partners

In the procurement of raw materials, we collaborate with our business partners to ensure traceability throughout the supply chain and help to solve social issues such as resource protection and environmental conservation.

Peer companies

We promote the collection of used packaging together with other manufacturers to realize a circular economy.

Corporate customers (retailers)

We are working with retailers to repeatedly use collapsible containers for delivery, display, and sales.

Local governments

We are working with local governments to collect packaging and with universities to conduct various demonstration experiments related to recycling.

Next generation

In instructional situations, we provide educational materials for fourth- and fifth-grade elementary school children as part of our activities to help the next generation discover the familiar problem of plastic waste / marine debris and local issues, and foster their ability to get involved proactively in solving these problems.

Risk management

We are working in accordance with the policies described above, keeping each of them in mind.

In *Monozukuri*, we check at the product development stage to ensure that products have a low environmental impact, such as by reducing CO₂ emissions and plastic containers.

In information dissemination, we keep abreast of daily improvements in environmental awareness and competitive trends, and confirm that messages are accurately conveyed to consumers when information is disseminated from brands.

With regard to hands-on learning and activities conducted with external parties, we check whether appropriate information is being provided when providing various educational materials to foster the next generation at the Kao Eco-Lab Museum, and when collaborating with distributors on environmental measures.

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Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

Based on the Kirei Lifestyle Plan's three commitments, making the world healthier & cleaner, we work for consumers to raise awareness of sustainable lifestyles through the key phrase "Wastefulness—*Mottainai*. Never today, nor tomorrow."

This will be promoted by providing products and services, disseminating various information (including through websites and social media), and having Kao employees participate in related activities.

Our target is to reach an accumulated global number of 100 million people since 2016.

2023 results

The cumulative number of people from 2016 reached by awareness-raising activities for environmentally conscious lifestyles through the provision of products and services, dissemination of various information, and activities by Kao employees is 14.0 million people as of the end of 2023.

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1. Propose sustainable solutions through manufacturing and products themselves

We have accelerated the shift to eco-friendly packaging containers. With the cooperation of consumers, we have commercialized, for the first time, a refill pack partially made of recycled materials, using horizontal recycling technology to recycle used refill packs back into refill packs.

2. Information provision related to sustainable lifestyle solution

We are conducting awareness-raising activities by experimenting with new corporate advertisements and a website that consolidates specific eco-actions.

3. Offer opportunities for hands-on learning

In instructional situations, we provide educational materials for fourth- and fifth-grade elementary school children as part of our activities to help the next generation discover the familiar problem of plastic waste / marine debris and local issues, and foster their ability to get involved proactively in solving these problems.

4. Conduct activities in collaboration with companies, organizations and public institutions

Aiming to bring about horizontal recycling of plastic packaging containers for daily necessities, we launched a demonstration experiment on a new collection scheme using municipal resource collection routes. The "Cleanliness and Water-saving Campaign" was conducted not only in Japan but also in China with the aim of contributing to a sustainable society in China by raising awareness of water saving, as well as the environment and natural resources.

Reviews of 2023 results

We continued to launch eco-friendly products and provide information to promote activities geared toward realizing a sustainable society. We will also continue to promote such activities together with consumers under the concept of "Wastefulness—*Mottainai*. Never today, nor tomorrow."

Going forward, we will further accelerate the development of products contributing to decarbonization, zero waste, water conservation, and air and water pollution prevention.

Recently, there has been an increase in environmental awareness in retail, so collaborative activities for collecting packaging for household products are increasing. In addition to establishing a collection scheme involving the industry, we will promote the transition to implementation by expanding the knowledge gained from the demonstration test of a new collection scheme that utilizes municipal resource collection routes, with the aim of expanding the volume of collected materials to other municipalities.

Main initiatives

Yoki-Monozukuri in plan and action and proposing activities and collaboration with stakeholders

In 2023, we have accelerated the shift to eco-friendly packaging containers. With the cooperation of consumers, we have commercialized, for the first time, a refill pack partially made of recycled materials, using horizontal recycling technology to recycle used refill packs back into refill packs. Moreover, we launched a demonstration test of a new collection scheme that utilizes local government resource collection routes to realize horizontal recycling of plastic packaging containers for daily necessities. In China, we carried out a cleanliness and water conservation campaign.

Horizontal recycling of used refill packs

Together with Lion Corporation, we have commercialized the first refill pack made partly from recycled materials through horizontal recycling, in which used containers are recycled back into the same type of containers.

In September 2020, the two companies announced a collaboration to help bring about a recycling-oriented society for resources used in plastic packaging and containers. On the Kao side, we have been working on the recycling of film containers (refill packs). As a result of this partnership, Kao launched *Attack ZERO Refill* (1,620 g), a concentrated liquid laundry detergent, and Lion released Top Super NANOX for Odors Refill Super Extra Large, a high-concentration laundry liquid detergent, in limited quantities at some stores in May 2023.



Environmental Program: Zero Waste Challenge
<https://www.kao.com/jp/education/next-generation/gomizero/>

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Kao's Attack ZERO Refill (1,620g) concentrated liquid laundry detergent for clothes (left) and Lion's Top Super NANOX for Odors Refill Super Extra Large (right) high-concentrated liquid laundry detergent (right)

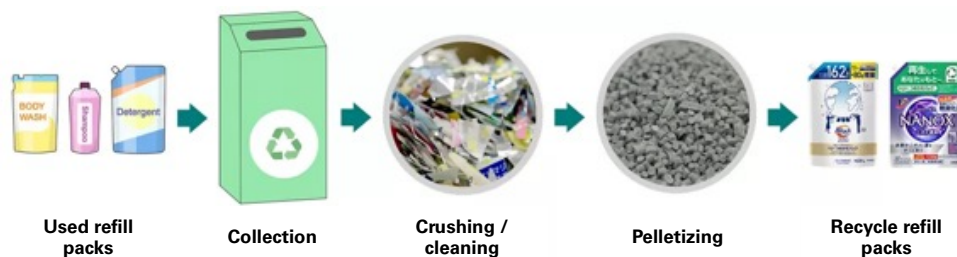
Refill packs for detergents, shampoos, and other products comprise layers of thin film made of different materials to protect the contents from temperature, humidity, and ultraviolet rays. Therefore, when recycled, it becomes a heterogeneous film consisting of many different types of components, and holes are created during the manufacturing process.

In June 2021, Kao introduced a pilot plant for film container recycling at its Wakayama Research

Laboratories. There, we have been developing and verifying batch recycling of film containers, and subsequently, the establishment of batch recycling technology for refill packs has led to the commercialization of refill packs using recycled materials. Recycled materials are used for some of the intermediate layers.

In addition, approximately ten percent of recycled materials are used. Additionally, some of the recycled refill packs collected at the Ito-Yokado Hikifune supermarket and Welcia Yakkyoku, where Kao and Lion are collaborating to conduct collection experiments, are also being used for the new recycled refill packs. About one percent of the total material in the recycled refill packs comes from these collected used refill packs; the remaining nine percent derives from refill packs that were not used as products.

In the future, we will work with consumers to promote the effective use of plastic by improving the sorting and collection system for refill packs, improving and establishing recycling technology, and establishing guidelines for container design.



The process of making a recycled refill pack (left) and the structure of a recycled refill pack (image) (right)



Kao and Lion Partner in Film-to-Film Recycling of Used Refill Packs
First Product Making Partial Use of Recycled Materials Reaches the Market
<https://www.kao.com/global/en/newsroom/news/release/2023/20230516-001/>

Start of a demonstration experiment using municipal resources collection routes

In Satsumasendai City, Kagoshima Prefecture, in cooperation with Nakadai Corporation, a general recycling company, we conducted a one-year demonstration experiment from April 2023 to March 2024 to collect plastic packaging containers of toiletry products on the city's resource collection route for approximately 1,000 households in the city. While a recycling scheme that utilizes municipal resource collection routes has already been established for beverage PET bottles, this is the first demonstration experiment for plastic containers for toiletry products. Through this new approach, we aim to solve the issues of "securing collection volume" and "reducing collection costs" identified in the recycling demonstration experiments conducted to date, and to establish a sustainable collection scheme. We will also realize a plastic resource-recycling society through horizontal recycling. This demonstration project is part of the Circular Park Kyushu project, which aims to build a sustainable society, and has been adopted by the Satsumasendai City SDGs Innovation Trial Support Project.

Based on the results of a questionnaire survey of cooperating households to ascertain the actual status of collection, we will verify the quality of collected items as well as "securing the volume of collection," which is an issue to address. In addition, to "reduce the cost of

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Flyer for Satsumasendai City requesting cooperation for demonstration experiment

collection,” we plan to consider the use of existing municipal collection routes as one method in the future.



Field Testing of a New Collection Scheme in Japan Using Local Government Collection Route to Achieve Horizontal Recycling of Plastic Containers for Personal and Home Care Products
<https://www.kao.com/global/en/newsroom/news/release/2023/20230424-002/>

China's Cleanliness and Water-saving Campaign

Kao China, together with the Advertising and Education Center of China's Ministry of Ecology and Environment, has launched the “Towards a Clean and Beautiful China” campaign to promote cleanliness and water conservation in China.

This is the 12th Cleanliness and Water-saving campaign run by Kao China, an environmental protection activity in partnership with the Advertising and Education Center of China's Ministry of Ecology and Environment, since its inception in 2012. We aim to contribute to a sustainable society in China by raising awareness of water conservation, the environment, and natural resources. In 2021, in response to China's

environmental strategy, the campaign theme was updated to “Towards a Clean and Beautiful China.” The project focuses specifically on university students, soliciting activity proposals from universities around China on various environmental themes such as “plastic reduction,” “decarbonization,” “biodiversity,” and “sustainable development,” and supporting the implementation of selected proposals and public relations activities of the universities. We hope that university students will develop more diverse activities, deepen their thinking on environmental issues, and generate innovative ideas for environmental activities.



Kao's ESG Strategy in China
 The 2023 China Cleanliness and Water-saving Campaign Kicks Off
<https://www.kao.com/global/en/newsroom/news/release/2023/20230519-001/>

Disseminating information related to sustainable living

Dissemination and sharing of information with consumers

We use our website, social media and corporate communication activities to disseminate and share a wide range of information with stakeholders. These

efforts convey our activities to consumers, and enable us to reflect consumer opinion in *Yoki-Monozukuri*.

We use principally the following to disseminate and share information relating to sustainable lifestyles with consumers.

Corporate advertisement series “Wastefulness—*Mottainai*. Never today, nor tomorrow.”

In July 2022, we launched a series of corporate advertisements, “Wastefulness—*Mottainai*. Never today, nor tomorrow.” to convey our corporate approach and initiatives for realizing a sustainable society. The series introduces Kao's initiative “Wastefulness—*Mottainai*. Never today, nor tomorrow.” regarding water conservation and refills in a fun and humorous way.



Kao Begins Development of the Corporate Advertising Series, “Wastefulness—*Mottainai*. Never today, nor tomorrow.”
<https://www.kao.com/global/en/newsroom/news/release/2022/20220729-001/>

Awareness-raising about sustainability on the “My Kao” website

The new “My Kao” website, an interactive digital platform to connect directly with consumers, was launched in December 2022. We began providing useful information for sustainable living and a sustainable

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society through the website. Together with consumers, we aim to reduce the environmental impact of using household products and cosmetics.



My Kao Sustainable
<https://my.kao-kirei.com/sustainable/>

Dissemination through social media

We use social media extensively to disseminate information about our solutions and activities. We listen to consumers and draw on their opinions in our sustainability-related activities.



Kao Official Note
<https://note.kao.co.jp>

Kao Official X (formerly Twitter)
https://x.com/KaoCorporate_jp

Kao Official Instagram
https://www.instagram.com/kao_official_jp/

Kao Official Facebook page
<https://www.facebook.com/corp.kao>

Kao Official YouTube channel
<https://www.youtube.com/user/KaoJapan>