

KAO SUSTAINABILITY REPORT 2024



Sustainability as the only path

kaO

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How to use this PDF

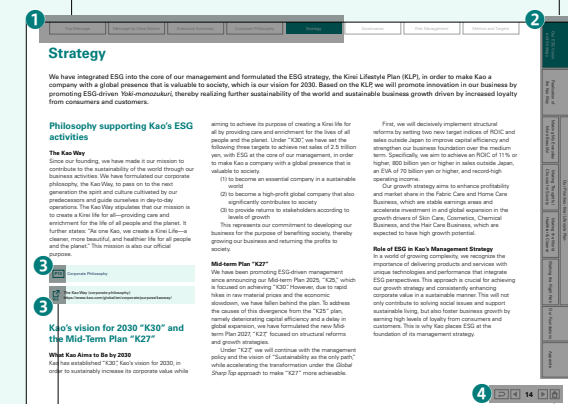
For easy page scrolling, the category tabs are located at the right edge of each page, and the category details tabs are located at the top. The link buttons to relevant pages and external sites are also available in the text.

1 Category details tabs

Click on a title to go to the top page of the category, and to access the individual items under that category.

2 Category tabs

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3 Link buttons



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Click to show the table of contents.

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Editorial Policy GRI 2-2, 2-3

The Kao Integrated Report presents a comprehensive range of financial and ESG information with the goal of communicating the Kao value creation story to stakeholders in a way that is easy to understand. The Kao Sustainability Report 2024 is designed to complement the Kao Integrated Report 2024, and presents a comprehensive picture of the value that Kao provides. This report introduces various activities aligned with our ESG Strategy, the Kirei Lifestyle Plan (KLP), that contribute to a sustainable world, along with detailed performance data.

Scope

This report covers the Kao Group (Kao Corporation, its subsidiaries and affiliates). In this report, “Kao” refers to the Kao Group (Kao Corporation, its subsidiaries and affiliates). Individual organizations are named where necessary in order to delineate boundaries or scope.

Environmental and social performance data covers Kao Corporation, its subsidiaries, and NIVEA Kao, while human capital development data covers Kao Corporation and its subsidiaries. Exceptions to the scope of this data are clearly stated in the text.

Organizations covered



List of Kao Group companies
<https://www.kao.com/global/en/corporate/outline/group-companies/>

Period

FY2023 (January 1, 2023–December 31, 2023)
 Some qualitative information includes FY2024 performance data.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) have been applied since FY2016. The per-unit sales quoted in this report are based on Japanese GAAP up to FY2015, and on IFRS from FY2016 onwards.

Independent assurance

Reports have been independently assured since 2003. KPMG AZSA Sustainability Co., Ltd. provides independent assurance for this report. Indicators subject to assurance are marked with a check (✓). These indicators are listed in the independent assurance report and the GRI Standards table.

Issuance period

Date of Issue	May 24, 2024
Next report scheduled for	May 2025
(Previous report issued	May 26, 2023)

Guidelines referenced

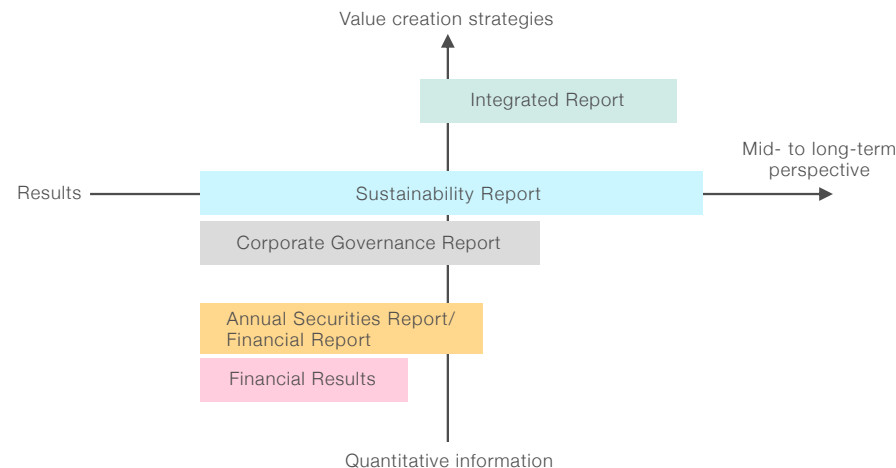
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
 - IFRS S2 Climate-related Disclosures
 - GRI Sustainability Reporting Standards
- * Related GRI item numbers are described in the titles on each page.

- UN Guiding Principles Reporting Framework
- Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) (September 2023)
- SASB Standards
- Environmental Reporting Guidelines 2018, Ministry of the Environment
- Environmental Accounting Guidelines for Chemical Companies (November 2003), Japan Chemical Industry Association
- SDG Compass

Disclaimer on forward-looking statements

Forward-looking statements contained in this report are based on information available at the time of publication, and on assumptions that management believes to be reasonable. These statements are not guarantees that Kao will achieve its targets. Various factors may result in substantially different outcomes.

Information Disclosure Framework



Top Message GRI 2-22

Global Sharp Top

Striving to Be the One and Only Company Through Creation and Innovation



Y. Haselbe

Representative Director
President and Chief Executive Officer

As a company that protects future lives

The global COVID-19 pandemic, the multipolarity and fragmentation of the international society with growing geopolitical risks, price hikes due to soaring raw material prices, and the issue of releasing treated water have profoundly impacted Japan's economy. Meanwhile, the global movement towards decarbonization and environmental conservation to create a sustainable society is becoming even more critical.

The Kao Group aims to realize a world in which all life lives in harmony. We are moving to become an indispensable part of a sustainable society as a company that protects future lives and cherishes the connection between people and society as well as the vibrant connections between people.

A Global Sharp Top strategy that leads toward K27

In August 2023, we updated parts of the Mid-term Plan to accelerate global development and improve capital efficiency. Here, we announced K27, which has 2027 as the last year of the plan. Although our core plan has not changed, the *Global Sharp Top* strategy has been added to clarify our axes of growth.

Kao's strengths lie in our unique technologies, developed through pursuing *Essential Research*. These technologies have resolved customer concerns on a superior level by creating indispensable products or, in other words, creating value. We aim to be the one and

only company in the world to provide sharp value proposals that customers wholeheartedly support. This is the essence of the *Global Sharp Top* mindset.

Four frameworks for transformation

We have specified four frameworks as strategies that guide us toward achieving K27.

The first framework is to strengthen and expand businesses that have high customer demand and profitability on a global scale.

The second framework is to develop talented individuals with exceptional skills and creativity to address important needs. These individuals will play central roles in promoting effective organizational management.

The third framework is to continually improve capital efficiency and profitability. We will strive to maximize the value of our management capital by investing in various categories and monitoring business efficiency based on business portfolios.

The fourth framework is focused on business development through co-creation with partners. This strategy will enable us to quickly and significantly utilize our technology assets.

Build Global Sharp Top business

Shift from quantity and volume to quality and connections

Kao's *Yoki-Monozukuri* approach focuses on identifying the essence from various facets, starting with the

Top Message GRI 2-22

consumer, to create highly unique approaches. R&D's strengths in supporting this lie in continuously incorporating and refining technology used in different fields to develop products that provide new value.

As diversity has become more prevalent, it is rare for people to seek the same product value. Instead, people now seek products that align with their personal values and have meaning to them. We are evolving manufacturing from value creation that provides a certain level of satisfaction to anyone who uses our products, to value creation with a strong focus on certain customers, thereby striving for an elevated level of satisfaction. To achieve this, we are making efforts to transform from an economy of quantity and volume toward an economy of quality and connections.

Gaining loyalty through building on a global perspective

We re-established a strong awareness of globalization to clarify the contrast between that and conventional international expansion. Instead of promoting Japanese technology and products overseas as we did in the past, we will now focus on generating value from a global perspective from the start.

We are committed to creating products and developing businesses that are indispensable to our customers, as measured by the repeat ratio (loyalty). Equally important, we are determined to maintain our top position within the important sectors for these businesses.

Global Sharp Top human capital and organization management

Fostering skilled human capital through well-balanced investments

We will steer towards an increasingly well-balanced investment in human capital. Based on Kao's Diversity, Equity, and Inclusion values, which respect diversity of people, we will establish policies that provide maximum respect for the individual characteristics and strengths of each member in our workforce.

To achieve this, we will start by focusing on developing distinct personnel that can exert leadership and those highly skilled in specific fields.

Although we provide numerous training opportunities within our human capital investments, we especially focus on innovation technology education. Currently, Kao has launched the DX Adventure Program, which allows participants to acquire top-class skills starting from a basic understanding of IT. We have also started an AI Academy to reskill advanced engineers.



Speedy decision-making and implementation with task-based management

For those with strong leadership qualities, we promote the delegation of authority and create an environment where swift decision-making is done in small teams.

While we respect the conventional matrix structure between business management divisions and functional divisions, we are now transitioning to a task-based management model with business management divisions at its core to make clearer and faster decisions.

We believe in promoting dialogue and leveraging the collective wisdom of our employees to prioritize speed in decision-making and task implementation.



Top Message GRI 2-22

Improve capital efficiency/ profitability

Business portfolio review with ROIC* as an indicator

Since 2023, Kao has been managing business portfolios with ROIC as its foundation. The company's businesses have been quantitatively analyzed and categorized into the three sectors: Stable Earnings, Growth Drivers, and Business Transformation, with the ROIC for each sector been made clear.

The ultimate goal of K27 is to achieve an ROIC of 11%. To reach this goal, we will prioritize investments for global growth and increase sales of global businesses in the growth driver business area, which includes skin care, cosmetics, chemicals, and business products.

* Return on Invested Capital

Conducting structural reforms to pave the way for improved capital efficiency

We initiated a significant structural reform in 2023 reviewing our business portfolio, which relied heavily on China, and reorganized it to foster well-balanced global growth. Through these human capital structural reforms, we have maximized our human capital and paved the way to improved efficiency.

In Japan where there is a strong business custom of maintaining low prices for everyday products, Kao has led the industry in implementing strategic price increases to pass on the rising costs of raw materials. In this dynamic environment, Kao has harnessed digital technology to manage profit ratios from product design to sales, and are consistently challenging ourselves to deliver high-added value.

Looking ahead to 2024, we are proactively addressing logistics issues by implementing effective inventory control measures, eliminating product shortages, and enhancing shipping efficiency.

Build businesses through co-creation with partners

Breaking free from self-sufficiency to create synergy

The final framework requires building businesses through co-creation with partners. To maximize Kao's technology assets and contribute to business and society as much and fast as possible, collaboration with partners with distinctive strengths becomes essential. Our collaboration guidelines are based on whether we have the same values and ambition toward the same direction to resolve social issues. We believe that leading the industry and each having areas of strength is important when creating synergies.

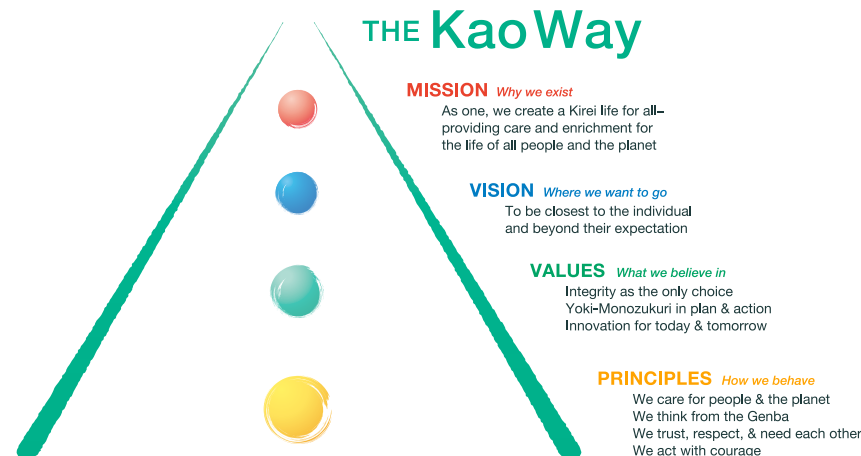
From now on, Kao will strive to break free from a self-sufficient mindset and build businesses with a higher level of products and profit with the support of many partners.

Aiming to increase corporate value under the Kao Way

The Kao Way is our corporate philosophy deeply rooted in each employee. Due to this foundation, all activities become consistent and become the driving force that brings together our diverse assets and employee capabilities.

As we propel towards K27, the power of our people will drive our aspiration to become an essential global company under our *Global Sharp Top* strategy. We will focus on maximizing the energy of our employees to further evolve *Yoki-Monozukuri* from an ESG perspective fueled by creativity and innovation.

We aim to become an essential company in a sustainable world, walking the right path by showing the world how to transition from an economy of quantity to an economy of quality.



[Guidelines to Attain K27]

▶ Pursuing the transition from quantity to quality

▶ Global Sharp Top

▶ Yoki-Monozukuri

▶ Maximizing the power and potential of employees

Message by Dave Muenz GRI 2-22

Integrating Sustainability Into Our Business and Balancing ESG and EVA



David J. Muenz

Director, Managing Executive Officer
Senior Vice President, ESG, Global
Responsible for Strategic Public Relations

With our commitment to *Yoki-Monozukuri* with an ESG perspective, Kao will continue to pursue value creation for our consumers through solutions for social issues, as well as optimization of our business operations across the value chain. This will bring positive impact to ROIC and EVA and contribute toward our finances.

ESG strategy strengthens our *Global Sharp Top* approach

With rapid changes in our business environment, meeting various social challenges from an ESG perspective will boost stakeholders' confidence and therefore Kao's presence in the marketplace. Kao's ESG strategy, the Kirei Lifestyle Plan (KLP), describes ambitious goals for the future and a detailed direction of ESG activities with a focus on consumers and customers. The KLP works on resolving key social issues, which include Decarbonization, Zero Waste, and Human Rights, while striving for business growth.

Our *Global Sharp Top* approach is about creating unique brands with high-performing products that have strong loyalty and high repeat purchase levels. As we transition to a more sustainable world, the KLP will be put into action with sustainability embedded in our operations and in the unique propositions we offer to our customers. This will further increase customer satisfaction and loyalty, thus further enhancing the *Global Sharp Top* approach.

Creating a Kirei life for all

Our corporate philosophy, the Kao Way, defines our mission as realizing a Kirei World in which all life lives in harmony. It is about creating a Kirei Life for all—providing cleanliness, beauty and health for the life of all people and the planet. Making a difference to sustainable lifestyles through our business has been a central tenet for Kao since the founding of the company.

As we pursue K27 and beyond with the vision of "Sustainability as the only path" by embedding ESG strategically into our business, Kao will lead the way in realizing a sustainable world. We will deliver high value proposals from an ESG perspective to consumers around the world and fulfill our purpose of creating a Kirei life for all and increase our corporate value along the way.

ESG Value Proposals lead to Business Growth

We are already seeing our proposals from an ESG perspective bear fruit in creating new value for our consumers. *Bioré UV Aqua Rich Protect Mist* enables consumers to easily reapply UV during the day thus protecting their future well-being, and *Laurier* has been building empathy and loyalty with its purpose-driven branding.

Our interactive digital platform My Kao offers product proposals for consumers based on results of a skin analysis service equipped with a proprietary AI algorithm. This approach allows our consumers to enjoy a higher quality of life and results in more repeat purchases.

Message by Dave Muenz

GRI 2-22

The bottle refill for *CuCute* dishwashing detergent with about 40%*1 less plastic usage is easily crushable for disposal and has been well received for its environmentally-friendly features. Products like this, which address issues from an ESG perspective, have contributed to the development of new markets and increasing customer loyalty. We will continue to promote value proposals from an ESG perspective to consumers globally.



Plastics
About **40%**
reduction

*1 Conventional weight ratio for product packages

using our environmentally-friendly and socially-conscious products can strongly encourage people to choose our products. We will continue to enhance Kao's corporate value through ESG activities and contribute towards supporting consumers in leading sustainable lives as a result of using our products.

ESG Activities Make Our Business Sustainable

ESG will be critical in ensuring our businesses are sustainable. We reduced CO₂ emissions (Scopes 1 + 2) from all Kao Group sites by 35% in 2023 compared to 2017 (base year), a steady progress toward achieving the target of 55% reduction by 2030. In our efforts to create a more circular society, we are promoting the use of recycled plastic for PET packaging, achieving an 81% usage rate in Japan, our biggest market.



Sourcing responsibly is another key focus area for Kao. We closely cooperate with partners for the procurement of one of Kao's key materials, palm oil, towards the establishment of a sustainable supply chain free of deforestation and human rights violations. This includes securing traceability to oil palm smallholders, providing support to oil palm smallholders in Indonesia, and purchase of RSPO-certified sustainable palm oil. We share the latest progress on our Palm Oil Dashboard, which is a page that introduces activities related to palm oil procurement.

Through these actions and the wholehearted implementation of our efforts based on the KLP, we believe that Kao will continue to be a leader in sustainability, improve our financial performance as measured by EVA and ROIC, and grow our business globally.



Palm Oil Dashboard
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Realizing a Sustainable World with our stakeholders

Engaging with users of our products and raising the entire society's awareness of ESG is key to realizing a sustainable world. Starting in 2022, Kao began promoting the message "Wastefulness—*Mottainai*. Never today, nor tomorrow." to communicate Kao's actions for the environment and society in an approachable way. The objective is to engage people to consciously address environmental issues simply by choosing and using Kao products.

Through this message, we are seeing positive results that show raising awareness of the benefits of

Executive Summary

New value creation for people's lives and society

To **10** countries
and regions

Countries and regions for
the GUARD OUR FUTURE
project

23.2%

Highest annual market share
ever for *Bioré UV*¹

Approximately
400,000 times

Number of times our new UX
service was utilized in the first
nine months

1.2 times

Number of users who are
highly involved in
sustainability^{*2}

1.2 times

Favorability to the *Laurier*
brand^{*3}

26%

Percentage increase in sales
revenue of products with superior
environmental performance

58%

Percentage of challenge-
oriented human capital

87%

Confirmation of traceability to
oil palm plantation

4 consecutive
years

CDP triple A award

35%

Scope 1+2 GHG emissions
(absolute) reduction

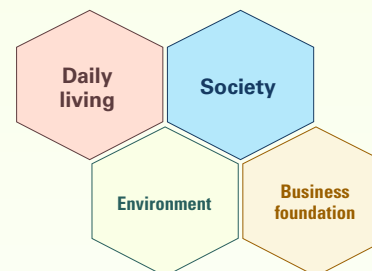
Risk Mitigation for people's lives and society

31.1%

Percentage of female
managers

18 consecutive
years

Named one of the World's
Most Ethical Companies



*1 Intage SRI+ Sunscreen Market in Japan, January-December 2023 value share

*2 Year-on-year, Intage SCI survey

*3 Year-on-year, Kao survey

Daily living

New value creation for people's lives and society

New initiatives to increase awareness of activities to save future lives from dengue fever

To **10** countries and regions

Countries and regions for the GUARD OUR FUTURE project

To expand the area of business for products that aim to improve people's quality of life, we launched a campaign to increase awareness of our products by generating empathy among the people. *Bioré GUARD Mos Block Serum*, a

repellent launched in Thailand in June 2022 under a new concept, is a product that protects people's lives from mosquitoes and symbolizes the vision of our Mid-term Plan "K27": "Protecting future lives—Sustainability as the only path." In cooperation with the government, local communities, distributors, and companies, we are conducting awareness-raising activities on mosquitoes and dengue fever and donating this product to Thai consumers.

As global warming continues, the spread of dengue fever is expected to increase. In the future, the GUARD OUR FUTURE project will promote efforts to expand its business areas beyond Thailand. In 2024, a new campaign utilizing social media will be developed in 10 countries and regions in Asia. This is a campaign in which *Bioré's* official social media accounts in the target countries and regions will collaborate to donate *Bioré GUARD Mos Block Serum* to areas where dengue fever is spreading in proportion to the number of likes on their posts. We expect to expand awareness through empathy with consumers.

P62 Habits for Cleanliness, Beauty & Health > Efforts to reduce damage from mosquito-borne infectious diseases in Thailand

New value creation for people's lives and society

Products that solve social issues through UV care create new areas in existing categories and contribute to business expansion

23.2%

Highest annual market share ever for *Bioré UV*^{*1}

Amidst the growing need for sunscreens that protect people's skin from UV rays, in 2023 we launched a new product, *Bioré UV Aqua Rich Aqua Protect Mist*, which can be easily reapplied on the go. It became a big hit, winning a 6.8%

share^{*1} of the Japanese market. As a result, *Bioré UV's* annual market share reached 23.2%^{*1}, setting an all-time record. This result contributed to business expansion.

UV care products, which protect the skin from ultraviolet rays, have traditionally been one of Kao's main growth drivers. By understanding the issues faced by people from a sustainability perspective and contributing to improving their quality of life, we have shown that even existing categories can create new business areas.

The UV care business constitutes the skin protection business that the skincare business will focus on in the Mid-term Plan "K27." This business is one of the key growth drivers in "K27" and also a symbol of its global growth strategy. In the future, we will accelerate the development of UV care products outside Japan and aim to establish a firm global position.

^{*1} Intage SRI+ Sunscreen Market in Japan, January-December 2023 value share

P44 Our ESG Vision and Strategy > Metrics and Targets > Beneficial effects on business

New value creation for people's lives and society

Creation of business models that lead to product proposals through AI-based customer experience services

Approximately **400,000** times

Number of times our new UX service was utilized in the first nine months

My Kao, an interactive digital platform for consumers, has launched an AI-based skin measurement service called *HADA RECO*. This service was used approximately 400,000 times in the first nine months.

HADA RECO is a skin measurement service that uses Kao's proprietary AI algorithm to unlock the beauty potential of each person. Based on the measurement results, beauty professionals provide personalized skincare and beauty advice and recommend appropriate products. This service that is tailored to each person and the various mechanisms that make customers want to continue using *HADA RECO* have increased the rate of repeat purchases of our products.

We use the data and knowledge obtained from *HADA RECO* for product development and service quality improvement, and return them to customers as new value to improve QOL at a high level. In this way, we also contribute to the business.



P44 Our ESG Vision and Strategy > Metrics and Targets > Beneficial effects on business

Society

New value creation for people's lives and society

Environmentally friendly products that boost purchasing behavior and contribute to increased sales and improved brand reputation

1.2 times

Number of users who are highly involved in sustainability^{*1}

In September 2023, we launched the *CuCute* dishwashing detergent brand with an environmentally friendly refill container called "*eco-peko bottle for the future*." It was well received by sustainability-conscious consumers, and the

number of users with high sustainability involvement increased 1.2 times^{*1} before and after its launch, contributing to increased sales and market share. Furthermore, its share of the dishwashing detergent market grew by 2% year-on-year (113% by value year-on-year)^{*2}.

The *eco-peko bottle for the future* is easy to crush during disposal, thanks to Kao's patent-pending packaging and container technology that makes the bottle as thin as possible while maintaining the same durability and ease of refilling. As a result, not only is the total burden of dishwashing reduced, but the amount of plastic used is also reduced by approximately 40%^{*3}, and CO₂ emissions from the production and disposal of containers are also reduced. As consumers are expected to become more environmentally conscious in the future, we will provide environmentally friendly products to realize a sustainable society through environmental conservation, while at the same time growing our business.

*1 Year-on-year, Intage SCI survey

*2 Survey by Intage SRI+

*3 Container weight compared to conventional products

P87

Purpose Driven Brands > CuCute: Brand activities that are environmentally conscious and cater to diversifying lifestyles

New value creation for people's lives and society

Achieving increased brand loyalty and sales through purpose-driven branding

1.2 times

Favorability to the *Laurier* brand^{*4}

The *Laurier* sanitary product brand saw a 1.2 times^{*4} increase in brand favorability and a yearly increase^{*5} in market share over the previous year, thanks to a purpose-driven branding approach.

Laurier's brand purpose is to create a society where women can live safely and comfortably with confidence in their self-expression by improving the environment surrounding women's lifelong physiological phenomena better.

Based on this purpose, we have strengthened communication and empathetic marketing to consumers, which has led to increased brand loyalty and an increase in repeat purchases.

In addition, the number of companies that have introduced *Laurier* in the Workplace, a new B2B-type business launched in the spring of 2022, has reached more than 50. There is a great demand for this project of supplying sanitary napkins in the workplace, with approximately 80% of respondents agreeing to supply sanitary napkins in their workplaces. We will expand our business by contributing to the creation of a comfortable work environment while also providing support for internal awareness-raising.

*4 Year-on-year, Kao survey

*5 Intage SRI+ survey

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Purpose Driven Brands > Laurier: Brand activities that contribute to the daily lives of individuals and to social issues

Risk Mitigation for people's lives and society

Steady expansion of the scope for confirmation of traceability to oil palm plantation for risk reduction

87%

Confirmation of traceability to oil palm landholders

Palm oil is a key ingredient in Kao's products, such as detergents and shampoos. In order to achieve sustainable and responsible raw material procurement, we have been working on verifying the traceability to oil palm plantation,

which is 87% complete as of 2023.

Ensuring 100% traceability is a foundational initiative to avoid risks related to deforestation and human rights issues and is essential for stable business continuity.

By 2025, we will fully complete traceability verification to oil palm plantation in collaboration with various stakeholders, including suppliers, landholders, and NGOs.



P104

Responsibly Sourced Raw Materials > Metrics and targets

Environment

New value creation for people's lives and society

Products with superior environmental performance contribute significantly to overall sales growth of CP Business products

26%

Percentage increase in sales revenue of products with superior environmental performance

Kao's commitment to make the world healthier and cleaner is one of its ESG strategies, and sales of products that meet the strict environmental conformity requirements for this commitment increased 26% over the previous year.

This increase was mainly due to increased conformity requirements for *Attack* laundry detergent and *CuCute* dishwashing detergent, which account for a large percentage of sales and have excellent environmental performance. At the same time, the increase in sales and market share of these brands contributed to the Fabric and Home Care business, which saw a 1.3% increase in sales over the previous year.

We will continue to reduce environmental impact throughout the product life cycle and contribute to the realization of a sustainable environment by providing products with superior environmental performance, while at the same time enhancing product value and increasing customer loyalty.



P44 Our ESG Vision and Strategy > Metrics and Targets > Beneficial effects on business

Risk Mitigation for people's lives and society

Received highest ratings in the fields of climate change, forest, and water security

4 consecutive years

CDP triple A award

Kao received the highest triple-A score for its sustainability initiatives involving climate change, forests, and water security by an international non-profit organization CDP. In 2023, more than 21,000 firms were evaluated for the "A List," with only 10 selected for inclusion across the three categories. Kao is the only Japanese company selected as a triple-A company for four consecutive years.

CDP is the world's leading organization for evaluating and rating companies' environmental performance, and institutional investors and others use the results of its evaluations to make investment decisions. They are currently working with more than 740 financial institutions with over US\$136 trillion in assets, and their influence is growing.

Aiming to meet the world's leading CDP evaluation standard will also help to raise our overall environmental activities to a global level. We will continue to implement environmental activities that meet globally required standards throughout our operations to avoid risks and create business opportunities.



P120 Decarbonization > Metrics and targets > Reviews of 2023 results > CDP evaluation

Risk Mitigation for people's lives and society

Steadily reduce greenhouse gas emissions (Scope 1 + 2) from all sites

35%

Scope 1+2 GHG emissions (absolute) reduction

We reduced greenhouse gas (GHG) emissions (Scope 1+2) from all Kao Group sites by 35% in 2023 compared to 2017, the base year. Steady reductions were made to achieve the 2030 target of 55% reduction. In Scope 1, we reduced

17% of GHG emissions by installing heat pumps in our plants to reduce fossil fuel consumption and by responding to demand-driven production. In Scope 2, the number of emissions decreased by 63% compared to 2017, as a result of zero emissions in Japan and significant reductions in the Asian region as well. This was due to our efforts to promote the use of renewable energy for electricity consumption at our business sites and at our plants within and outside Japan, and to promote the installation of photovoltaic power generation, a low-cost and long-term stable source of electricity, by utilizing the Internal Carbon Pricing System.

Going forward, we will accelerate our efforts to reach carbon zero by 2040 and carbon negative by 2050, thereby contributing to the realization of a decarbonized society.



P116 Decarbonization > Metrics and targets

Business foundation

New value creation for people's lives and society

Encouraging diverse employees to take on challenges to maximize the power and potential of employees

58%

Percentage of challenge-oriented human capital

The results of the employee awareness survey for 2023 indicated that 58% of employees are working on some challenging goals on a daily basis. Half of them are steadily working to achieve challenging goals with the

cooperation of those around them, and achieving both personal and organizational growth.

Kao has introduced the Objectives and Key Results (OKR) approach since 2021. The global implementation rate of OKR is more than 70%, resulting in an increase in the number of employees working on high and challenging goals. On top of that, one of the human capital strategies, namely "Sharpen the skills and unlock the potential of highly motivated employees" to realize the Mid-term Plan "K27" is to harness highly motivated human capital, and we are implementing advanced education as a priority action. In addition to offering more than 9,000 commuter, correspondence, and e-learning courses, we are launching a new DX learning program for all global employees in 2023.

We will continue to accelerate our efforts to maximize the power and potential of employees by providing fair opportunities to our diverse employees and offering growth opportunities to those who are willing to take on new challenges.

P218 Human Capital Development > Create equitable opportunities for all employees > OKR

Reducing the burden on people's lives and society

Steady increase in the proportion of female managers by promoting women's empowerment

31.1%

Percentage of female managers

Based on the belief that women's empowerment is essential for Kao's growth, we continued to engage in activities to promote women's empowerment in 2023, resulting in a 31.1% ratio of female managers.

We aim to increase diversity in various decision-making positions, and have set a goal to make the ratio of female managers equal to the ratio of female employees by 2030. In Japan, there is a gap between the ratio of female managers and the ratio of female employees, so we are working on three priority actions. In 2023, as one of our efforts to support the balance of childcare with highly motivated work, we introduced paid childcare leave, which both men and women are required to take. By making it common for men to participate in childcare and housework, this program encourages men and women to work with high motivation to realize their own career aspirations, regardless of gender.

We will continue to promote women's empowerment and apply diverse perspectives to all corporate activities, which will lead to business growth, by providing products and services that respond to changes in society and provide diverse values.

P231 Inclusive & Diverse Workplaces > Activities to promote Diversity & Equity > Women's empowerment

Reducing the burden on people's lives and society

Selected as one of the world's most ethical companies due to the ethical corporate culture that has existed since the company's founding

18 consecutive years

Named one of the World's Most Ethical Companies

For 18 consecutive years, the Ethisphere Institute, a leading US think-tank, has named Kao one of the World's Most Ethical Companies®. Of six global companies that have received this award on each occasion since its

establishment, Kao is the only Asian and Japanese company.

This is the result of the attitude of each and every employee who has continued to practice the founder's philosophy of "Walking the right path"—namely, to act in accordance with laws and ethics and conduct business activities with integrity and purity—and the corporate culture fostered by this attitude. We believe that this award is a recognition of the continuous improvement of the entire company, from the frontline to the management.

We will continue to contribute to the further development of our business and the realization of a sustainable society by adhering to and practicing high ethical awareness.

ETHISPHERE®
WORLD'S MOST
ETHICAL
COMPANIES®
2007 - 2024

P178 Effective Corporate Governance > Eighteen consecutive years on the World's Most Ethical Companies® 2024 list

Corporate Philosophy

The “Kao Way” is our corporate philosophy formulated in 2004 to pass on the spirit and culture cultivated by our predecessors to the next generation. In 2021, we updated our mission statement with a new mission of “Symbiosis” for further transformation, adding a vision of “Staying ahead of expectations” and action principles of “Daring to take on challenges.”

This corporate philosophy is deeply ingrained in each and every employee. From the formulation of mid- to long-term business plans to decision-making in day-to-day operations, all activities are consistent by relying on the “Kao Way.” This is the driving force that brings together diverse assets and employee strengths to address social and business issues. It is also a guideline that overlaps personal growth with the company’s development and contribution to society, creating job satisfaction and a sense of fulfillment.

Common basis for dialogue among all employees globally

- Mission as a purpose for existing
- Unwavering fundamental values
- Vision to aim for
- Principles of action that we value



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

Mission

To realize a Kirei world in which all life lives in harmony

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. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all.

The Japanese word *kirei* describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.

Vision

To be closest to the individual and beyond their expectation

By deeply knowing and understanding our world and its people, we aim to improve people’s lives beyond their expectations for a future where humans and nature thrive together.

Strategy

We have integrated ESG into the core of our management and formulated the ESG strategy, the Kirei Lifestyle Plan (KLP), in order to make Kao a company with a global presence that is valuable to society, which is our vision for 2030. Based on the KLP, we will promote innovation in our business by promoting ESG-driven *Yoki-monozukuri*, thereby realizing further sustainability of the world and sustainable business growth driven by increased loyalty from consumers and customers.

Philosophy supporting Kao's ESG activities

The Kao Way

Since our founding, we have made it our mission to contribute to the sustainability of the world through our business activities. We have formulated our corporate philosophy, the Kao Way, to pass on to the next generation the spirit and culture cultivated by our predecessors and guide ourselves in day-to-day operations. The Kao Way stipulates that our mission is to create a Kirei life for all—providing care and enrichment for the life of all people and the planet. It further states: "As one Kao, we create a Kirei Life—a cleaner, more beautiful, and healthier life for all people and the planet." This mission is also our official purpose.

P13 Corporate Philosophy



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

Kao's vision for 2030 "K30" and the Mid-Term Plan "K27"

What Kao Aims to Be by 2030

Kao has established "K30," Kao's vision for 2030, in order to sustainably increase its corporate value while

aiming to achieve its purpose of creating a Kirei life for all by providing care and enrichment for the lives of all people and the planet. Under "K30," we have set the following three targets to achieve net sales of 2.5 trillion yen, with ESG at the core of our management, in order to make Kao a company with a global presence that is valuable to society.

- (1) to become an essential company in a sustainable world
- (2) to become a high-profit global company that also significantly contributes to society
- (3) to provide returns to stakeholders according to levels of growth

This represents our commitment to developing our business for the purpose of benefiting society, thereby growing our business and returning the profits to society.

Mid-term Plan "K27"

We have been promoting ESG-driven management since announcing our Mid-term Plan 2025, "K25," which is focused on achieving "K30." However, due to rapid hikes in raw material prices and the economic slowdown, we have fallen behind the plan. To address the causes of this divergence from the "K25" plan, namely deteriorating capital efficiency and a delay in global expansion, we have formulated the new Mid-term Plan 2027, "K27," focused on structural reforms and growth strategies.

Under "K27," we will continue with the management policy and the vision of "Sustainability as the only path," while accelerating the transformation under the *Global Sharp Top* approach to make "K27" more achievable.

First, we will decisively implement structural reforms by setting two new target indices of ROIC and sales outside Japan to improve capital efficiency and strengthen our business foundation over the medium term. Specifically, we aim to achieve an ROIC of 11% or higher, 800 billion yen or higher in sales outside Japan, an EVA of 70 billion yen or higher, and record-high operating income.

Our growth strategy aims to enhance profitability and market share in the Fabric Care and Home Care Business, which are stable earnings areas and accelerate investment in and global expansion in the growth drivers of Skin Care, Cosmetics, Chemical Business, and the Hair Care Business, which are expected to have high growth potential.

Role of ESG in Kao's Management Strategy

In a world of growing complexity, we recognize the importance of delivering products and services with unique technologies and performance that integrate ESG perspectives. This approach is crucial for achieving our growth strategy and consistently enhancing corporate value in a sustainable manner. This will not only contribute to solving social issues and support sustainable living, but also foster business growth by earning high levels of loyalty from consumers and customers. This is why Kao places ESG at the foundation of its management strategy.

Strategy

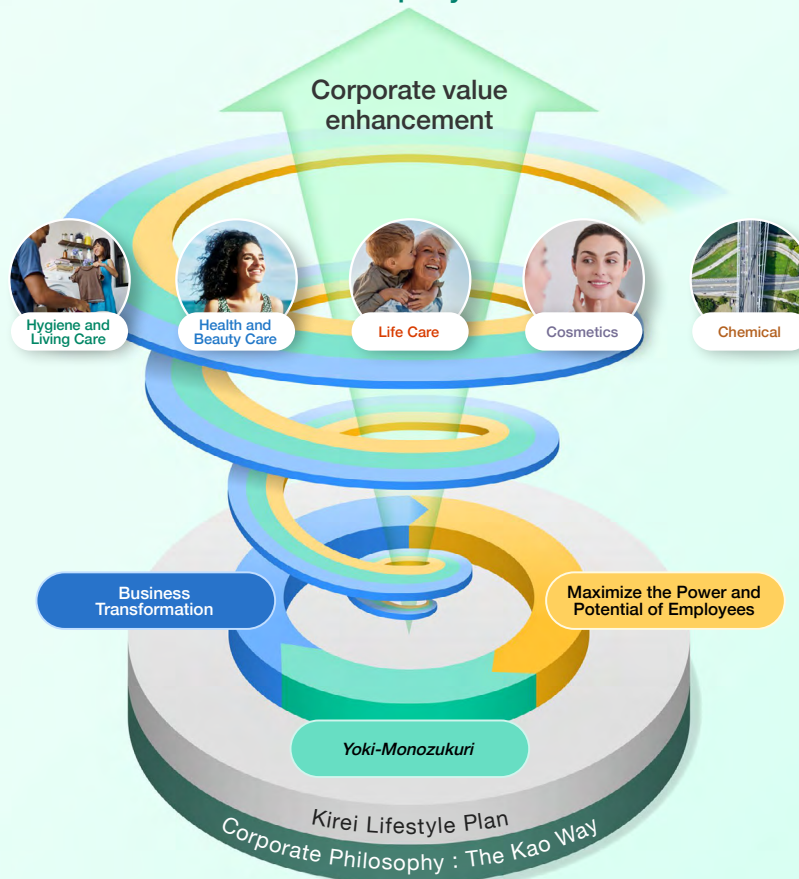
Our Value Creation

Value Creation Model

◀ Purpose ▶ To Realize a *Kirei* World in Which All Life Lives in Harmony

Social Issues of Focus	Sources of Our Value Creation
Environmental Issues	Human Capital <ul style="list-style-type: none"> Number of employees — 34,257 Management tool for activating personal growth : OKRs Open recruitment program for revolutionizing ideas : 0★1 Kao
Aging Population	Relationship Capital <ul style="list-style-type: none"> Sales area — over 100 Subsidiaries — 113 Customers, partners for business and social contribution, academia
Pandemics	Financial Capital <ul style="list-style-type: none"> Net sales — 1,532.6 billion yen Core operating income* — 114.7 billion yen EVA (Economic Value Added) — 14.9 billion yen
Diversification of Society	Intellectual Capital <ul style="list-style-type: none"> Number of brands — 81 Number of patents held — 15,000 Number of trademarks held — 22,000 R&D expenses — 62.6 billion yen
	Manufacturing Capital <ul style="list-style-type: none"> Production sites — 36 locations Capital investment — 93 billion yen
	Natural Capital <ul style="list-style-type: none"> Energy consumption — 16.7PJ Water use — 16.2 million m³ Plastic packaging usage — 85.0 thousand tons CO₂ emissions across the product lifecycle — 10,094 thousand tons

Become an Essential Company in a Sustainable World



Commitment to the Future

Our Vision

1 Regenerative Lifestyles

Plan for and enable
regeneration.

2 Toward Carbon Negative

Move beyond CO₂
reduction and unlock
CO₂ recycling.

3 Zero Waste

Waste nothing.
Period.

4 Precision Life Care

Every person is unique.
Our solutions will be
too.

5 Leave No One Behind

Innovation can be
for everyone.
We won't stop.

Sustainability as the only path
Protecting future lives

* FY2023 figures are calculated based on core income. The Kao group presents income excluding one-time gains and losses due to non-recurring factors as *core income.*

Strategy

Kirei Lifestyle Plan, ESG Strategy

Sustainability-related risks and opportunities

Some of the elements that characterize Kao's business model and value chain include:

1. Manufacturing and sales of consumer products for consumers around the world.
2. Manufacturing and sales of chemical products for customers in a wide range of industries around the world.

3. Using chemicals as a key material shared between the Consumer Products Business and the Chemical Business.
4. A global value chain formed around raw material production to product sale, with numerous raw material suppliers in the upstream and numerous distributors, retailers, business partners, and customers in the downstream.

Kao has a wide range of business domains, from the Consumer Products Business to the Chemical Business. Therefore, we can narrow the scope of sustainability of the world in which Kao is involved into four areas: daily living, society, environment, and business foundation.

Sustainability-related risks and opportunities and corresponding strategies

Classification	Risks	Opportunities	Strategy
Daily living	<ul style="list-style-type: none"> • Decrease in sales and profit due to the rise of daily necessities/personal care products that prioritize price over value-added products that contribute to people enriched lives • Loss of business opportunities due to product development that is disconnected from the lifestyles of people in each region 	<ul style="list-style-type: none"> • Expansion of existing businesses and creation of new markets by providing high value-added products that meet the needs of people seeking affluence in their lives and global expansion in accordance with regional characteristics 	<ul style="list-style-type: none"> • Product development, business development, and global expansion aimed at enriching the lives of people • Strategic development of awareness-raising and communication to encourage people to change their attitudes and behaviors in conjunction with the business
Society	<ul style="list-style-type: none"> • Improper management and handling of high-risk procurement, such as palm oil, resulting in procurement difficulties and deterioration of reputation 	<ul style="list-style-type: none"> • Business growth through increased brand loyalty that demonstrates involvement in society as its purpose • Expand business opportunities by providing innovative products/services through innovation • Stabilization of procurement through precise approaches to social issues in procurement 	<ul style="list-style-type: none"> • Increase loyalty by strengthening the Purpose Driven brand • Product and service revolution through innovation • Accurate supply chain management and sustainable raw material selection
Environment	<ul style="list-style-type: none"> • Growing environmental challenges such as decarbonization and plastic waste, as well as expanded producer responsibility, will increase taxation and corporate burdens and squeeze profits. • Difficulties in procuring raw materials, providing products to consumers, and continuing business due to extreme weather conditions 	<ul style="list-style-type: none"> • Increased revenues through risk avoidance, efficiency, and cost reductions in environmental taxation and regulations • Business growth through increased consumer/customer loyalty through advanced environmental responsiveness 	<ul style="list-style-type: none"> • Reduction of CO₂ emissions over the entire life cycle • Recycling of plastics and other resources • Water conservation in production and product use • Prevention of air and water pollution in production and product use
Business foundation	<ul style="list-style-type: none"> • Inadequate management of compliance, human rights, and chemical substances makes it difficult to continue business • Difficulty in securing excellent human resources and deterioration of corporate culture 	<ul style="list-style-type: none"> • Improving stakeholder confidence through quality control and chemical substance management unique to Kao • Expand business and improve competitiveness by enhancing human resources 	<ul style="list-style-type: none"> • Effective compliance • Managing human rights across the value chain • Strengthening human resources and organizational capabilities • Advanced chemical management

Strategy

Daily living is a unique aspect of Kao's efforts to meet the needs of the people that we serve and enrich their lives. Society is an important aspect of Kao's business activities because of our relationship with society through our global value chain and broad involvement with society through diverse industries in order to operate the Chemical Business. Environment is an aspect that has a significant impact because our business depends heavily on natural capital. We also own plants that have local and environmental impacts, and our products are provided to, used by, and disposed of by consumers around the world. To respond appropriately to these aspects, it is essential for Kao to bolster its Business Foundation through human capital development, respect for and protection of human rights, promotion of DE&I activities, and chemical substance management.

The previous page shows the risks and opportunities related to the sustainability for society with which Kao is concerned. These are attributable to Kao's business characteristics, which indicate that promoting strategies for avoiding risks and creating opportunities will lead to the improvement of corporate value and business growth based on our business characteristics.

At the same time, offering both products and value-added services from a sustainability perspective will help transform our business model. For example, services that accurately grasp individuals' body condition and lifestyle, such as the type and amount of contamination on clothes, as well as the occurrence of disease and pests on crops, should lead to the transformation of business models.

We also believe that sustainability initiatives will help improve our value chain, appropriately manage high-risk raw material procurement, diversify such raw

materials by utilizing alternatives, and strategically procure recycled materials.

Kao's ESG Strategy

The table on the previous page shows strategies for addressing sustainability risks and opportunities classified into the four categories.

Based on these strategies, three main pillars that make up the Kirei Lifestyle Plan (KLP), which is Kao's ESG Strategy, namely "Making my everyday more beautiful," "Making thoughtful choices for society," and "Making the world healthier & cleaner" as well as "Walking the right path" which is the foundation that supports these pillars have been formulated.

The KLP sets forth the direction we are taking with specific ESG activities that put people at the center of our actions, as well as our ambitions for the future. It consists of Kao's ESG Vision and Kao's ESG commitments, as well as actions to achieve this vision.

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.

For each pillar, we have set our commitments, which are ambitious targets to achieve by 2030, as well as Kao Actions, our priority action themes.

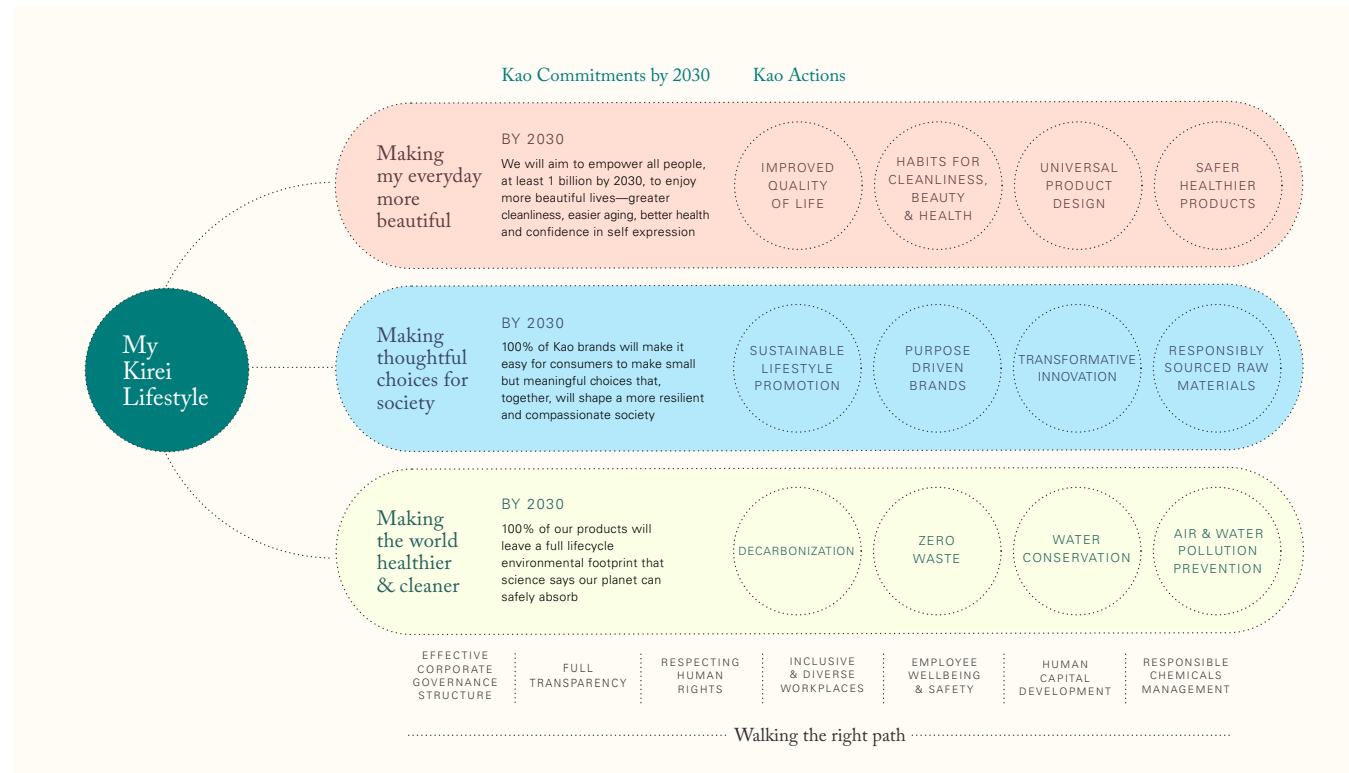
As the environment surrounding our global business activities becomes increasingly complex and social issues are expected to expand, we believe that Kao needs to have a strong will to promote structural reform and play a part in bringing about change in society so that we can achieve "K30." As the importance of governance is growing, we will further strengthen the effectiveness of our governance in line with our core value of "walking the right path." To that end, we have set mid- to long-term targets for each of the 19 Kao Actions to facilitate effective and reliable activities.

Acceleration of business growth through ESG Strategies

One of the basic policies to realizing Kao's vision of "Sustainability as the only path" outlined "K27" is "becoming an essential company in a sustainable world." The aim is to build business models that simultaneously solve multiple social issues together with our business partners. "K27" 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

Strategy

GRI 3-2



purpose is to realize a Kirei world in which all life lives in harmony.

We believe that our ESG activities, which are taken with the goal of enriching the lives of the people the world over and realizing a sustainable world, will result in business growth and the creation of a cycle where generated profit is returned to stakeholders, consumers and customers, and society at large. The KLP is the

main driver for achieving this management vision, and ESG activities are therefore positioned as future investments and the efforts linked to our 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 proposals for innovation, 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. Through innovation, we aim to have a significant impact on people, society, and the planet while at the same time achieving Kao’s sustainable growth.

The KLP will also help to increase both our corporate brand value and product brand value. The spirit of the

Strategy

KLP is also integrated into our products, campaigns, programs, communications and other activities. Therefore, products, services, and various styles of communication based on the KLP should contribute to increasing our corporate brand value and product brand value.

One of the KLP Actions is “Purpose-driven brands.” It strengthens the brands’ purpose/reason for existing and gains empathy from product users, thus contributing to greater brand loyalty. This is why we set purpose-driven brand development as the pillar for our management policies. We will develop strong ties with people through loyalty marketing, thereby improving our high-profit structure. Under the management strategy, which integrates the concept of ESG, we will further strengthen ESG-driven *Yoki-monozukuri*, rooted in our purpose. We believe that this will help us become an essential company for a sustainable world and achieve a sustainable society through solving social issues, while at the same time contributing to Kao’s business growth.

We will deepen our existing business domains and expand into new ones based on the KLP, thereby amplifying our impacts on society and achieving business growth at the same time.

ESG Strategy and finance

We made investments to avoid sustainability-related risks and expand and create relevant opportunities, and promoted ESG activities based on the KLP. For example, in palm oil procurement, we continue to purchase RSPO-certified oils, which are more expensive than uncertified palm oil. We believe that this investment has allowed us to avoid risks related to palm oil procurement and reputation risks. In order to expand

opportunities, we invested in the GUARD OUR FUTURE project to protect future lives from mosquitoes so as to further distribute *Bioré GUARD Mos Block Serum*, an innovative repellent lotion available in Thailand. We expect that this investment will help further expand business opportunities.

To convey Kao’s corporate stance and efforts to help realize a sustainable society, we also invested in communication activities for consumers with a message of “Wastefulness—*Mottainai*. Never today, nor tomorrow.” As a result, we confirmed that this initiative is effective for promoting and generating sufficient sales of Kao products to recoup the investment in the activities.

We also continued to make appropriate environmental investments to avoid risks and create opportunities related to business activities by preventing pollution in the areas surrounding our plants, among other measures, and succeeded in continuing our business through stable operations. Investments and costs related to environmental conservation in 2023 were 5.56 billion yen and 26.8 billion yen, respectively. The economic effect was 8.46 billion yen (See the right table. For details, see Environmental Accounting). The economic benefits are mainly attributed to cost savings through the saving of natural resources, and we were able to recover one-fourth of the investments and costs.

In 2023, we have initiated two sustainability-linked financing projects to further accelerate our ESG activities. One is the Sustainability Linked Loan, which began in March 2023 and has borrowed 20 billion yen. This loan has a variable interest rate based on the achievement of the sustainability performance targets and is subject to a lower interest rate based on the condition of achieving an “A” rating for at least two of the three CDP ratings. The other is the Sustainability

Link Bond, a 25 billion yen bond issued in June 2023. The sustainability performance target of this bond is to reduce the CO₂ emissions (Scopes 1+2) by 39% (Base year: FY2017) by FY2026. Through these financing activities, we will promote business activities that will both help create opportunities and avoid risks associated with climate change.

Unit: million yen

Region	Investment	Cost	Economic effect
Japan	4,148	16,301	2,326
Asia, Americas, Europe	1,414	10,536	6,136
Total	5,562	26,837	8,462

Note: Numeric values represent the results in 2023

P165 Environmental Accounting

Resilience of ESG Strategies

Not only elements in the environmental range such as abnormal weather, critical change of the earth system, the collapse of ecosystems, and resource depletion but also elements in the social realm such as the erosion of human rights are highly ranked as global risks in the coming decade*¹.

We believe that the KLP will maintain a certain level of resilience even if the degree of these future risks fluctuates. For example, significant deterioration of social and environmental risks may lead to restrictions on the use of fossil-derived raw materials and higher costs for palm oil procurement, among other

Strategy

GRI 3-1

consequences. However, we expect that products developed based on KLP through ESG-driven *Yoki-Monozukuri*, aiming to maximize functional and social value using minimal resources, will minimize the negative impact by reducing CO₂ emissions and the consumption of energy and raw materials, while increasing the use of reusable energy throughout their life cycles. This approach aims to maximize functional and social value using minimal resources.

Conversely, a limited degree of deterioration indicates that society as a whole is deeply conscious of the significance of environmental conservation and is actively involved in endeavors to minimize negative effects. In such a society, there is likely to be a well established market where eco-friendly products hold a competitive edge, leading to heightened demand and loyalty for products with strong environmental

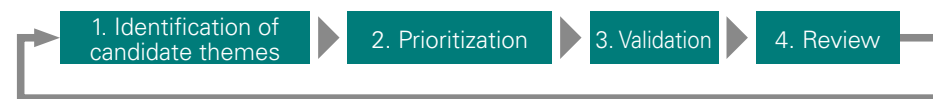
performance created through ESG-driven *Yoki-monozukuri*. Therefore, we believe that the KLP is resilient to the risks expected in the future and can realize sustainability not only for the world but also for the business.

* 1 The Global Risks Report 2024, World Economic Forum

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



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

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.

2. Prioritization

Of the 78 candidate themes identified in 1.1, we asked some external stakeholders and employees to rate their

Strategy GRI 3-1

priority in growing our business and increasing our corporate value.

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.

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.

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 / Peer companies
- Shareholders/Investors

Matrix of Materiality



Strategy

GRI 3-1

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.

P25 Our ESG Vision and Strategy > Governance

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

In 2020, we 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 enhance existing businesses and accelerate the creation of new businesses.

In 2021, we established Our Commitment to the Future based on KLP Kao Actions that were strongly related to business activities. We will promote these activities to achieve our commitment, with the goal of becoming an essential company in a sustainable society through our company-wide endeavors to protect future lives.



Kao Stories
<https://www.kao.com/global/en/newsroom/stories/>

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
1 Plan for and enable regeneration.	<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 hearts 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
2 Move beyond CO ₂ reduction and unlock CO ₂ recycling.	<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
3 Waste nothing. Period.	<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 % recycling rate of plastics involving Kao Practical use of innovative film-based packaging made from collected refill packs % of recycled plastic used in PET containers (Japan) % of the waste generated from Kao sites*¹, ratio of waste that cannot be recycled <p>*¹ Beginning with production sites</p> <ul style="list-style-type: none"> % reduction of discarded products and discarded promotional materials
4 Every person is unique. Our solutions will be too.	<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 hearts of people
5 Innovation can be for everyone. We won't stop.	<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 hearts of people

Strategy

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			●			●						●		●			●

Strategy

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	●	●	●	●	●	●

Governance

GRI 2-12, 2-13, 3-3

Our ESG governance functions under the supervision of the Board of Directors and is managed by the President & CEO and subordinate organizations. The governance structure is designed to reflect the objective and progressive viewpoints of outside committee members, enable precise decision-making by management, and implement activities rapidly.

Kao's ESG governance

We have a flexible and robust ESG governance structure in order to respond swiftly to the major changes taking place globally, ensure the expansion of business, and solve social issues.

This ESG governance will support the realization of the Kao Group Mid-term Plan K27 and Long-term Vision K30.

Characteristics of this structure include an organization with participation by outside committee members that functions to provide oversight and advice, and the swift and targeted implementation of management decisions broken down into innovation and initiatives.

The Board of Directors is responsible for supervising ESG issues, including risks and opportunities, under which the President & CEO and subordinate organizations are responsible for executing business operations.

of the report include policies and strategies as well as the targets, KPIs, and progress of activities.

The ESG-related KPIs are discussed by the Compensation Advisory Committee for Directors and Executive Officers, and approved by the Board of Directors. Long-term incentive compensation (approximately 30–50%* of base salary for each position) included in the compensation of Directors and Executive Officers is weighted 40% based on ESG activity indicators, which measure the degree of promotion of ESG-driven management, and the payment ratio is determined based on an evaluation using external indicators, the extent of achievement of internal goals, and other factors.

* Long-term incentives will be revised partially in 2024.

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Overall ESG management

The overall execution of ESG is done under a structure in which the ESG Managing Committee is the highest authority. The ESG Managing Committee discusses and decides the direction of activities related to the ESG Strategy, and reports the status of activities to the Board of Directors. Comprising outside experts, the ESG External Advisory Board provides external viewpoints that are input into our ESG activities. The ESG Promotion Meeting works to achieve the ESG Strategy, the ESG Steering Committees strive to ensure reliable and timely execution for priority issues, and the ESG Task Force proposes activities for focus themes. Under this ESG governance, each division implements activities.

The ESG Managing Committee is chaired by the President & CEO, and its members consist of senior

management. The ESG Promotion Meeting is chaired by the Director and Managing Executive Officer of the ESG division, and is attended by the heads of business divisions, regions, and functional and corporate divisions. They are able to make swift management decisions on ESG matters, and the structure enables each division to conduct ESG activities. The ESG Steering Committees are owned by board-level executives who are given a certain level of decision-making authority, and are characterized by their ability to work in tandem with the ESG Managing Committee to ensure that ESG initiatives are implemented in a reliable and timely manner. The priority issues are decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship.

The ESG External Advisory Board is made up of external experts who provide advice and suggestions to issues raised by the ESG Managing Committee and offer outside viewpoints that are reflected in management strategy.

Management of ESG-related risks and opportunities

ESG-related risk management is controlled by the Risk & Crisis Management Committee, one of the relevant committees under the Internal Control Committee, which regularly monitors the materiality of risks and manages key ones.

ESG-related opportunity management is conducted by the ESG Promotion Meeting (which meets eight times a year) and the ESG Steering Committees (held as appropriate for each steering committee) under the ESG Managing Committee.

Supervision by the Board of Directors

The Board of Directors ensures that it has the appropriate knowledge, experience, and competence to supervise ESG issues. The Board of Directors consists of individuals with the balance of expertise necessary to oversee overall management from multiple perspectives. As we position ESG matters also as requiring specialized knowledge to address, we appoint a number of Directors and Audit & Supervisory Board Members who are well-versed in ESG matters. In addition to regular reports twice a year, the ESG Managing Committee reports to the Board of Directors on the execution of ESG-related matters, depending on the content of the agenda as appropriate. The contents

Governance GRI 2-9, 2-12, 2-13, 2-17, 3-3

Expansion into ESG initiatives

The themes covered by this ESG governance system are basically ESG in general, but we promote strategic ESG by focusing mainly on KLP themes. The company-wide goals and KPIs formulated for each KLP theme are incorporated into the activities of each division, and the progress of activities and KPIs are aggregated and monitored by the ESG Promotion Meeting.

We are building effective governance and integrating ESG into divisional policies, targets, and plans by having divisions engage in ESG-driven operations based on divisions taking responsibility for management and reporting in the organization. Divisions also conduct these operations for global Kao Group companies, with individual group companies conducting activities as appropriate according to the content.

In this way, we are interlinking the activities of the ESG Managing Committee, the ESG Promotion Meeting, and the ESG Steering Committees, connecting the activities of the responsible divisions for the 19 Kao Actions and other divisions, and incorporating ESG activities into divisions, including their global operations.

In order to promote the implementation of ESG initiatives by each employee and as an organization, ESG is incorporated into the human resource evaluation system. The human resource evaluation system is called Objectives and Key Results (OKR), and it began in 2021. All employees, including directors, audit & supervisory board members and executive officers, set a portion of their total targets as ESG targets, and they are evaluated based on the degree of challenge in the undertaken activities. Using this system, all employees will work together to tackle ESG issues and ramp up the level of activity.

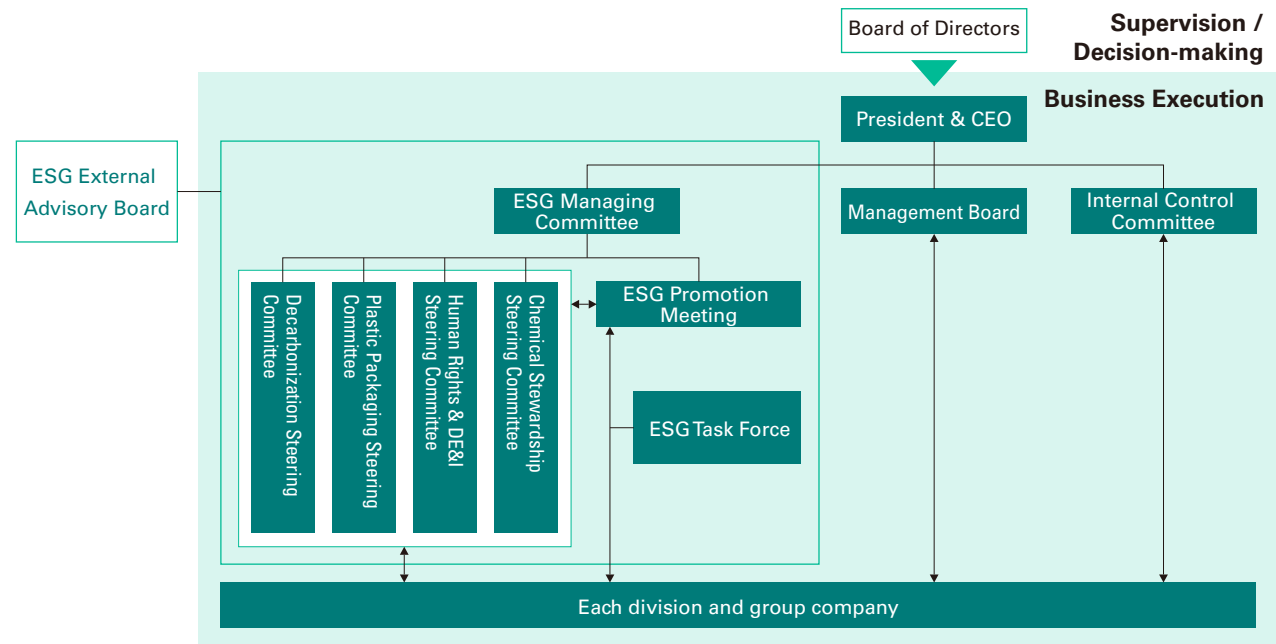
Implementing the Kao Actions in the KLP

- The responsible divisions design the details of the respective actions, devise the mid- to long-term targets, regularly consolidate data on divisional progress, and manage the company-wide progress.
- The target divisions devise and implement their divisional targets and activity plan for each action.

ESG promotion at divisions

- Each division creates its promotion structure. They devise their divisional targets and activity plan, and implement the PDCA cycle.
- The progress of divisional activities is reported to the ESG Promotion Meeting, which then gives the divisions feedback, including requests to revise plans.
- Global implementation by divisions is the general rule, with support for implementation by individual Kao Group companies provided as needed.
- The members of the ESG Promotion Meeting in each division give direction and guidance on incorporating the company-wide ESG Strategy into divisional strategy.
- The level of ESG activities is ramped up by linking them with the OKR framework.

ESG governance structure



* As of December 2023

Governance

GRI 2-9, 2-13, 2-17

Roles, structure, frequency of meetings and agenda of each organization

Organization	Roles	Structure	Performance (2023)	
			Frequency of meeting	Main deliberated items
ESG Managing Committee	<p>Deliberate, discuss, or report the following items that concern the entire Kao Group:</p> <ul style="list-style-type: none"> Basic approach to and policy of ESG ESG policy sharing, strategy, activities, external communications, etc. Decisions on investments for promoting ESG activities Trends, issues and opportunities for the sustainability of the world at large and for ESG Active stakeholder engagement by ESG Managing Committee members 	<p>Chair: Representative Director, President and Chief Executive Officer</p> <p>Members: Senior Managing Executive Officers, Managing Executive Officers, other executives</p> <p>Advisor: Chair</p> <p>Observer: Full-time Audit & Supervisory Board Members</p>	Six times/year	<ul style="list-style-type: none"> Deliberated on and approved DE&I policies Deliberated on and approved the disclosure policy of the Kao Sustainability Report 2023, the progress made on KPIs, and mid- to long-term commitments to be disclosed Deliberated on and approved the establishment of a new foundation Deliberated on and approved ESG investment projects Deliberated on and approved the revision of the Declaration of Consumer-orientation Deliberated on and approved the overall ESG fund budget for fiscal 2024 Examined the proposals from the ESG External Advisory Board Reviewed the progress made on each Kao Action in the KLP Held a lecture by an external expert
ESG External Advisory Board	<ul style="list-style-type: none"> Give advice and recommendations for issues raised by the ESG Managing Committee from outside expert viewpoints and based on a high level of expertise Provide information to the ESG Managing Committee to enable development and implementation of world-class plans Provide opportunities for collaboration and cooperation with external parties Evaluate Kao's ESG activities 	<p>Members: External influential experts</p> <ul style="list-style-type: none"> Ms. Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption, etc. Ms. Ruma Bose Chief Growth Officer, Clearco Specialization: Human rights, entrepreneurship support, etc. Mr. Jalal Ramelan Chairman, ESG Indonesia Specialization: Sustainable development field Mr. Helmut Schmitz Director of Communication and Public Affairs, Der Grüne Punkt – Duales System Holding GmbH & Co. KG Specialization: Recycling systems for packaging, etc. Ms. Laura Palmeiro Sustainable Finance Director, Danone Specialization: Sustainability, finance, etc. 	Twice/year	<ul style="list-style-type: none"> Proposed expectations for and risks to Kao based on the social climate Evaluated the progress made on the KLP and raised issues
ESG Promotion Meeting	<ul style="list-style-type: none"> Implement the ESG Strategy to integrate it with business based on the direction decided by the ESG Managing Committee and its suggestions Supervise and examine to implement key ESG actions Compile the issues faced by each division and region in promoting ESG activities and propose solutions to the issues to the ESG Managing Committee 	<p>Chair: Director, Managing Executive Officer, Senior Vice President of the ESG Division</p> <p>Members: Responsible persons, etc. in business divisions, functional divisions, corporate divisions and regions</p>	Eight times/year	<ul style="list-style-type: none"> Formulated ESG investment strategy Formulated a draft policy on future activities for biodiversity Drafted proposed revisions to the mid- to long-term targets in the KLP Confirmed the progress and future plan for each Kao Action in the KLP Confirmed the progress of ESG activities made by each division and region Held a lecture by an external expert

Governance

GRI 2-9, 2-13, 2-17

Organization		Roles	Structure	Performance (2023)	
				Frequency of meeting	Main deliberated items
ESG Steering Committee	Decarbonization	<ul style="list-style-type: none"> Draw up a GHG reduction plan Promote rapid decarbonization activities through centralized discussions on decarbonization response measures and business opportunities for mitigation and adaptation to achieve carbon zero in 2040 Appropriately manage climate change risks based on the results of scenario analysis 	Owner: Managing Executive Officer in charge of R&D Members: Staff of R&D, Procurement, Supply Chain Management, CP Business, Chemical Business, ESG	Five times/year	<ul style="list-style-type: none"> Discussed a 2030 GHG reduction strategy Reorganized opportunities and risks Discussed the progress made to achieve decarbonization-related KPIs and responses to address issues
	Plastic packaging	<ul style="list-style-type: none"> Discuss activities related to plastic packaging, a key issue for KLP Action “Zero Waste” to realize a circular society, in a centralized manner and promote activities strongly and promptly Promote activities in conjunction with the Decarbonization Steering Committee, Water Conservation and Biodiversity 	Owner: Executive Officer, Deputy General Manager, R&D Members: Staff of CP Business, R&D, and Procurement	Five times/year	<ul style="list-style-type: none"> Formulated a draft policy and discussed and approved the actions regarding Recycling initiatives (collection and recycling) Formulated a draft policy and discussed and approved the actions regarding Innovation in Reduction initiatives (reducing the amount of materials used and using recycled materials) Responded to the Plastic Resource Circulation Act of Japan
	Human rights and DE&I	<ul style="list-style-type: none"> Under the supervision of the ESG Managing Committee, centrally promote and manage the Kao Group’s human rights-related activities, including human rights due diligence, in accordance with the Kao Human Rights Policy Under the supervision of the ESG Managing Committee, centrally promote and manage the Kao Group’s DE&I activities based on its DE&I Policy 	Owner: Senior Executive Officer in charge of the Human Capital Strategy Members: Staff of Human Capital Strategy, ESG, Procurement, Supply Chain Management and CP Business	Once/month	<ul style="list-style-type: none"> Developed a DE&I Policy Proposed and took employee awareness measures for understanding and implementing the DE&I Policy Promoted human rights due diligence, including holding workshops to identify potential human rights risks, updated the risks identified at the Kao Group in the risk assessment, and promoted activities at relevant divisions and subsidiaries Put more effort into reducing the risk of human rights violations in advertising expression Promoted and managed to ensure respect for human rights and DE&I across the value chain (especially among employees and business partners and in society)
	Chemical stewardship	<ul style="list-style-type: none"> Promote voluntary management of chemical substances throughout the product lifecycle by the SAICM Promotion Committee Develop policies and reduction/phase-out plans for the use of raw materials used in products taking into account progress of regulatory trends, science, and other factors by the Chemical Stewardship Council Disclose information on our approach to the use of chemicals and the results of safety assessments, and communicate with stakeholders 	Owner: Executive Officer in charge of Product Quality Management Members: Staff of ESG, R&D, and Product Quality Management	Once/month	<ul style="list-style-type: none"> Understood the European Green Deal and other regulatory trends in product raw materials and identified raw materials and products subject to such policy and regulations Developed reduction / phase-out plans for selected chemical ingredients (microplastics, propylparaben, butylparaben, etc.) Promoted initiatives to disclose Kao’s approach to ingredients of high social concern Participated in discussions at an international meeting with the government agency to set targets for the Global Framework on Chemicals (GFC), the successor to the SAICM.
ESG Task Force		<ul style="list-style-type: none"> Establish for individual focus themes formulated at the ESG Promotion Meeting that require an inter-divisional structure Propose and promote activities based on detailed plans 	Members: Staff of the division relevant to the focus themes	As needed	<ul style="list-style-type: none"> Promoted disclosure of names of fragrance ingredients by the Transparency Task Force Promoted the project to establish a global ESG data platform

Note: Refer to p. 289 for the Board of Directors and p. 295 for the Internal Control Committee and Risk & Crisis Management Committee.

Governance

Message from the ESG External Advisory Board



Ms. Rika Sueyoshi
CEO, Ethical Association

I am now in my fourth year serving on the ESG External Advisory Board. During this time, Kao has made outstanding efforts with respect to transparency in management and the disclosure of progress toward its commitments. Kao continues to make forward progress in its ESG initiatives, which have now become a core facet of the organization. Kao is clearly leading the entire company along the right path.

However, as rules regarding sustainability disclosure evolve and spread more widely around the world, I must admit that excellence in disclosure alone is not sufficient for making significant contributions to society as a truly sustainable company. Going forward, I believe that there will be greater demand for specificity and novelty in Kao's initiatives as an active player.

For example, with respect to the company's flagship efforts toward sustainable palm oil (RSPO), I suggest that Kao should not only pursue greater certified palm oil purchases in terms of overall amount, but also take on challenges for further qualitative improvements. In addition, biodiversity is a topic that will receive even greater interest in the future, and I predict that related initiatives will also gain more attention.

With respect to promoting sustainable lifestyles, I believe the time has come to make serious considerations about evolving away from a business model predicated on PET resin. I believe that there is

demand for Kao to take on discontinuous initiatives such as building a full-scale market for selling by volume, and making trial efforts for a complete refill (refill visit) business model. These initiatives would be in accord with government policies for building a recycling-based society, and so I expect there will be strong demand from many different parties. I would like Kao to take a perspective toward innovation that goes beyond technological aspects, and to continually take on challenges in areas such as advocacy (rule building) and consumer (customer) transformation, which can also contribute toward social transformation.

With respect to human rights, Kao has carried out highly essential and well-received initiatives with corrective action and complaint processing mechanisms launched in September 2022 for palm smallholders in Indonesia. These initiatives are lacking among Japanese companies in particular, and so I feel that Kao has the potential to become a leader in the context of human rights as well by acting earlier than other industry competitors. However, we have entered an era in which a company seeking to become a world leader would be severely lacking if it had simply achieved a state of zero human violations caused by itself. It is now crucial for companies to address poverty, support people with disabilities, and take other action in areas that have not been affected by their own supply chains. I believe there is still room for Kao to implement even more creative ideas, such as establishing a target for the percentage of indirect materials procured through fair trade.

Kao has always paid attention to real consumers. Meanwhile, the company has declared a grand target of 1 billion for "The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression" by 2030. What kinds of people make up this 1 billion? I believe that Kao will find more aspects related to its unique corporate identity by envisioning the types of challenges to solve for these people and the kinds of changes in their lifestyles that will make them "empowered to enjoy more beautiful lives," and even going as far as to get a detailed image of the faces of these consumers. Is there

a "me" within this story of 1 billion people? Can each and every individual play a part in that story? There is a growing desire among younger generations of consumers to experience a story and empathize with the background of a product when they hold it in their hands. Going forward, I sincerely hope that Kao will continue to serve as a leader in entrusting a better world to the next generation.

In closing, I would like to express my anticipation for the creation of collective impact through collaboration with the social sector organizations (NPOs and NGOs) worldwide going forward in relation to new initiatives for resolving social issues with the newly established Kao Life-in-Harmony Foundation.

Message from Kao about the comments

The 2024 message expressed expectations that we need to be innovative as an active player to carry out Kao's ESG activities going forward and create a collective impact through collaboration with social sector organizations worldwide.

In response, with respect to the topic of biodiversity with a high level of social interest, we will utilize our insight in interface science and further promote our activities to help reduce the amount of fertilizer and pesticides used in the field of agribusiness, as well as to develop alternative materials to palm (kernel) oil, based on the Action Policy on Biodiversity that we established in October 2023. In addition, with respect to collaboration with social sector organizations worldwide, we will work with the Kao Life-in-Harmony Foundation that was established in September 2023, Mirairo Inc., which is contributing to better quality of life for people with disabilities by seeing the world through their perspective, and PT. Gama Inovasi Berdikari, which strives to tackle severe water issues in Indonesia, with the aim to realize a society that allows for enriched lives and in which nobody is left behind.



Kao Establishes the Kao Life-in-Harmony Foundation
<https://www.kao.com/global/en/newsroom/news/release/2023/20231129-001/>

Governance

Message from the ESG External Advisory Board



Ms. Ruma Bose
Chief Growth Officer, Clearco

In my second year on the advisory board, Kao continues to impress and inspire me with its dedication to implementing a pioneering, transformational ESG strategy. The company really is becoming Kao Reborn.

This is despite a backlash against ESG now under way in some parts of the world, most notably in the United States, which is causing a disappointingly large number of companies to go slower in their transformations towards sustainability and inclusion.

I am especially encouraged by the steps Kao has taken to put the Kirei Lifestyle Plan, and the emphasis on minimizing waste, at the heart of product marketing. Kao has also started to show it can innovate in ways that promote circularity and sustainability and tackle significant societal challenges.

Kao's comprehensive reporting of data is impressively transparent, making it a leader in the corporate world, both on ESG and the United Nations Sustainable Development Goals. Kao is making genuine progress towards its various 2025 and 2030 targets. Yet it is lagging in its efforts to reduce scope

3 carbon emissions; setting out credible plans for addressing this vital challenge should be a priority. Also, Kao reports that it has no impact on SDG goals one and two (zero poverty and zero hunger) – a finding that I hope soon will change for the better.

Good progress has been made on DEI, and gender equity in particular. However, a concern is the slow advance of gender equality in Kao's management ranks in Japan, especially at the top. I welcome the new 2030 commitment to having the same ratio of women to men in management as the ratio of women in Kao as a whole. But, given its ambitions more broadly, I look to Kao to do more here.

Kao's recent report with Accenture on biodiversity is pioneering, with its compelling framework around three different scenarios for the future. I hope the company will now provide more insight into its thinking about how it would operate effectively under each of these scenarios.

Kao's decision to launch a corporate foundation is also very positive, especially given its presentation as an evolution in the company's philanthropic strategy away from just donating product to embracing corporate citizenship in a more sophisticated way. Drawing on my own experience in corporate philanthropy, I can't emphasize enough the importance of getting the foundation's positioning right early on, and for ensuring it has a clear alignment, and clear, appropriate division of labor, with the core business strategy of the company.

Finally, while Kao has made improvements to its storytelling, especially in its product marketing messaging, currently there is very little in the media about Kao's work on ESG and sustainability in general, nor about the company's compelling

examples of innovation for sustainability and purpose. There remains a significant opportunity to position Kao as world class and pioneering in the broader media and among experts and thought leaders. Kao's story deserves to be told, and more importantly, needs to be heard by others who will be inspired by it.

Message from Kao about the comments

The 2024 message expressed expectations that we carry out more initiatives with respect to diversity, equity and inclusion (DEI), including efforts to advance gender equality in Kao's overall management positions, and that we tell our story in ESG activities in the broader media to inspire many people.

In response, we will make considerations to bolster our initiatives that can promote the practice of DEI along with our stakeholders (employees, business partners and society in general, including consumers) within all of our corporate activities, based on the Diversity, Equity and Inclusion Policy that we established in June 2023. In addition, to make Kao's ESG initiatives known among consumers and thought leaders in particular, we will deploy corporate messaging worldwide based on the slogan "Wastefulness—*Mottainai*. Never today, nor tomorrow." and pursue activities that deepen stakeholders' understanding and encourage them to change their behavior.

Governance

Message from the ESG External Advisory Board



Mr. Jalal Ramelan
Chairman, ESG Indonesia

I propose the following areas for continued progress to Kao Corporation for continuous improvement and building leadership in sustainability activities, which are paramount in a world facing existential threats in the coming decades.

First, deepening our commitment from ESG integration to regenerative business practice. While Kao Corporation's plan to achieve net zero carbon, plastic waste, and water usage is commendable, we must aim even higher: carbon and plastic negative, as well as water positive. We must eventually extend this ambition to all materials and energy consumed. This shift will be a defining feature of our sustainability journey.

Second, moving beyond emissions mitigation to integrated mitigation and adaptation. Our SBTi-validated mitigation targets and roadmap put us on a clear path to achieving net zero emissions by 2040 and carbon negativity thereafter. MSCI's latest assessment that our efforts align with a 1.5°C warming scenario is a testament to our leadership. However, global mitigation alone cannot prevent a 2.5-2.9°C increase. Therefore, we must actively adapt,

not only within our own operations and supply chain but also in surrounding communities, demonstrating a comprehensive approach to climate resilience.

Third, expanding diversity, equity, and inclusion (DEI) leadership beyond gender. Kao Corporation has received well-deserved recognition for its commitment to gender justice. Increasing women's representation on boards and leadership positions, particularly in Japan and across Asia, is a commendable step. However, to truly stand out as a global leader in DEI, we must extend our focus beyond gender. We can achieve this by amplifying the voices and contributions of younger generations, individuals from diverse racial and ethnic backgrounds, and people with disabilities.

Fourth, evolving from ESG communication to comprehensive sustainability communication. Kao Corporation's openness and transparency regarding ESG data are highly valued by rating agencies. However, we must not limit our communication efforts to these specialized audiences. Consumers, talent, and other stakeholders are increasingly making decisions based on a company's sustainability performance. Therefore, we must broaden and intensify our sustainability communication to reach all relevant audiences and effectively convey our commitment to a sustainable future.

Finally, while the 2004 coining of the term ESG emphasized the connection between strong environmental, social, and governance performance and long-term financial success, I believe the relationship is more nuanced. While I anticipate Kao Corporation to continue demonstrating superior financial performance, we must recognize that other tangible and intangible factors contribute to success. Therefore, our commitment extends beyond ESG to

excellence in all aspects of our operations, ensuring long-term value creation for all stakeholders.

By embracing these opportunities for continued progress, Kao Corporation can solidify its position as a true global leader in sustainability, leaving a lasting legacy of positive impact on the planet and its people.

Message from Kao about the comments

The 2024 message expressed a need to aim even higher with regard to carbon negative, plastic negative, water positive and other initiatives, as well as expectations that we should go beyond just our own operations and supply chain as we demonstrate a comprehensive approach with respect to climate resilience that also considers local communities.

In response, we have set ourselves ambitious targets to achieve carbon negative by 2050 and waste negative by 2050, and by actively developing applications for cutting-edge technologies and other new technologies, both within Kao and in the wider society, in collaboration with various stakeholders, we aim to demonstrate further solutions to the climate change and other problems. In addition, we will further deepen the Action Policy on Biodiversity that we established in October 2023, and we will make considerations regarding a comprehensive approach to nature positive and climate resilience.

Governance

Message from the ESG External Advisory Board

Mr. Helmut Schmitz

Director of Communication and Public Affairs, Der Grüne Punkt - Duales System Holding GmbH & Co. KG



At the COP 28 climate conference in Dubai 2023, the global community agreed for the first time to move away from fossil fuels and at the same time made a commitment to the importance of justice in this process. In the light of these global developments, Kao, implementing the goal of “maximizing future financial returns and value creation through ESG investments” with a holistic approach that integrates economic, environmental and social considerations in business development, is both expedient and credible. The report for 2023 describes numerous well-suited techniques and policies that Kao has implemented or is in the process of introducing.

In the area of plastic utilization/plastic packaging, this includes the example of the eco-friendly Peco Bottle, which scores highly in many sustainability categories (CO₂ emissions, material consumption, recyclability). However, the successful transition from a linear economy to a sustainable circular economy also requires the development of new forms of cooperation and communication. More intensive collaboration with stakeholders is required in the development and scaling of sustainable processes and products. Kao has made important progress here. This not only includes the expansion of horizontal activities to improve plastic

recycling with Lion, the city of Kobe, Unilever and Kose. The new systems for plastic resource recovery and upcycling with Keio University, the City of Kamakura and other companies and organizations are also important steps in this direction. “Do something good and talk about it” is now essential in this context in order to achieve scaling and thus broader acceptance among all stakeholder groups.

Kao is earning great respect through its active engagement and communication with the central but globally neglected topic of biodiversity. The report published by Kao Corporation on 10 April 2023 entitled “Business Risk and Opportunity on Biodiversity - TNFD case study with Location analysis” deals with the potential risks and opportunities arising from changes in biodiversity and economic and social conditions for Kao’s business activities. The protection of biodiversity is a prerequisite for the preservation of stable ecosystems, which in turn are key building blocks for successful climate protection. Climate protection forms the basis for successful “human protection,” i.e. for ecology, economy and social issues.

The example described of project being implemented in Indonesia by the globally active Kao Life-in Harmony Foundation, which was founded in September 2023, is based on an intelligent, holistic approach. The continuous provision of clean water for private households on Java, which previously had no access, is achieved with the help of inexpensive and efficient water storage systems from ventures. This will provide people with the basis for the efficient use of cleaning products, which are essential for hygiene in households.

The successful promotion of hygiene and health and the subsequent sustainable use of the empty plastic packaging (e.g. through recycling and the

associated entry into sustainable resource utilization) can be communicated in a meaningful context that people can understand.

Kao is on the right track with its holistic, creative and proactive approach to the major planetary challenges. Taking all the Kao employees along on this path, “Me, We, Planet, Walking the Right Path,” is impressive and a good basis for corporate success.

Message from Kao about the comments

The 2024 message expressed expectations that we develop new forms of cooperation and communication for a successful transition to a sustainable circular economy, and described the need for more intensive collaboration with stakeholders in the developing and scaling of sustainable processes and products.

In response, we have deepened our collaborative initiatives with Lion Corporation for realizing a resource-circulating society, and we have commercialized the first product for refill packs that make partial use of recycled materials, to achieve horizontal material recycling whereby the same type of packaging is produced through the recycling of used refill packs. In addition, we have concluded a Comprehensive Partnership Agreement for Realizing a Circular Economy in Wakayama Prefecture along with the Wakayama prefectural government, ENEOS Corporation and Suntory Holdings, and we have commenced activities with the aim of becoming an area that serves as an advanced example of the regional resource recycling model. Going forward, we will continue to work with stakeholders such as distributors, other companies, local governments and consumers to create a system for transitioning to a sustainable circular economy.



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/>

Governance

Message from the ESG External Advisory Board



Ms. Laura Palmeiro

Sustainable Finance Director, Danone

As the second year of my collaboration with Kao comes to an end I'm happy to have become more familiar with both its business and its team so as to better serve the purpose of my participation in this Board. During 2023 I have been a witness to important progress made in terms of ESG while also some challenges have been spotted and discussed, which is always a good thing as a first step towards improvement.

Importantly, having had the luck to have visited the teams in Tokyo I have experienced first-hand both the professionalism and passion the team puts in their daily work. All discussions have been very honest and open, with no taboos, which allows for a high-quality dialogue.

Regarding the achievements attained this year I would highlight the new Corporate Governance Policy which is very detailed and well-articulated, and should thus inspire transparency and trust when interacting with external stakeholders.

The Sustainable Product Development Policy is an important milestone too, which I would nevertheless complete with specific commitments and targets to make it more concrete and engaging. Also

"Maximum with minimum" is a very clear and powerful motto. Regarding packaging, the option of refilling for high-end brands can be, if well communicated and activated, a "cool behavior" to adopt (rather than a burden, or a symbol of lack or scarcity), especially among young consumers. This is a good example of what Kao can do to link its brands to environmental or social battles, thus not only making progress in ESG but also creating external awareness on these topics and hopefully achieving business advantages vs less responsible competitors.

Regarding the DEI Policy, while its publication is in itself an important achievement, I believe that it can be improved by setting concrete targets that are unified among regions.

Going forward I believe Kao still faces the challenge of leveraging on ESG actions to create competitive advantages for the business. Nevertheless, I have observed that the management has taken this matter very seriously and is working on it.

One other challenge that can, in my view, be turned into an opportunity, is the upcoming European Corporate Sustainability Reporting Directive for which Kao is very actively getting organized to comply with. As we all know, this regulation will impact the ESG reporting landscape way beyond the European territory. While we all recognize it is a big change and demands the preparation and management of a great deal of data, it is also an opportunity for corporates who actually "walk the talk" to showcase the achievements of their actions beyond all the "noise" that exists today in the markets regarding these issues. Indeed, only those organizations that have done the heavy lifting with concrete actions will be able to use data as proof-points of their claims, thus

demonstrating their impact and differentiating themselves from peers. I'm convinced Kao makes part of them.

To finalize, I reiterate my confidence in Kao's position as a leader in sustainability and the prominent role it can play in the future to demonstrate the link between ESG performance and business. I'm looking forward to continuing working together on this.

Message from Kao about the comments

The 2024 message expressed expectations that we strategically disclose the results of our own activities as the European Corporate Sustainability Reporting Directive (CSRD) will impact ESG reporting in companies outside of the EU as well, thereby presenting a good opportunity for companies who "walk the talk" to differentiate themselves from competitors. The message also expressed expectations that we demonstrate the link between ESG performance and business, and fulfill our important role as a leader in sustainability.

In response, we will build a global structure, reinforce our information network and data system, and work as one across the Kao Group to engage in initiatives for complying with the European Green Deal, including the CSRD. In addition, to demonstrate the link between ESG performance and business, we will strive to embed ESG more deeply into our business strategies and product development plans, as well as to visualize ESG investment management and the effects of investments.

Governance GRI 2-29

Stakeholder engagement

Kao's key stakeholders include consumers and customers as well as suppliers, employees, local communities, national and local governments, non-governmental and non-profit organizations (NGOs / NPOs), academia, organizations and corporations in our industries, and shareholders and investors.

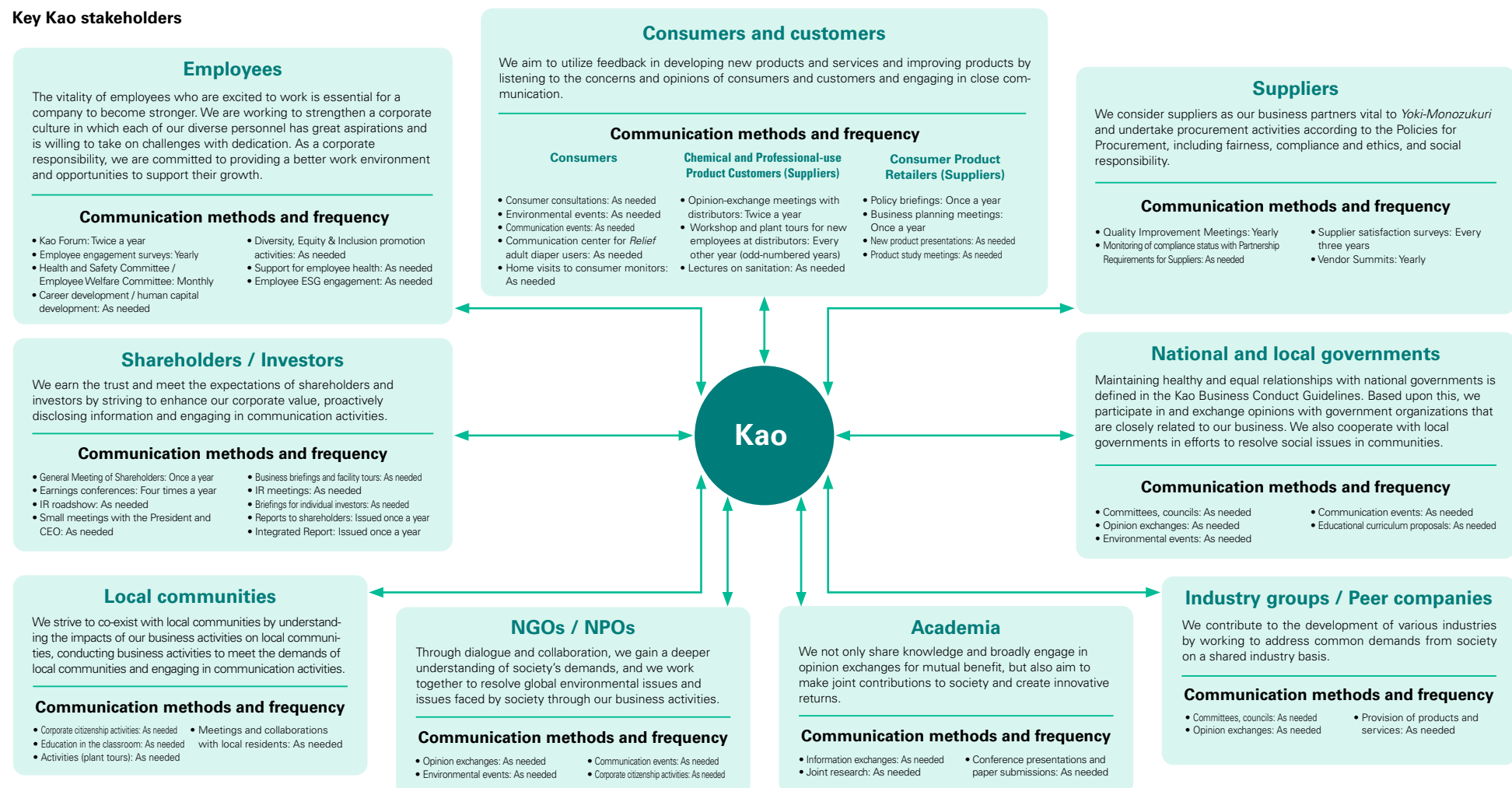
In the Kao Way, our corporate philosophy, we define our vision as this: "By deeply knowing and understanding our world and its people, we aim to improve people's lives

beyond their expectations for a future where humans and nature thrive together."

Through communication with our stakeholders, we deepen understanding and provide information useful to society and in daily life, and use feedback we receive to improve our management, corporate activities and services, including by reporting on feedback to the Management Board and Board of Directors and having feedback reflected in deliberations of material matters.

Specific collaboration/engagement initiatives with stakeholders are described in each activity report.

Key Kao stakeholders



Governance

Specific collaboration/engagement initiatives with stakeholders are described in each activity report. Click on the name of each activity under “Specific Activities” for more information.

Collaboration and engagement with stakeholders

Stakeholders	Initiatives			
Employees	<ul style="list-style-type: none"> ○Employee ESG engagement ○Realization of the Kao Way ○Improved quality of life ○Habits for cleanliness, beauty & health ○Universal product design ○Safer healthier products ○Sustainable lifestyle promotion ○Purpose driven brands 	<ul style="list-style-type: none"> ○Transformative innovation ○Responsibly sourced raw materials ○Decarbonization ○Zero waste ○Water conservation ○Air & water pollution prevention ○Effective corporate governance ○Full transparency 	<ul style="list-style-type: none"> ○Respecting human rights ○Human capital development ○Inclusive & diverse workplaces ○Employee wellbeing & safety ○Responsible chemicals management ○Risk and crisis management ○Responsible care (RC) ○Product quality management 	<ul style="list-style-type: none"> ○Information security ○Digital transformation (DX) ○Intellectual property ○Tax strategies ○Biodiversity ○Communication with consumers ○Process safety and disaster prevention ○Corporate citizenship activities
Consumers and customers	<ul style="list-style-type: none"> ○Improved quality of life ○Universal product design ○Safer healthier products ○Sustainable lifestyle promotion ○Purpose driven brands 	<ul style="list-style-type: none"> ○Responsibly sourced raw materials ○Decarbonization ○Zero waste ○Water conservation ○Air & water pollution prevention 	<ul style="list-style-type: none"> ○Effective corporate governance ○Full transparency ○Respecting human rights ○Employee wellbeing & safety ○Responsible chemicals management 	<ul style="list-style-type: none"> ○Responsible care (RC) ○Product quality management ○Digital transformation (DX) ○Biodiversity ○Communication with consumers
Suppliers	<ul style="list-style-type: none"> ○Sustainable lifestyle promotion ○Responsibly sourced raw materials ○Decarbonization ○Zero waste 	<ul style="list-style-type: none"> ○Water conservation ○Effective corporate governance ○Full transparency ○Respecting human rights 	<ul style="list-style-type: none"> ○Responsible chemicals management ○Risk and crisis management ○Product quality management ○Information security 	<ul style="list-style-type: none"> ○Biodiversity
Shareholders/Investors	<ul style="list-style-type: none"> ○Corporate governance 	<ul style="list-style-type: none"> ○Investor Relations websites https://www.kao.com/global/en/investor-relations/ 		
National and local governments	<ul style="list-style-type: none"> ○Habits for cleanliness, beauty & health ○Safer healthier products ○Sustainable lifestyle promotion ○Purpose driven brands ○Transformative innovation 	<ul style="list-style-type: none"> ○Decarbonization ○Zero waste ○Water conservation ○Air & water pollution prevention ○Respecting human rights 	<ul style="list-style-type: none"> ○Employee wellbeing & safety ○Responsible care (RC) ○Information security ○Intellectual property ○Tax strategies 	<ul style="list-style-type: none"> ○Biodiversity ○Communication with consumers ○Corporate citizenship activities
Local communities	<ul style="list-style-type: none"> ○Habits for cleanliness, beauty & health ○Universal product design ○Purpose driven brands ○Decarbonization 	<ul style="list-style-type: none"> ○Zero waste ○Water conservation ○Air & water pollution prevention ○Respecting human rights 	<ul style="list-style-type: none"> ○Employee wellbeing & safety ○Responsible care (RC) ○Biodiversity ○Communication with consumers 	<ul style="list-style-type: none"> ○Process safety and disaster prevention ○Corporate citizenship activities
NGOs / NPOs	<ul style="list-style-type: none"> ○Responsibly sourced raw materials ○Decarbonization 	<ul style="list-style-type: none"> ○Water conservation ○Full transparency 	<ul style="list-style-type: none"> ○Respecting human rights ○Inclusive & diverse workplaces 	<ul style="list-style-type: none"> ○Biodiversity ○Corporate citizenship activities
Academia	<ul style="list-style-type: none"> ○Improved quality of life ○Transformative innovation 	<ul style="list-style-type: none"> ○Water conservation ○Full transparency 	<ul style="list-style-type: none"> ○Inclusive & diverse workplaces ○Employee wellbeing & safety 	<ul style="list-style-type: none"> ○Biodiversity ○Corporate citizenship activities
Industry groups / Peer companies	<ul style="list-style-type: none"> ○Improved quality of life ○Universal product design ○Safer healthier products ○Sustainable lifestyle promotion ○Air & water pollution prevention 	<ul style="list-style-type: none"> ○Full transparency ○Respecting human rights ○Human capital development ○Inclusive & diverse workplaces ○Employee wellbeing & safety 	<ul style="list-style-type: none"> ○Responsible chemicals management ○Risk and crisis management ○Product quality management ○Intellectual property ○Tax strategies 	<ul style="list-style-type: none"> ○Communication with consumers ○Corporate citizenship activities

Governance GRI 404-2

Employee engagement policy

To achieve the goals set forth in Kao's mid-term strategy "K27" and Kao's ESG strategy the "Kirei Lifestyle Plan (KLP)," we believe it is important for all Kao Group employees to embrace the vision of "the Kirei Lifestyle" and become Kirei Ambassadors*¹ who take action themselves to realize the KLP.

With the aim of achieving a "Kirei Life for all," our mission set forth in our corporate philosophy "the Kao Way," we continue to provide information and inspiration and drive efforts to empower employees to realize their potential through a platform called the "ESG *Yoki-Monozukuri* College."

The ESG *Yoki-Monozukuri* College consists of ESG-related educational programs and engagement content

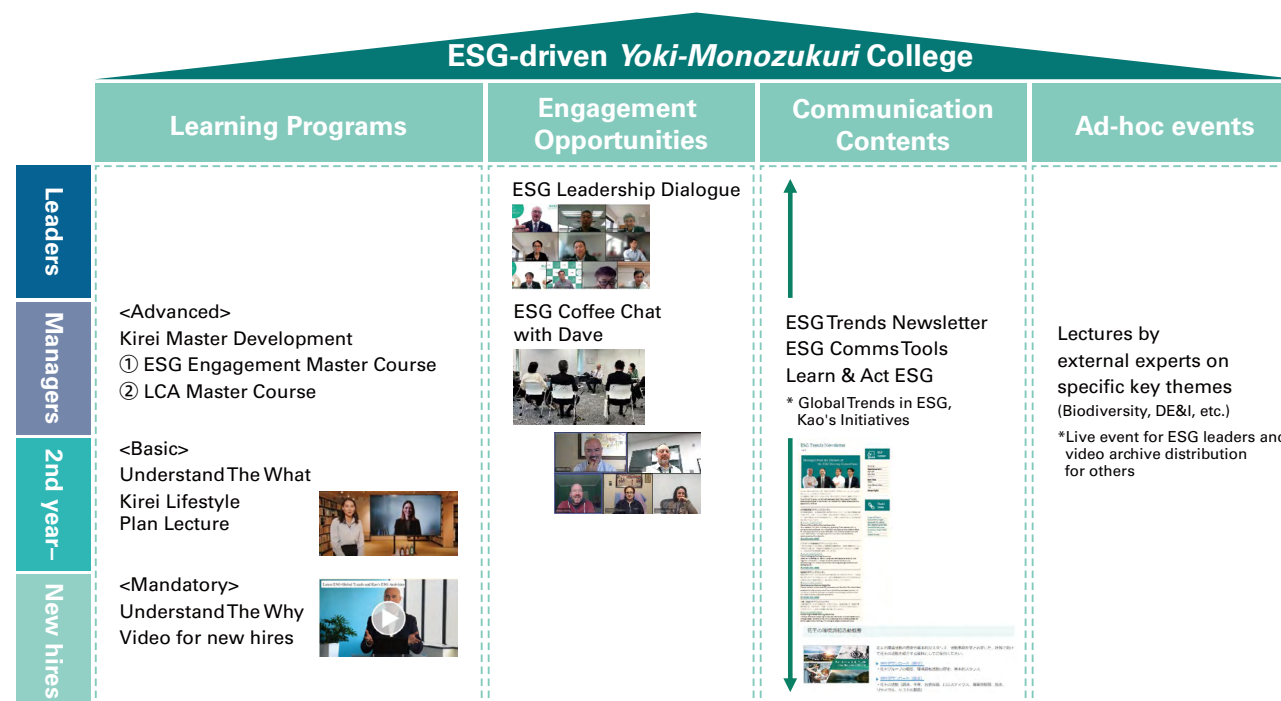
tailored to employees at all levels, and programs are implemented according to the regional characteristics in Japan and other parts of Asia and AEMEA (the Americas, Europe, the Middle East and Africa).

Learning programs Empowering all employees with knowledge to drive forward the KLP

For new employees, as part of onboarding training, we provide a video in which the Senior Vice President of ESG explains why Kao is committed to ESG.

For all other employees, we provide the KLP Lectures, an e-learning program on Kao's approaches to ESG. The purpose of these lectures is to further educate employees about background information and related knowledge for the Kao Actions in the KLP, global perspectives and standards, and about our actions. In 2023, following the formulation and publication of the "Diversity, Equity and Inclusion (DE&I) Policy," we created a video learning program in collaboration with Kao's Human Capital Strategy and the Human Rights and DE&I Steering Committee to illustrate Kao's approach, commitments and actions for DE&I. This video features diverse employees from around the globe explaining their respective activities. We also rolled out this program by highlighting the content amongst internal communities and intranets across Asia and AEMEA.

For managers, we provide the Kirei Master Development Program, an ESG promotion leadership development program designed to facilitate understanding of how to integrate ESG and business and put it into practice. This program consists of an ESG Engagement Master Course that aims to establish a



Structure of the ESG *Yoki-Monozukuri* College

*1 An employee who has the knowledge and mindset needed to promote the KLP, acts with passion, and has an impact on others.

Governance

GRI 404-2

promotion system and program from a business / company perspective, and an LCA (Life Cycle Assessment) Master Course that aims to take a business / company view of LCA and use it for business / company management. In 2023, we implemented this program for the employees who had been selected from companies in Asia. After completing the program, the participants took on a new role as an ESG promotion leader at each company and helped design a master plan for promoting ESG awareness-raising activities or newly established an ESG Committee, promoting the establishment of systems and development of programs to promote ESG. Furthermore, each company identified pressing themes that need to be addressed regarding CO₂, water, and

packaging, and initiated concrete actions to make the ESG promotion plan a success.

Engagement opportunities Exploring business solutions from an ESG perspective

As an engagement measure targeting leadership, Kao's Senior Vice President of ESG hosted an "ESG Leadership Dialogue" in 2023 with presidents of Asian consumer products business companies. Gathering for the first time for a panel discussion, presidents from Asian countries and regions engaged in lively discussions. We received comments from presidents of the companies, such as, "I was glad that I could discuss and share the actual situations and problems at the *Genba* directly with the Senior Vice President of the ESG Division, who is a member of top management." "I learned a lot because I was able to compare my country's situation and other countries' situations." and "I keenly felt the need to consider the mechanisms for investment and assessment for promoting ESG activities without separating them from business activities." This event served as an excellent opportunity for the participants to share their challenges and success stories and discuss actions to be taken in the future for accelerating the integration of ESG and business.



E-learning DE&I awareness-raising program featuring diverse employees

Communication content Continuing to increase ESG literacy among all employees

We publish the ESG Trends Newsletter every month, featuring messages from senior executives and global trends related to ESG and ESG activities in the Group's divisions and locations to provide tips for promoting ESG-driven *Yoki-Monozukuri* to each employee around the globe.

In 2023, we promoted video content featuring messages from senior executives to stimulate interest in ESG activities among more employees. The President and CEO delivered a message on Kao's most important ESG activities, including CDP Triple A recognition and the newly formulated DE&I policy. The Senior Vice President of ESG delivered a message summarizing the Sustainability Report and explaining to employees around the globe the corporate ESG advertising effort, "Wastefulness—*Mottainai*. Never today, nor tomorrow." We also carried out a project in which the owners of the ESG Steering Committees address all employees through the ESG Trends Newsletter. The aim of this was to accelerate the integration of ESG and business operations.

Owing to efforts such as the above, the average open rate of the ESG Trends Newsletter rose sharply from 41% last year to 44% this year, indicating a high level of engagement. We received positive feedback from employees, saying, "I like how this video is only about five minutes long but gives an understanding of the group-wide ESG policies," "This video provides a lot of information, but it is consistent enough to identify the ESG trends at a glance," successfully increasing their interest in ESG activities and deepening their understanding.

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In 2023, in AEMEA, we launched the “ESG Hub.” This is an e-learning platform on “The One Kao,” AEMEA’s regional intranet, as a centralized place to communicate and share strategies and knowledge on ESG. More than 1,000 employees in AEMEA have taken the Sustainability 101 Training Course, which we developed as educational content for new employees to gain a deeper understanding about ESG activities.



Video of the President and CEO and employees having engaging in dialogue about DE&I



Video featuring messages from the owners of the ESG Steering Committee to all employees

Events Deepening understanding of key ESG topics

We hold ad-hoc lectures and events with experts from outside the company targeting employees at various levels to deepen understanding of key ESG topics. In 2023, we held lectures by external speakers on DE&I at study sessions for the ESG Management Committee and senior executives.

In AEMEA, we held a town hall meeting where Kao’s Senior Vice President of ESG himself delivered a message about the Sustainability Report and provided an overview. We received positive feedback from participants, saying, “This event helped me better understand how the report is utilized,” and “It boosted my motivation to integrate ESG with all aspects of our activities and reminded me that each of us has a role to play,” indicating that this event helped them better understand and engage with ESG.



Lectures by experts from outside the company

Governance

Employees' opinions

Wu, Meng_Chuan

Kao (Taiwan) Corporation
Product Supply Division-Procurement



As the global climate change crisis grows more severe, Kao aims to reach Carbon Zero by 2040, so carbon reduction is no longer a slogan, but an urgent task. Kao must be more active in facing the problems and propose countermeasures to make greater contributions to the environment.

At present, disposable plastics have caused serious harm to the planet. Therefore, many governments are promoting a circular economy, and Taiwan is no exception. Kao Taiwan is actively cooperating with the government to promote circular economy activities and has committed to using 25% recycled resin by 2025. In addition, the government also strongly urges companies to create monomaterial product packaging, use resin color as little as possible for easy recycling, and to reduce label usage, among other activities. Kao Taiwan also plays a leading role in government press conferences and video filming, and pre-legislative discussions related to the circular economy because we deeply understand that this will bring great contributions to the planet.

Furthermore, the promotion of ESG requires employees to have ESG knowledge and mindsets, so we also conduct a series of training and workshops. If employees have a consensus and can apply it to daily business, everyone can execute ESG activity innovation. From a long-term perspective, we can facilitate business transformation and growth with an ESG perspective and contribute to sustainable growth for the company.

Significant expenses are required to carry out many ESG activities. However, we treat ESG spending as a long-term investment, whereby we design and manufacture better products and promote product innovation. As long as productivity increases, it will bring benefits. Therefore, we must understand that ESG is not in conflict with profits but a great circulation. Meanwhile, if we make good use of the concept of "Wastefulness—*Mottainai*. Never today, nor tomorrow," many ESG activities will bring dual benefits such as cost reduction and carbon emission reduction.

Efforts for better product design and technological innovation achieve products that can reduce waste and carbon emissions. As a member of the Kao Group, we hope to bring Kirei Lifestyle proposals to society, respond quickly to social issues and bring more smiles to consumers.

Risk Management

GRI 2-16, 3-3

We are reinforcing our risk and opportunity management to ensure risk mitigation and opportunity creation under flexible and resilient ESG governance.

Risk and opportunity management at Kao

Risk management involves the Risk & Crisis Management Committee regularly monitoring the importance of the risks. Among these, risks that have a particularly large impact on management and require a stronger response are designated as Corporate Risks. For those, risk themes and risk owners are selected by the Management Board, and progress is managed by the Risk & Crisis Management Committee. Each organization takes the lead in addressing risks that can be managed by individual divisions and group companies. In terms of opportunity management, we have established a structure that integrates and manages themes for the entire company to set priorities and promote ESG investments, which is connected to strategic business development.

Among these main risks, we have defined corporate risks as those that have a particularly large impact on management and require a stronger response. With respect to corporate risks, once a year the Management Board reviews the risk themes and risk owners responsible for addressing them (Executive Officers) based on internal and external risk analysis as well as interviews with management, and the Risk & Crisis Management Committee manages the progress.

P293 Risk and Crisis Management

from each division and make accurate investment decisions. Through these efforts, we are working to ensure that ESG activities create opportunities and contribute to our business.

Opportunity management

In 2019, each division proposed a theme that would serve as an opportunity, from which 20 key themes were identified and set after deliberations by the ESG Committee (at the time). Based on these themes, the divisions in charge incorporate them into their activities and are working on them. The ESG Promotion Meeting and the ESG Managing Committee manage those key themes in an integrated manner throughout the company and verify the progress of activities.

The ESG Steering Committees, which have jurisdiction over each of the themes for which they are responsible, play a central role in the prompt creation and materialization of opportunities in the business.

In particular, the key to integrating ESG into business activities is to make prompt and accurate decisions regarding investments and costs. As such, Kao has clarified the criteria for ESG investment as well as the deliberation and approval process at the ESG Managing Committee in order to activate proposals

Risk management

The Risk & Crisis Management Committee establishes risk and crisis management systems and activity policies based on the Kao Risk and Crisis Management Policy. This is done by each division and group company to identify and assess risks in accordance with activity policies set by the Risk & Crisis Management Committee, and form and implement countermeasures.

The Risk & Crisis Management Committee, together with the Management Board, has selected the 15 main risks of particular importance that could negatively impact sustainable and profitable development, as well as our contributions to the sustainability of the world.

Metrics and Targets GRI 2-4

We have set metrics and targets for three commitments and 19 Kao Actions that symbolize the realization of Kao's ESG Strategy, the Kirei Lifestyle Plan. The progress is managed using the PDCA (Plan, Do, Check, and Act) cycle, with the aim of boosting the level of initiatives and steadily achieving targets.

Mid- to long-term targets for the 19 Kao Actions

Kao Actions	Metrics	Results					Mid- to long-term targets		SDGs
		2019	2020	2021	2022	2023	Target value	Year	
Making my everyday more beautiful									
Commitment	Number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	—	—	0.47 billion	0.49 billion	0.48 billion	1 billion	2030	3, 5, 6, 10, 12, 14, 17
Improved quality of life	Number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	—	4.7 billion	4.4 billion	4.4 billion	4.1 billion	7 billion	2030	3, 5, 12, 17
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)	30 million	34 million	45 million	51 million ^{*6}	59 million	0.1 billion	2030	3, 6, 17
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines	(44%) ^{*2}	(53%) ^{*2}	98%	99%	99%	100%	2030	10, 12, 17
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	—	17% (31%) ^{*2}	30% (56%) ^{*2}	60% (100%) ^{*2}	67%	100%	2030	3, 12, 14, 17
Making thoughtful choices for society									
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	—	—	—	59% ^{*6}	61%	100%	2030	4, 8, 9, 10, 11, 12, 13, 15, 17
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)	6.5 million	9.4 million	11.0 million	13.0 million	14.0 million	0.1 billion	2030	4, 11, 12, 17
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness	—	—	—	53%	57%	100%	2030	12, 17
Transformative innovation	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)	2	3	4	5	6	10 or more	2030	9, 12, 13, 17
	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)	—	1	3	5	6	10 or more	2030	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	91%	94%	96%	97%	98%	100%	2025	8, 10, 12, 15, 17
	Confirm traceability to oil palm smallholders	Completed for large plantations	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Completed up to traceability checks to farms: 87%	Finish	2025	

*1 Change of metrics and target value

*2 Value based on former definition

*3 Value based on former definition (Japan only)

*4 Reviewed metrics for 2023

*5 Corrected results (Recounted due to some omissions)

*6 Corrected results (Recalculated due to double counting)

Metrics and Targets

GRI 2-4

Kao Actions	Metrics	Results					Mid- to long-term targets		SDGs
		2019	2020	2021	2022	2023	Target value	Year	
Making the world healthier & cleaner									
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb	—	—	9% ^{*5}	14% ^{*5}	17%	100%	2030	3, 6, 7, 12, 13, 14, 15, 17
	Kao recognition or achievement level by external ratings firms	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A-	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	Highest evaluation level	Yearly	3, 6, 7, 12, 13, 14, 15, 17
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)	4%	4%	4%	6%	15%	22%	2030	7, 12, 13, 17
	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)	9%	15%	20%	26%	35%	28%	2025	
							55%	2030	
							% of renewable energy in electricity consumption	22%	
Zero waste	Quantity of fossil-based plastics used in packaging	—	—	91 thousand tons	88 thousand tons	74 thousand tons	Will peak and begin to decline	2030	12, 14, 15, 17
	Quantity of innovative film-based packaging penetration for Kao and others per annum	—	7 million	11 million	13 million	14 million	300 million	2030	
	% recycling rate of plastics involving Kao	—	—	1%	3%	6%	50%	2030	
	Practical use of innovative film-based packaging made from collected refill packs	—	Ongoing development	Ongoing development	Ongoing development	Product launch	Product launch	2025	
	% of recycled plastic used in PET containers (Japan)	—	—	19%	69%	81%	100%	2025	
	% of the waste generated from Kao sites*, ratio of waste that cannot be recycled *Beginning with production sites	—	—	9.1%	4.2%	4.3%	0 (less than 1%)	2030	
	% reduction of discarded products and discarded promotional materials (Base year: 2020)	—	—	14%	20%	43%	95%	2030	
Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	6%	-5%	-5%	3%	6%	10%	2030	6, 12, 15, 17
	% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)	—	—	—	—	Plan to disclose in 2025 ^{*4}	40%	2030	
Air & water pollution prevention	% of plants which disclose VOC and COD emissions	VOC 0%, COD 100%	VOC 0%, COD 100%	VOC 65%, COD 100%	VOC 68%, COD 100%	VOC 84%, COD 100%	100%	2025	3, 6, 12, 14, 17

*1 Change of metrics and target value
 *2 Value based on former definition
 *3 Value based on former definition (Japan only)
 *4 Reviewed metrics for 2023
 *5 Corrected results (Recounted due to some omissions)
 *6 Corrected results (Recalculated due to double counting)

Metrics and Targets

GRI 2-27

Kao Actions	Metrics	Results					Mid- to long-term targets		SDGs
		2019	2020	2021	2022	2023	Target value	Year	
Walking the right path									
Effective corporate governance	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Yearly	8, 16
	Number of serious compliance violations* per annum *Compliance violations that have a significant impact on management and significantly damage corporate value	0	0	0	0	0	0	Yearly	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information	—	9%	12%	18%	22%	100%	2030	8, 12, 16, 17
Respecting human rights	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100% suppliers: 20% contractors: 0%	Internal: 100% suppliers: 55% contractors: 0%	Internal: 100% suppliers: 60% contractors: 3%	Internal: 100% suppliers: 62% contractors: 15%	Internal: 100% suppliers: 81% contractors: 19%	100%	2030 *Suppliers: 2025	5, 8, 10, 17
Inclusive & diverse workplaces	Score for “Inclusive organizational culture” in our employee engagement survey (perfect score: 100)* ¹	—	—	—	(69%)* ³	62	75* ¹	2030	5, 8, 10
	% of female managers	29.4% (% of female employees: 49.6%)	28.8% (% of female employees: 49.7%)	30.2% (% of female employees: 50.5%)	30.5% (% of female employees: 52.9%)	31.1% (% of female employees: 53.1%)	Same as % of female employees	2030	
Employee wellbeing & safety	Lost Time Frequency Rate (per million hours worked)	0.78	0.53	0.65	0.65	0.71	0.1	2030	3, 8
	Average number of lost long-term work days (days/people) *Starting from Japan	129	146	197	182	195	105	2030	
	Ratio of employees who have lost long-term work days per 1,000 employees *Starting from Japan	0.198	0.185	0.232	0.287	0.256	0.12	2030	
	Score for “Vitality” in our employee engagement survey (perfect score: 100)* ¹	—	—	—	(77%)* ³	59	70* ¹	2030	
Human capital development	Score for “Organizational culture in which employees are encouraged to take on challenges” in our employee engagement survey (perfect score: 100)* ¹	—	—	—	(79%)* ³	61	80* ¹	2030	3, 4, 5, 8, 10
	Score for “Work satisfaction” in our employee engagement survey (perfect score: 100)* ¹	—	—	—	(74%)* ³	60	75* ¹	2030	
Responsible chemicals management	% of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers	—	—	14%	29%	38%	100%	2030	3, 6, 12, 14, 17
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal	—	—	96%	98%	93%	100%	Yearly	

*1 Change of metrics and target value

*2 Value based on former definition

*3 Value based on former definition (Japan only)

*4 Reviewed metrics in 2023

*5 Corrected results (Recounted due to some omissions)

*6 Corrected results (Recalculated due to double counting)

Metrics and Targets

2023 results

Three commitments

1. Making my everyday more beautiful

In 2023, “the number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression” was 480 million, a slight decrease from 490 million in 2022. There were slight decreases and slight increases in each region, but overall they were offset and remained mostly unchanged. The challenge is to further advance globalization. Of this total, the cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services increased from 51 million in 2022 to 59 million in 2023.

We will expand our proposals from the consumers’ point of view to more people around the world in order to reach the goal of one billion people by 2030.

2. Making thoughtful choices for society

In 2023, the “percentage of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society” was 61%, up from 59% in 2022. This is the result of 57% (See p. 86) of the 2023 actuals for the “purpose driven brands” metric, plus 6 actuals and 6 actuals (See p. 41) for the two “transformative innovation” goals (See p. 385 for calculation formulas). These results show that 61% of the brands resonated well with consumers or were able to propose and realize products, businesses, and systems that have a significant and positive impact on

lifestyles. There was no contribution to the “Sustainable lifestyle promotion” target. This is because the environmental awareness activities covered by this target are basically developed as a Kao brand.

To achieve 100% by 2030, Kao, through its brands, will help to bring about a more vibrant and caring society.

3. Making the world healthier & cleaner

In 2023, the “percentage of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb” was 17%, up from 14% in 2022. In addition to *Attack* laundry detergent, with high water-saving performance, the sales volume of *CuCute* dishwashing detergent, which meets the conformity requirements, increased, and the launch of new improved products that meet the conformity requirements and new products that meet the conformity requirements contributed to the increase. For example, *eco-peko bottle for the future*, an environmentally conscious product launched with *CuCute*, is made of much less plastic than traditional plastic bottles and contributes to a drastic reduction of CO₂ emissions from product production and disposal. Through *Yoki-Monozukuri*, we will contribute to realizing a healthy and clean planet through planning and action from an ESG perspective, aiming to achieve 100% by 2030. We will contribute to the realization of a healthy and clean planet through *Yoki-Monozukuri* in plan and action from an ESG perspective, aiming to achieve 100% by 2030.

Beneficial effects on business

1. Business growth

Products with excellent environmental performance contributed greatly to the increase in overall sales of Consumer Products Business products.

Sales of products that meet the strict environmental conformity requirements applied in the commitment to make the world healthier and cleaner increased 26% over the previous year. This increase resulted from the increasing number of environmentally conscious products for *Attack*, Kao’s laundry detergent, and *CuCute*, Kao’s dishwashing detergent. At the same time, the increase in sales and market share of these brands contributed to the sales of the Fabric and Home Care business. Furthermore, the new products, which use an environmentally friendly container, were supported by consumers who are highly conscious of sustainability, which stimulated their purchasing behavior. A typical example is the environmentally friendly refill container, *eco-peko bottle for the future*, launched in September 2023 from the *CuCute* dishwashing detergent brand. This product is easy to crush at the time of disposal by making the bottle’s plastic as thin as possible while maintaining the ease of refilling. As a result, not only was the burden of dishwashing lessened as a whole, but the quantity of plastic used was also reduced by approximately 40% (the percentage of the weight of the container compared to the existing product). Because of these reasons, the product is gaining support from sustainability-aware consumers, and the number of users who are highly involved in sustainability has increased by 20% (over the previous year, according to INTAGE SCI) since the product was launched,

Metrics and Targets

contributing to the expansion of sales and market share. *CuCute* saves approximately 20% of water when rinsing (compared to our product) and contributes to CO₂ reduction during use. As consumers are expected to become more environmentally conscious in the future, we will provide environmentally friendly products to achieve social sustainability through environmental conservation, while at the same time growing our business.

In recent years, the need for sunscreen to protect the skin from ultraviolet rays has increased, and UV care products have become one of the key categories driving the business. The new product *Bioré UV Aqua Rich Aqua Protect Mist* launched in 2023 became a big hit, capturing 6.8%*¹ of the sunscreen market share. We believe this is partly due to the fact that we have solved the challenge related to the improvement of QOL, making sunscreen easy to reapply while on the go.

This case indicates that we can create new categories by reviewing consumer problems from a sustainability perspective, even in existing businesses. We also created a business model that provides a customer experience from an ESG perspective, which leads to product proposals. My Kao, an interactive digital platform with consumers, offers an AI-based skin measurement service called *HADA RECO*, which has been used approximately 400,000 times in the first nine months since its launch. Based on the measured results, this service suggests appropriate products along with skincare and beauty advice. This service, which makes people want to continue, has increased the rate of repeat purchases of products. We believe that this kind of linkage between the provision of things and customer experience and manufacturing from an ESG perspective is one approach that will not only

improve QOL at a high level, but also create a new business model and create a *Global Sharp Top* business.

*1 INTAGE SRI + Sunscreen Market Jan -Dec 2023 Value Share

 **HADA RECO**
<https://hadareco.kao-kirei.com/>

2. Cost reductions

Economic effects as a result of environmental conservation measures

The economic effect in 2023 was 8.46 billion yen, a significant increase from 5.8 billion yen in 2022. This was due to the promotion of cost reduction efforts at each manufacturing site, which resulted in significant cost savings of 4.55 billion yen through resource conservation.

P165 Making the World Healthier & Cleaner > Environmental Accounting


Impact on financing costs

In 2023, we have initiated two sustainability-linked financing initiatives. One is the Sustainability Linked Loan, which has a low interest rate requirement and has achieved an "A" rating in at least two of CDP's three ratings. The other is the Sustainability Linked Bond, in which the interest rate can be reduced by reducing CO₂ emissions (Scope 1 + 2) by 39% by FY2026 compared to 2017.

3. Minimizing risks

We continue to conduct human rights due diligence and awareness-raising activities to identify, prevent, and mitigate human rights risks in our corporate activities. Among those activities, we have been advancing our efforts, especially in two areas we had identified as noticeable human rights risks: subcontractors at manufacturing sites with foreign workers and the palm oil supply chain. As a result, no serious human rights risks such as forced labor or child labor were found in the Kao Group by 2023.

We are also working to achieve sustainable procurement of palm oil, a key material, and to ensure traceability to avoid environmental risks. Ensuring 100% traceability is a foundational initiative to avoid risk and is essential for stable business continuity. By 2023, traceability to palm oil mills is 99% complete and to palm plantations is 87% complete. We are also promoting the SMILE Program, an initiative aimed at resolving the essential issue of palm oil procurement, namely, the issue of oil palm smallholders. By 2023, we could support a total of 3,083 farms. Our activities and achievements related to palm oil procurement are disclosed on our Palm Dashboard.

 **Palm Oil Dashboard**
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

4. Increased credibility

In March 2024, we were selected as one of the World's Most Ethical Companies 2024® by the U.S. think-tank Ethisphere Institute. We have been selected for 18 consecutive years since the award's inception in 2007. Excluding six other companies around the world, we are

Metrics and Targets

the only company in Japan and the Asian region to have been selected for 18 consecutive years. We believe that this recognition reflects our attitude of walking the right path, which has been passed down from our founder, or acting in accordance with the law and ethics, and conducting our business activities with integrity continues to be implemented by all Kao Group members, and our corporate culture fostered by the attitude.

Beneficial effects on society

Among our initiatives to work directly with society, we position efforts through external collaborations as important initiatives that produce effects that amplify our impact. Plastic waste, which is a global social issue, is a theme that needs to be addressed by society as a whole. Kao is working to build a recycling system in collaboration with local governments, retailing companies, and competitors. As one specific initiative, Kao has conducted a series of demonstration experiments with local governments, companies, and retailers to establish a sustainable collection scheme for used refill packs and to develop technologies for recycling them. For example, we are participating in a project in which the City of Kobe, retailers, commodity manufacturers, and recyclers are collaborating to recycle refill packs of household and personal care items. In May 2023, we realized horizontal material recycling technology for used refill packs and developed and launched a refill pack partially made of recycled materials. We will also contribute to the promotion of recycling in society and the industry as a whole by spreading the technology developed by Kao widely within the industry. In parallel, we will further examine ways to solve social implementation issues by

establishing a scheme to increase the amount of used refill packs collected and by reducing costs.

We believe it is important to clearly state the magnitude and quality of the impact of Kao's business on society, and to fulfill our accountability for improving corporate value and investment. In 2023, we continued to participate in the ESG Disclosure Study Group and deepened discussions on how to disclose information on ESG. In addition, since 2018, we have converted our social impacts into monetary equivalents, and in 2023, we also used the indicators in the table below to calculate and assess the impact on society.

Theme	Output	Impact
Decarbon-ization	Lifecycle CO ₂ emissions (absolute emissions)	Lifecycle CO ₂ emissions (absolute emissions) social cost
Zero waste	Amount of plastic packaging used	Amount of plastic packaging used (social cost)



Study on Returns to Kao's Stakeholders In FY2017

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf>

Realization of the Kao Way

The Kao Way embodies our corporate philosophy and is the foundation for our business activities.

As our cornerstone, the Kao Way provides consistency to group activities from the formulation of mid- to long-term business plans to each business decision that is made every day. Accordingly, it acts as a guiding principle for all of our members, bringing together the growth of our company and that of our individual members. As such, it is an essential element in making the work we do more rewarding and instilling a sense of purpose in all of us. Kao employees share the Kao Way not as a manual or set of rules but as a foundation from which we are able to determine both the meaning of our work and the concerns we share.

In July 2021, the Kao Way was substantially updated for the first time since it was established in 2004. This has prompted a variety of activities to reinforce communication of the Kao Way throughout the Kao Group. Continuing from preceding years, many activities related to the Kao Way took place both within and outside Japan in 2023.



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

Social issues

Environmental issues are intensifying day by day. We have contributed to improving people's daily lives by offering household and chemical products, but the production of goods requires large amounts of substances and energy, and large amounts of waste are also created in the processes of production, distribution, sale and consumption. There is a pressing need to shift our manufacturing from an approach driven by consumption to one where resources are circulated.

In addition, to realize the mission set forth in the Kao Way, to provide care and enrichment for the life of all people and the planet, we must also consider solutions to social issues, such as population aging, pandemics and respecting diversity, as well as environmental issues.

Policies

It is important that employees not only understand the Kao Way, but that they can apply it as the basis for their actions in day-to-day tasks.

In 2021, the Kao Way was substantially updated for the first time since it was established. Without changing

the core spirit of the Kao Way, the updated Kao Way emphasizes the three elements to respond to the changes in the wider society: caring for people and the planet, diversity and inclusion, and making bolder moves. To achieve what we aim to by 2030, we will conduct various activities to spread the updated Kao Way throughout the Kao Group.

Strategy

Risks and opportunities

Risks

Kao aims to become a company with a global presence, valuable to society by 2030.

This is an ambitious goal that is impossible to achieve without all of our diverse employees around the world sharing the same philosophy and working together as one team based on trust. In other words, it will be exceedingly difficult to achieve our goal without the Kao Way serving as the shared language of all Kao employees.

The Kao Way communication activities will not conclude just by providing training; it is necessary to continue supporting all employees so that they realize the

Kao Way and so the philosophy takes root in the corporate culture as a living principle that is practiced daily. Unless activities are conducted constantly while we have a certain level of staff turnover, the Kao Way will not spread and will fade from employees' awareness in the midterm. Moreover, when we acquire a company, we should provide education on the Kao Way early; otherwise, the fusion of corporate cultures will not progress, leading to a loss of consistency in business activities.

Opportunities

A range of social issues have gained broad recognition, and in addition to their economic activities, companies are being called on to make responsible contributions as members of society. To achieve our goal of becoming a company with a global presence that is valuable to society by 2030, we must be able to take action on this point.

The Kao Way also shows us how to be a positively contributing member of society. The Kao Way is the shared philosophy of employees around the world, and as such, the trend in society of expecting companies to make positive contributions to society represents an excellent opportunity for Kao.

Realization of the Kao Way

Strategy

By continuing the Kao Way communication activities, we aim to ensure that this philosophy permeates to all Kao employees and they can think and act accordingly as second nature in their daily work.

The Kao Way consists of the essence extracted from Kao's history since its founding, and we believe that its succession is important for Kao to continue to exist and remain relevant to society for the next 100 years.

In the long term, we will focus on passing on the spirit and DNA of Kao that we have cherished since our founding to the next generations.

To that end, we will make it easy to practice the Kao Way in daily work while communicating to all employees the points of the Kao Way as updated in 2021, and promote understanding of the philosophy's highlights.

Social impact

Since our founding, we have always worked with the belief of doing everything in our power to make society and people's daily lives better. Put another way, we have consistently made efforts to provide solutions to the social issues that existed at the time. This spirit is also evident in the Kao Way.

Kao products are used by large numbers of people all over the world. We believe that products and corporate activities provided by employees who share the Kao Way and work together as one will help solve various ESG issues, including environmental issues, and lead to the realization of a Kirei Life for all people and the planet.

On the other hand, if the Kao Way is not shared by employees, the resolution of social issues will be delayed. We believe that unless we work together as one team, we will not be able to make significant changes in society.

Business impact

The more the Kao Way becomes widespread throughout the company, the higher the likelihood that the K27 targets will also be achieved, because we can anticipate that employees will display initiative in taking action aligned with our strategy.

Governance

Framework

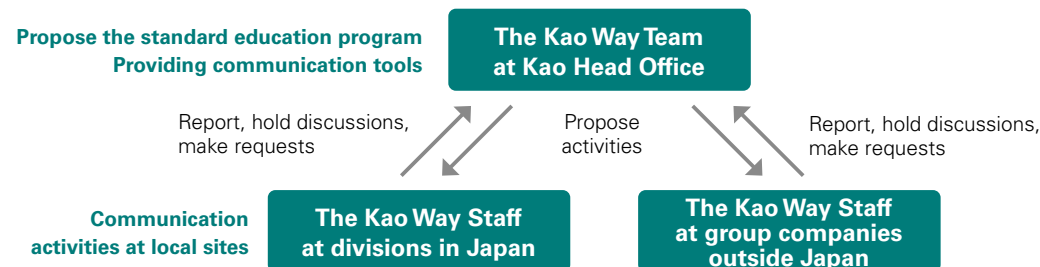
The Kao Way team at the Head Office exists within Corporate Strategy. This team has the following functions and leads global activities to communicate the Kao Way:

- Deciding the policy for the Kao Way communication activities
- Proposing the standard education program
- Providing communication tools
- Reporting on the progress and results of the Kao Way communication activities to top management
- Overseeing the Kao Way

The Kao Way team supports the Kao Way staff by maintaining close communication, receiving reports and providing advice. The Kao Way communication activities are reported to the supervising executive officer and the President and CEO at regular (approximately twice a year) briefing sessions held by the head of Corporate Strategy or above.

The Kao Way team at the Head Office provides standardized education programs and communication tools for the Kao Way staff in all divisions inside Japan and at group companies outside Japan.

The Kao Way staff create the most appropriate program for their organization and implement the education.



Realization of the Kao Way

Basically, the Kao Way team at the Head Office proposes the framework of activities on a global basis, and the Kao Way staff have the role of embodying these ideas to fit the local situation. We then collaborate through mutual reporting and consultation.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

The Kao Way communication activities have been conducted on a continual basis since the Kao Way was established in 2004.

We have conducted communication programs primarily focused on dialogue for all Kao employees for the purpose of having the Kao Way be understood, supported and reflected in employees' actions. In particular, at the many group companies outside Japan where employees have worked for Kao for a relatively short time, the Kao Way communication activities are constantly conducted for the purpose of fostering a feeling of unity.

As the Kao Way was updated in 2021, the Kao Head Office is once again encouraging group companies to strengthen the Kao Way communication activities.

The Kao Way team at the Head Office provides a standard education program and communication tools (documents, videos and other materials). As the level of understanding of the Kao Way and organizational issues vary among group companies and divisions, staff in charge of the Kao Way communication lead the development and implementation of the communication activities considering the appropriate content for each organization.

Collaboration with stakeholders

Collaboration with the Kao Way staff

Continuing from the previous year, we held the Kao Way Meeting in 2023, a meeting which was established in 2022 to share information among the Kao Way staff in various divisions inside and outside Japan. By sharing and learning from examples of how the Kao Way communication activities are carried out in other organizations, we hope to further promote the communication of the Kao Way. At the Kao Way Meeting, we set aside time for a question-and-answer session to exchange opinions. Another initiative for two-way communication is that after the meeting, we distribute a questionnaire asking participants about their impressions of the meeting and for their requests to the Kao Way team.

Risk management

Kao aims to become a company with a global presence, valuable to society by 2030, but if the Kao Way, our corporate philosophy, does not permeate the entire Kao Group, there is a risk that we will be late in achieving this goal. To ensure this does not happen, we regularly check with the management of each group company through the annual Japanese version of the Sarbanes-Oxley Act (J-SOX) questionnaire to see if they are carrying out activities to promote the Kao Way. If the results of the questionnaire indicate that there are areas where the Kao Way is not being promoted sufficiently, we follow up by approaching the management of that company directly.

To ensure continuous implementation of the Kao Way communication activities, it is important to appoint a person in charge of the Kao Way in each organization and periodically encourage them to carry out the activities. When Kao has acquired a company, staff should provide education on the Kao Way early so that all employees can share the common philosophy. For the content and methods of the activities, we always seek effective approaches that will lead to the realization of the Kao Way, rather than sticking only to proven approaches.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

Communication activities for the updated Kao Way are conducted in all group companies and divisions.

2023 results

We continue to implement the Kao Way communication activities.

- We provided employees with lectures and videos about the Kao Way: 44/57 organizations
- We provided opportunities to have a dialogue about the Kao Way: 37/57 organizations
- We conducted a communication activity on the Kao Way for employees new to the organization: 49/57 organizations

Main initiatives

Reviews of 2023 results

The Kao Way communication activities are progressing well. Although the specific methods may vary by company and division, each organization is promoting Kao Way communication activities that suit their situations.

Implementation of the Kao Way workshops

In 2023, we held Kao Way workshops within and outside Japan, continuing from 2022, when we launched it following the Kao Way's July 2021 update. Each employee read the full text of the updated Kao Way, and had dialogue with others based on it. With the Kao Way as the starting point, they discussed what aspects of the Kao Way they could relate to and what they would like to do at Kao, from a different perspective from their usual work. Sharing their thoughts and goals with their peers helps to clarify their goals and reinforce their determination, making these workshops meaningful occasions. Through such interactive events, we aim to help employees personalize the Kao Way and embody it in their daily work.



ESG Division



Kao Business Associe



Processing Development Research

Kao Group New Employee Welcome Day in Japan

In April 2023, we provided Kao Way training on “Kao’s history and the Kao Way” to 186 new Kao Group employees in Japan. While learning Kao’s history, the new hires were familiarized with the “Kao spirit that has been passed down since the company’s founding,” as seen in the Kao Way. This helps to instill a sense of pride and anticipation about working at Kao on their first day at work.



New Employee Welcome Day

Realization of the Kao Way

GRI 404-2

Techno School Training

In September 2023, we held a “Workshop on Kao’s History and the Kao Way” for participants in Techno School, a training program for select employees in Supply Chain Management (SCM). Launched in 1989, Techno School is a periodic divisional training program aimed at fostering *Genba* leaders who have both the necessary mindset and skills. In 2023, 14 SCM leader candidates from six countries participated, transcending national and company boundaries to learn Kao’s history and the Kao Way together.

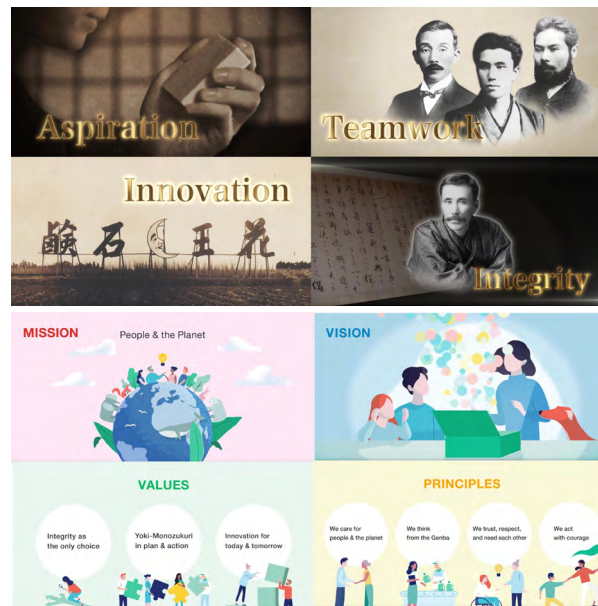
The participants enhanced their understanding through a tour of the Kao Museum, lectures on the Kao Way, and group work to personalize the Kao Way.



Techno School

Created a basic video to learn the Kao Way

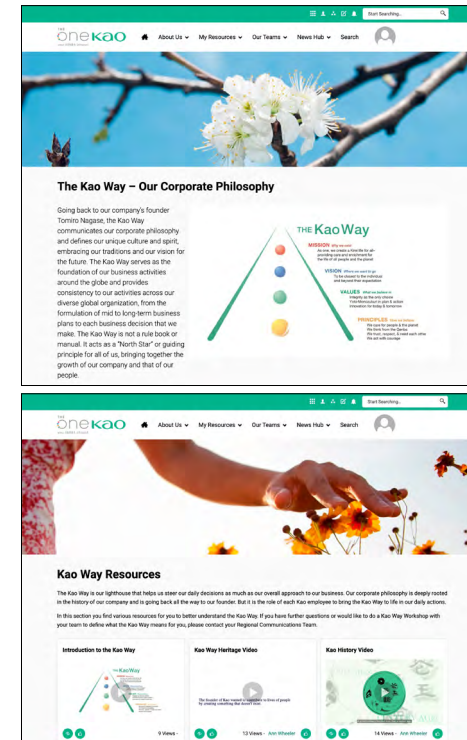
We created a new video, “What is the Kao Way?” in Japanese, English, and Chinese to communicate our corporate philosophy to newly hired Kao Group employees in a clear and simple way. This video provides a digest of Kao’s history, which is the origin of the Kao Way, and explains the meaning of the words used in it. This video is currently provided to approximately 20 Kao Group companies around the world for initial orientations for new employees and other purposes.



Video “What is the Kao Way?”

The Kao Way featured on AEMEA’s new intranet site

The new intranet site launched for the AEMEA region in January 2023 has a page dedicated to communicating the Kao Way. The full text of the Kao Way and related materials are available there.



AEMEA intranet site

Realization of the Kao Way GRI 404-2

Holding Global Kao Way Meetings

Continuing from 2022, we held a meeting for the Kao Way staff based outside Japan in May 2023 to share information about Kao Way communication activities. For this third meeting, Kao Specialties Americas presented case studies on Kao Way communication activities. The Head Office also hosted a presentation on Kao's history given by the director of the Kao Museum, providing an opportunity to learn about initiatives taken by Tomio Nagase the Jr., the son of the founder, and his contributions to society.

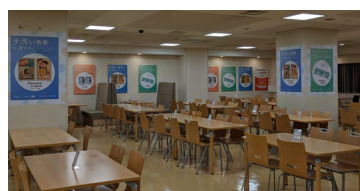
Twenty-seven Kao Way staff members from around the world joined the event and engaged in a lively discussion. We aim to continue sharing information among the Kao Way staff members and strengthening the network.



Global Kao Way Meetings

Discover the Spirit —Kao Spirit Rediscovery Campaign

With the aim of making employees like Kao more and hold pride in being Kao employees, we implemented an internal campaign for the first time at two of our worksites in Japan. This involved holding various events and introducing a range of different tools to communicate the “Kao Spirit” to employees through Kao's history and the Kao Way. We launched this new initiative to strengthen the engagement by exposing employees to Kao's spirit in their daily lives, which included running events at the Kao Museum, displaying posters in the employee cafeteria, and organizing round-table talks to promote dialogue among themselves.



Employee cafeterias



Exhibit at the entrance of the cafeteria



Round-table talks

Employees' opinions

Discover the Spirit —Kao Spirit Rediscovery Campaign

Hiromi Fujiwara

Corporate Culture,
Top Management Support,
Corporate Strategy,
Kao Corporation



We took the initiative to hold our first internal campaign. Since employees are usually busy and have little exposure to Kao's history and the Kao Way, we displayed relevant information so it would effortlessly catch their eyes as they walked by during work hours and made sure to communicate the Kao Way in a tone that makes this philosophy sufficiently simple and approachable. We planned and promoted the campaign with the hope of simultaneously communicating Kao's history and the Kao Way and reminding employees that the spirit cherished by our predecessors has built our current corporate culture, thereby driving future activities. In the times ahead, in addition to communications from our end, we would like to provide opportunities for each employee to share their own specific examples of embodying the Kao Way with one another.

Making My Everyday More Beautiful

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P54	Improved quality of life	Kao <i>Smile Toen</i> , our diaper subscription service, helps reduce the burden on guardians so that they can balance work and childcare, and contributes to reducing the burden on childcare workers so that they can spend more quality time with children.	Measures for women's empowerment	P58
		By raising awareness for preventing frailty, we promoted activities to encourage seniors to participate in social activities with peace of mind.	Measures for super-aging society	P58
P59	Habits for cleanliness, beauty & health	We conducted awareness-raising activities to protect lives from mosquito-borne diseases.	Deployment of mosquito repellent in Thailand	P62
		We work to raise awareness of hand washing at schools with limited access to clean water.	WOSH development in Indonesia	P62
		We promoted handwashing awareness for infants and children with intellectual disabilities.	Expansion of the program for raising awareness of hand washing to special needs schools	P61
		We provided an environment that will enable students to use IT devices, such as tablets, at schools where information technology is evolving.	Digitalization of awareness-raising programs related to environmental protection	P61
P65	Universal product design	We revised the Braille sticker for people with visual disabilities and created a website with information that they can access using the link on the sticker.	Providing information from a universal design (UD) perspective	P69
		Percentage of new and improved products that incorporate UD perspectives*1 Japan: 646 items, 99% *1 See note on p. 69		P68
		Our efforts extend not only to consumer products but also to the B2B hygiene product business, and we newly developed “ <i>Raku-Navi</i> ,” a bath and bathroom detergent that helps make daily cleaning easier.	Product development from a UD perspective	P70
P72	Safer healthier products	Regarding ingredients of particular interest to society, we disclose our policy with safety information based on scientific evidence. We have made another two ingredients available in 2023. Twenty ingredients were released in total against the 30 ingredients set as KPIs (67% publicly traded).	Safe and secure ingredient use and information disclosure	P74
		We are collaborating with industry associations to compile scientific research related to human health and the environment, and to examine measures for them.	Industry activities	P75
		We strive for adequate communication with consumers and customers, business partners, etc. When we receive inquiries regarding our use of ingredients or their safety, we provide sufficient information quickly.	Communication	P75

Improved Quality of Life

Even in today's society, which has diversifying values, we will help people enjoy more beautiful lives and drive business growth in a sustainable way through our products, services and communications.

Social issues

To achieve sustainable growth for society, it is important to create a world in which all individuals are respected and can maximize their potential in the way that suits them best. We believe that addressing DE&I is crucial for enhancing the quality of life, with specific focus on the following two points.

Barriers to women's empowerment

To promote women's empowerment, the government and companies are setting targets for the ratio of female employees and are expected to take specific actions. In Japanese households, women continue to dedicate significantly more time to household chores and parenting compared to men. (As of 2021, husbands spend 114 minutes, whereas wives spend 448 minutes*1.) Therefore, it is considered important to achieve gender equality in households to further empower women.

*1 Time spent on household chores in households with a husband and a wife with children under six years old



Ministry of Internal Affairs and Communications, "2021 Basic Survey on Social Life: Results on Daily Schedule and Behaviors and Results Overview"
<https://www.stat.go.jp/data/shakai/2021/pdf/youyakua.pdf>

their participation in social activities is considered important for improving their quality of life.



Chapter 1 (Section 3) of the Annual Report on the Aging Society [Summary] FY2023, Cabinet Office
https://www8.cao.go.jp/kourei/whitepaper/w-2023/html/gaiyou/s1_3.html

Policies

We will continue to practice and promote initiatives to improve quality of life based on the definition in the DE&I Policy. To this end, we will strengthen collaboration among divisions and activities both internally and externally. Furthermore, we aim to transparently share successful internal initiatives with external stakeholders and expand them into society-wide activities.



Diversity, Equity and Inclusion (DE&I) Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/policy/>

Super-aging society

As of October 2022, the population aged 65 and older in Japan has reached 36.24 million, accounting for 29.0% of the total population (aging rate). It is estimated that by 2070, one out of every 2.6 people will be 65 or older. Seniors who engage in social activities tend to experience a higher quality of life. Therefore, facilitating

Strategy

Risks and opportunities

Risks

- Failure to achieve gender equality in society and households, and if women's empowerment is not promoted, the opinions of female employees may be less likely to be reflected, leading to a reduced quality of products and services for women. In addition, this could result in decreased sales and market share and lower corporate brand value. Moreover, there is a possibility that the shortage in labor could become even more severe across society as a whole.
- If we continue to provide only existing products and services without addressing the challenges of the super-aging population, we may fail to meet the needs of the increasing number of seniors and those who support them, which may lead to decreased sales and market share and lower corporate brand value.

Opportunities

- The Japanese government began to gradually implement the Act for Partial Revision of the Act on the Welfare of Workers who Take Care of Children or Other Family Members Including Child Care and Family Care Leave and Employment Insurance Act in April, 2022. With the enforcement of this act, not only more men, but everyone, regardless of gender, will be able to take paternity leave immediately after birth. Therefore, we should be able to expand sales and shares of our products and services regarding gender equality in housework and child-rearing, and encourage greater loyalty to Kao products and services.

Improved Quality of Life

- The rise in the senior population has led to an increased demand for extending healthy life expectancy. We believe that this will lead to increased sales and market share and greater loyalty to products and services related to improving seniors' quality of life by helping them participate in social activities with peace of mind.

Strategy

Kao's strength lies in operating businesses and brands in diverse domains. This allows us to propose products and services that help improve individuals' quality of life according to their circumstances and life stages and continue to provide support throughout their lives, not only through activities by individual brands and businesses, but also through an internal, cross-divisional framework.

Social impact

Impacts and responsibilities

We believe that Kao, which provides products and services frequently used in daily life and implements awareness-raising activities, can accelerate the speed of transformation of the diversifying society in general by taking proactive initiatives. However, if we do not strive hard enough, the quality of life of diverse individuals will not improve, and the industries we operate in may also suffer.

Contributions to the SDGs



Business impact

By providing products and services and implementing awareness-raising activities based on risks and opportunities associated with social issues such as barriers to women's empowerment and super-aging society, Kao will be able to help increase loyalty to its products, which will, in turn, improve the corporate and brand value, profitability and competitiveness in the market.

Governance

Framework

Risk management in relation to improving the quality of life is carried out by the Internal Control Committee, and opportunity management is conducted 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 improving the quality of life 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 relating to improving the quality of life is handled by the ESG Managing Committee, which meets 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.

P25

Our ESG Vision and Strategy > Governance

In order to improve the quality of life, we implement a PDCA (Plan, Do, Check, and Act) cycle by proposing products that utilize new technologies, collaborating with various stakeholders, including employees and consumers, communicating broadly to internal and external parties, gaining recognition from third-party institutions, and reviewing and expanding activity themes as needed. Please see the following page for some examples.

Improved Quality of Life

Education and promotion

With the implementation of a PDCA (Plan, Do, Check, and Act) cycle that includes proposing products that use new technology, collaboration between employees, consumers and other stakeholders, the wide-ranging information provision both within and outside the company, and obtaining evaluations from third-party organizations, etc., we are constantly reviewing our activity themes and working to expand them.

We will also increase opportunities for employees to proactively think about and participate in efforts for DE&I that can be achieved through our products and services to further promote their understanding.

P230

Inclusive and diverse workplaces > Formulation of the Kao Group DE&I Policy and activities to disseminate the policy

Collaboration with stakeholders

Collaboration with consumers

We believe that consumers are the most important stakeholders involved in our business activities and we take action accordingly. For example, through the Consumer Communication Center, we provide information on our products and services in a simple and clear way and carefully respond to inquiries.

Collaboration with universities and academic institutions

We also believe it is important to share Kao's knowledge and technologies widely with society and promote initiatives with other companies, research institutions, public organizations, local governments,

etc. For example, the Kao Health Science Research Group conducts grant activities with themes such as nutrition, exercise, infectious diseases, and brain function. We also create the Kao Health Care Report three to four times a year based on interviews with leading health experts and send it mainly to professionals such as dietitians, public health nurses and nurses. We also provide the latest health-related research information on our website.



Kao Health Science Research Group
<https://www.kao.com/jp/healthscience/>

Collaboration with employees

It is essential to promote employees' understanding to further increase the number of products, services and activities that improve quality of life and contribute to society. For example, in order to meet the diversifying needs of society, we have established a website dedicated to DE&I on our intranet to share internal good practices and specific DE&I-related activities, as well as to foster greater understanding.

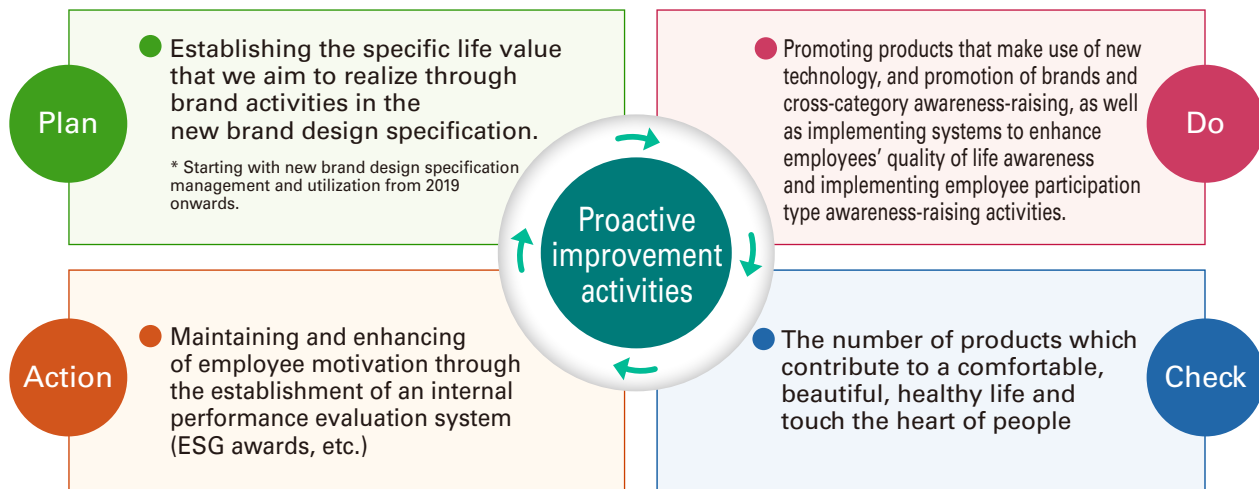
Risk management

P40

Our ESG Vision and Strategy > Risk management

We promptly share consumer feedback received at the Consumer Communication Center with relevant departments, and analyze and evaluate tendencies and diverse values through monthly and annual reports.

PDCA cycle aimed at improving the quality of life



Improved Quality of Life

Metrics and targets

Mid- to long-term targets and 2023 results

2030 long-term targets

- The number of products which contribute to a comfortable, beautiful, healthy life and touch the hearts of people
Target for 2030: 7 billion items
- Increase the number of new products that help to improve quality of life
- Collaborate with research institutions, public bodies, and government agencies to improve quality of life
- Increase initiatives with local governments and other companies

2023 results

- The number of products which contribute to a comfortable, beautiful, healthy life and touch the hearts of people
2023 results: 4.1 billion items

Reviews of 2023 results

The quantity is 92% of that of the previous year.

The backlash in China against the release of ALPS treated water from the Fukushima Daiichi Nuclear Power Station affected sales promotion activities, leading to their cancellation or reduction. In Japan, on the other hand, the quantity partially decreased due to strategic price increases associated with value-added offers. However, we successfully improved our brand power and increased the number of loyal customers in the Fabric Care Business and Sanitary Business.

Main initiatives

Efforts for people with visual impairments

Since 2001, Kao has been providing Braille stickers for visually impaired people, including those who are partially sighted or totally blind, to help them distinguish product containers in similar shapes such as face washes and toothpaste and identify usages. Since we started distributing Braille stickers, the environment where our products are used has changed, as applicable products became more diverse and smaller and people began to use sanitizer more frequently due to the COVID-19 pandemic. In response to such changes in the environment, we have updated the Braille stickers. For details, please refer to the page below.

P69

Universal Product Design > UD considerations in relation to the products that we launched and the information that we disseminated in 2023 > Initiatives for people with impaired vision

Measures for web accessibility

We are promoting efforts to ensure web accessibility, or usability of information and features provided on the Kao Group's website, so more people in various circumstances will be able to easily find the information they need to choose and use our products. We are driving our initiative based on our proprietary Kao Accessibility Guideline, which is designed to achieve WCAG 2.1 Level AA conformance and so far we have achieved approximately 30% of the target. For details, please refer to the page below.

P327

Digital Transformation (DX) > Metrics and targets

Kao Group Pink Ribbon Campaign 2023

Project for Cancer Education by Pink Ribbon Advisors

Kao supports the Project for Cancer Education by Pink Ribbon Advisors, which was launched by the Japan Society of Breast Health, a certified specified non-profit organization, with the aim of protecting the precious lives of people both with and without cancer and realizing a society that enables confidence in self-expression.

Donation activities through products

In 2023, the cosmetics brand *KANEBO* donated a certain portion of the revenue from selected products to the cancer education project. The feminine care brand *Laurier* conducted a reposting campaign through its social media account and donated the funds raised for this project. The cosmetics brand *LISSAGE* donated a certain portion of the product sales to an initiative by the Japan Society of Breast Health to train ultrasound technicians. All brands also communicate the importance of early detection to many people by providing awareness-raising information through their brand websites and other means.

Product Development

The *Healia Deodorant Pad*, which was jointly developed with Juntendo University in 2019, helps to reduce wound odors due to its outstanding odor removal properties and soft cushioning that makes application comfortable and secure.



Healia Deodorant Pad

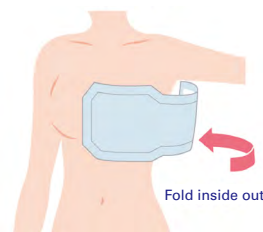
<https://pro.kao.com/jp/brand/healia/>

Improved Quality of Life



Example of use

<For chest region>



Laurier

Brand activities that contribute to the daily lives of individuals and address social issues

Under the brand purpose of “making women’s lives during their menstruation easier,” the *Laurier* sanitary products brand aims to create a society where women can live with peace and comfortably with confidence in their self-expression by making the environment surrounding women’s lifelong physiological phenomena better. We are doing this through carefully listening to every person, always being by their side, and engaging in *Yoki-Monozukuri* amid changing workstyles and lifestyles. In spring 2022 we launched *Laurier* in the Workplace. This is a project to supply sanitary napkins to workplaces, as with toilet paper, where women tend to push themselves too hard even during menstruation. Since the launch of our *Laurier* brand in 1978, we have continued to work on education at elementary schools about menstruation education as a way to support the next generation so that young people can have their first menstrual period with peace of mind. We will continue to provide educational materials that respond to changes in society and support children to grow up without anxiety, enabling them to live joyful lives. For details, please see the page below.

P88

Purpose Driven Brands > Laurier: Brand activities that contribute to the daily lives of individuals and to social issues

Awareness-raising initiatives to prevent frailty

At health centers in areas where many seniors gather, we are communicating the value of our products and encouraging them to go out. As part of these efforts, we are distributing the *Odekake Support Book*, which

aims to increase understanding about health and the importance of going out.

We conduct lectures on how to walk effectively (tips for good posture, advice for making it a habit) and introduce *Relief Ultra-Thin Adult Diapers pants type* to actively support senior citizens who are hesitant about leaving home due to incontinence concerns so they can actively enjoy going out.

To date, we have approached approximately 34,000 people at approximately 200 community health centers nationwide (both figures represent the cumulative total). We have received positive feedback from local governments of areas where we have implemented the program, who said, “These educational materials are helpful in widely sharing specific information. There are still many people who have misconceptions and are taking the wrong measures. We would like to utilize these materials to help seniors live comfortably, confidently and actively.” We also received comments such as “It’s an important topic, but one that’s not easy to discuss, so these materials help raise awareness in the classroom.”

In addition to introducing the prevention and awareness-raising activities we are carrying out with local governments, we are also utilizing the Kao Group’s extensive sales network to hold seminars at facilities such as community comprehensive support centers, public halls and senior daycare centers.



Childcare support service for nursery schools Kao Smile Toen

The *Kao Smile Toen*, a childcare support service for nursery schools, is designed to help babies grow optimally and reduce the workload for childcare workers, thereby bringing many smiles to society. Under our new disposable diaper subscription service, we provide nursery schools with *Merries* disposable diapers for a fixed price, reducing the trouble of writing down names and handling packages so the childcare workers can spend more productive time with the children. For details, please see the page below.

P88

Purpose Driven Brands > Merries: Kao Smile Toen, a childcare support service for nursery schools, aims to create a society where everyone can play an active role with a smile

Habits for Cleanliness, Beauty & Health

Inspire and enable people to develop better habits for cleanliness, beauty and health and contribute to further business development through our products, services and communications.

Social issues

Infectious diseases such as COVID-19 not only affect people's health but also isolate them from society because of measures such as avoiding unnecessary outings to prevent transmission. This results in economic stagnation.

To solve these personal and social issues, we believe that society as a whole needs to develop habits for cleanliness, beauty and health.

Policies

For about 130 years, since the introduction of *Kao Soap* into the market in 1890, Kao has contributed to the promotion of hygienic habits through the development and provision of cleansing products.

Based on the principle of leaving no one behind, we will also promote awareness-raising activities to establish hygiene practices in collaboration with schools, local communities, and other companies.

In addition, we will be adopting a proactive approach to implementing activities aimed at promoting the adoption of good hygiene practices in the countries of AEMEA (the Americas, Europe, the Middle East, and Africa) and Asia.

Strategy

Risks and opportunities

Risks

If there is a risk regarding consumers that awareness-raising activities do not take root, there is a possibility that consumers may not be able to have sustainable lifestyles from the hygiene perspective.

Meanwhile, if Kao fails to respond to changes in consumers' attitudes and needs toward hygiene behavior, we may fail to get empathy, which may lead to decreased corporate and brand value, loyalty, profitability and competitiveness in the market.

Opportunities

We believe it is important to promote corporate activities that will help improve loyalty and profitability by seeing these changes and risks as opportunities and providing products and services ahead of such changes.

Strategy

Kao provides a wide range of highly reliable products through its proprietary technologies and quality control, gaining support from many consumers. We will continue to provide products that respond quickly to changes in consumers' attitudes and needs toward hygiene.

We will also continue to change our hygiene awareness-raising activities so we can promote them even during the spread of infectious diseases.

Social impact

It can be anticipated that the adoption of habits for cleanliness, beauty & health will help to improve people's quality of life, improve public hygiene, and reduce the risk of infectious diseases. This may also result in reduced medical expenses.

Contributions to the SDGs



Business impact

In Japan, where people are already in the habit of washing their hands regularly, it can be anticipated that having people learn hygiene behavior from when they are children and make it a part of their daily routine will lead to an increase in the percentage of people and the frequency of use of hand soap, hand sanitizer, and other disinfectant products. Spreading these Japanese hygiene practices to overseas countries will help improve hygiene practices, especially in Asia, and should contribute to the expansion of our market share of hygiene products. This will also help to gain the trust and loyalty of stakeholders and increase Kao's profits.

Habits for Cleanliness, Beauty & Health

Governance

Framework

Under the supervision of the Board of Directors, risk management in relation to habits for cleanliness, beauty & health is carried out by the Internal Control Committee while opportunities are managed by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to habits for cleanliness, beauty & health is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to habits for cleanliness, beauty & health. 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.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

Over the period from 2009 to 2019, as part of our efforts to encourage all Kao employees to participate in ESG activities, we visited classes at schools and provided handwashing lessons for children in the early

years of elementary school. Participating employees were able to directly communicate with consumers, including children, and this experience has been utilized in product development.

During the COVID-19 pandemic, while we were concerned that sending employees to visit schools to give lessons might exacerbate the spread of the disease, we also felt that, precisely because this was a pandemic, it was even more important than ever to instill correct hygiene habits in as many children as possible. With this in mind, since 2020, we have created and provided teaching programs that can be implemented by teachers at preschools, elementary schools, and special needs schools as a part of lessons, through the provision of remote classes and teaching materials.

Collaboration with stakeholders

From a global perspective, we collaborate with governments and government agencies utilizing advanced technical capabilities to address hygiene issues in various countries.

P62 Main initiatives

Primarily in Japan, we collaborate with educational institutions to develop educational programs.

P61 Main initiatives

We are expanding opportunities to raise awareness by calling on local governments and distributors to cooperate.

Kao Group members conduct awareness-raising activities based on Kao's knowledge for stakeholders in local governments, distributors, educational facilities and elsewhere.

In 2023, we held approximately 5,500 awareness-raising lectures (with approximately 160,000 participants in total). Out of these, 1,500 were mainly on the subject of fostering hygiene practices for preschoolers, 1,200 on SDGs and personal grooming for schools, 2,100 times for seniors at local government and community centers, and 500 times for company employees and the like.

We have been more frequently contributing to local communities through collaboration by joining events on SDGs and environmental protection hosted by local governments and distributors, working with them to implement awareness-raising activities in line with local challenges and other issues.

Going forward, we plan to establish a more facilitating environment for participation by distributing videos exclusively for communities, facilities and employees whose access to or availability for group or remote sessions is limited and taking other measures to provide more participation methods and time slots so we can raise the awareness of more people.

Risk management

These days, as we grapple with concerns about infectious diseases such as COVID-19 and influenza, it is necessary to accurately understand consumer needs in order to develop products and implement awareness-raising activities that meet social needs.

Therefore, we constantly listen to consumers and draw on their opinions in various activities.

Habits for Cleanliness, Beauty & Health

Metrics and targets

Mid- to long-term targets and 2023 results

2030 long-term targets

Cumulative number of people reached through awareness-raising activities implemented to help people acquire habits for cleanliness, beauty and health by using Kao's products and services
Target for 2030: 0.1 billion people

2023 results

59 million people (To be updated upon calculation)

Reviews of 2023 results

Although the number of shipments of hygiene products has decreased compared to the COVID-19 epidemic, we believe that people have been acquiring good life habits steadily.

We will continue to promote awareness-raising activities through cross-sectoral collaboration with educational institutions, public organizations, and local governments.

The cumulative number of people reached through awareness-raising activities is growing as planned toward the 2030 target. Within Japan, we will be focusing on providing teaching materials that teachers can use themselves at school, while combining this with visiting classes, including classes provided remotely, and we will be approaching even more educational institutions, with the aim of establishing good hygiene practices in both preschool-age children and young schoolchildren. We will also be working to disseminate accurate information and expand the scope of hygiene awareness-raising activities in the Asia region and in AEMEA in a similar way to that used in Japan.

Main initiatives

Nurturing the next generation through the provision of educational materials

We believe that safeguarding one's own hygiene helps to safeguard that of society as a whole (in other words, the people around us) by becoming better aware of hygiene.

In line with this belief, we undertake activities to nurture the next generation, with the aim of cultivating children's life skills and kindness, through the provision of educational programs tailored to the changes taking place in society.



Kao Nurturing the Next Generation
<https://www.kao.com/jp/education/next-generation/>

Hygiene Practice Program: Let's All Wash Our Hands Together! For Special Needs Schools

In 2021, we created educational materials as part of our hygiene practice program, "Let's All Wash Our Hands Together!," so that children could learn how to wash their hands properly in a fun way and acquire good hygiene practices. The materials have been utilized by 58%*1 of elementary schools (around 11,000 schools) in Japan, and 73%*1 and 86%*1 of schools for the hearing impaired and the visually impaired in the country, respectively. As the next step after the habit of washing hands has taken root, we have "Keeping Your Surroundings Kirei," which is designed to help children understand the importance of keeping their surroundings clean. This hygiene practice program is being utilized at approximately 2,900 elementary schools (cumulative) in Japan.

Recently, we have created hand-washing educational materials in the hope that young school children with intellectual challenges in special needs schools will also acquire hygiene practices. While creating the educational

materials, we incorporated the teachers' opinions so children can enjoy learning how to wash their hands thoroughly. For example, for the classroom slides, we used plenty of inverted black and white text, which is easy to read for children and not taxing on their eyes, as well as simple illustrations to facilitate visual understanding. We make sure to explain the steps for washing hands thoroughly in a simple and clear way so that children can learn to practice them easily. We also provide Kao's original hand-washing song, *Foamy Hand Washing Song*, for practice, which helps children effectively learn the six hand-washing poses.

*1 As of November 2023



Educational slides for classroom use



Practice kit

Habits for Cleanliness, Beauty & Health



Created the Hygiene Practice Program: Let's All Wash Our Hands Together! For Special Needs Schools
<https://www.kao.com/jp/newsroom/news/release/2023/20231204-001/>

Environmental Program: Zero Waste Challenge

We developed the Zero Waste Challenge Program with the aim of fostering problem-solving abilities (the ability to participate in society) by enabling children to develop their own ideas toward social issues and engaging proactively through learning about innovations and efforts to reduce waste. The program has been provided since April 2022 for fourth and fifth grade elementary school students. In 2023, we provided some of the materials in a digital format. Since 2022, the program materials have been utilized at approximately 1,000 elementary schools (cumulative) in Japan.



Developing handwashing awareness in Indonesia (Collaboration with WOTA Corporation)

Kao Indonesia installs the freestanding handwashing stand "WOSH" at events that promote hand washing and outdoor events throughout the country to raise awareness of hand washing. Moreover, we installed WOSH at three junior high schools in West Java State, where it is difficult to access clean water, as part of "Anak KAO." This school support education program teaches elementary and junior high school students about the importance of hygiene practices, with the Ministry of Health and the Ministry of Education of Indonesia, in order to boost hygiene awareness and demonstrate handwashing as an established practice, as well as make QOL improvements.

Using the knowledge gained from these activities, we plan to propose solutions that are better suited to locals' attitudes to hygiene and their situations, and the local hygiene environment and infrastructure.



Kao and WOTA Partner in the Water and Sanitation Field
<https://www.kao.com/global/en/newsroom/news/release/2022/20220310-001/>



Efforts to reduce damage from mosquito-borne infectious diseases in Thailand

In 2022, Kao launched the GUARD OUR FUTURE initiative, a project to protect future lives from mosquitoes, in Thailand. This project focuses on infectious diseases caused by mosquitoes, which are living organisms that claim more human lives than any other in the world, and aims especially at eradicating dengue fever, a social issue mainly in Southeast Asia.

To protect lives from mosquito-borne diseases, it is necessary to improve the awareness and behavior of each individual consumer. Therefore, we began awareness-raising activities in collaboration with local governments and other companies. We are actively promoting activities in schools, targeting the next

Habits for Cleanliness, Beauty & Health

generation, which has a particularly large number of infection cases.

In addition, in 2022, we launched *Bioré GUARD Mos Block Serum*, which utilizes Kao's proprietary technology for preventing mosquitoes from staying on the skin. Starting in 2024, we plan to launch this product in Singapore as well as Taiwan, Hong Kong and Malaysia, while also expanding the project activities. In February and March 2024, we implemented a new campaign utilizing social media in ten countries and regions in Asia—with participation of the official *Bioré* social media accounts for the applicable countries and regions, we are donating the product to the areas where dengue fever is prevalent based on the number of “likes” given to the posts by these accounts.



The GUARD OUR FUTURE Project
“Likes” for Saving Future Lives from Mosquitoes
The *Bioré* Brand Launches a Social Media Campaign in Asia
<https://www.kao.com/global/en/newsroom/news/release/2024/20240209-001/>

Employees' opinions

Kirei Lifestyle Education Through Innovation



Adam Recarlo Zulkarnaen

Kao Indonesia Product Development

In 2022, to embody the message of Kirei, we started this project with a clear goal in mind: to provide proper sanitation and educate the public on the importance of personal hygiene. To do so, we planned to introduce the WOSH machine, a hand-washing innovation, into our rural community. The journey was marked by challenges, from navigating import procedures to grasping operational intricacies, and deciding what direction we should go with. Yet, thanks to the support and collaboration of the *Bioré* Team, Corporate Communications, and other various departments, we successfully introduced WOSH to the community.

Until the end of 2023, we have introduced WOSH and expressed the importance of personal hygiene to more than 15,000 people through many activities, such as the Anak KAO (Kreatif, Aktif, Optimis) program and Global Hand Washing Day which is supported by the Ministry of Health and the Ministry of Education, in collaboration with the Corporate Communications team of Kao Indonesia. Seeing the joy and enthusiasm it sparked among people, particularly children, during these activities really made me understand the profound impact of innovation in promoting hygiene and water conservation. It also taught me firsthand the significance of initiatives that raise awareness about hand hygiene and clean water preservation.

Despite the initial obstacles, the rewarding outcome has strengthened my resolve to advocate for such initiatives. Going forward, I am dedicated to continuing to promote essential habits like handwashing and water conservation in our community and beyond to achieve a Kirei Lifestyle.

Habits for Cleanliness, Beauty & Health

Stakeholder engagement

Mr. Kazuo Yoneya

Chair, National Association of
Principals of Special Needs
Schools for Education of the
Intellectually Challenged
Principal, Tokyo Metropolitan
Mizumoto Koai Gakuen



Tokyo Metropolitan Mizumoto Koai Gakuen is a special needs school complex consisting of the Vocational and Technical School (high school for the intellectually challenged) and the School for the Physically Challenged (elementary, middle and high schools). This school complex has been in operation for 10 years as of the 2024 academic year. The Vocational and Technical School enrolls students with mild intellectual challenges, who aim to get a regular job through employment programs for the challenged after finishing school. To date, we have produced nearly 450 graduates, most of whom found a job and are still playing an active role in society. Meanwhile, the School for the Physically Challenged enrolls children with severe mental and physical challenges, as well as physically challenged students who have no intellectual developmental problems. Since the challenges and individual situations faced by these students greatly vary, we provide three levels of curriculum for educational activities. With the goal of

promoting the students' independence and social participation, both organizations aim to be schools that support each individual's progress under the school motto, "Progress every day, sincerity every day," to foster their ability to survive so they can live prosperous lives in the future.

It has been four years since the outbreak of the COVID-19 pandemic. Although new routines have taken hold, with people wearing masks, practicing disinfection using alcohol, and avoiding 3Cs to prevent infection, I feel that they are not as aware of infection control as they used to be during the pandemic. One prominent example, I believe, is the spread of influenza. It is important to remind ourselves that infectious diseases have by no means disappeared, and to continue to protect individuals' health by continuing to take the necessary measures. I always felt that the most accessible way to achieve that is to thoroughly wash hands. At that time, Kao reached out to us to provide educational materials on hand washing. They were hoping to expand this program to young school children with intellectual challenges since they had already introduced it to most of the schools for the visually impaired and the hearing impaired and elementary schools. The educational materials were based on those for visually impaired children and had been updated to meet the characteristics of young school children with intellectual challenges. By visualizing invisible dirt, the children can notice unwashed parts and learn to wash their hands properly. This program was also practical in that the teachers using the materials were able to

modify them according to the conditions of the children. We thank Kao for its progressive initiatives and hope that this educational material will expand to and be effectively utilized by schools for the intellectually challenged throughout Japan.



National Association of Principals of Special Needs Schools for
Education of the Intellectually Challenged
<http://www.zentoku.jp/dantai/titeki/index.html>
Tokyo Metropolitan Mizumoto Koai Gakuen
<https://mizumotokoai-sh.metro.ed.jp/site/zen/>

Universal Product Design GRI 417-1

As part of Kao's Environmental, Social, and Governance “ESG-driven *Yoki-Monozukuri*” in plan and action, we provide products and services that satisfy individual consumers based on our Universal Design Guidelines and aim to realize a society where people connect, coexist, and thrive together.

Social issues

To bring about sustainable growth for society, it is important to realize a world in which all individuals are respected and in which people can fulfill their potential. For this purpose, we need to provide products that are easy to use for everyone, regardless of cultural background, nationality, beliefs, ethnicity, gender, identity or abilities, and to provide relevant information in a way that is easy to access. Under the present circumstances, some products, services, information, and the like lack adequate consideration.

Especially in Japan, where the population is aging dramatically, the concept of universal design (UD) is crucial for improving consumers' quality of life.

Policies

Our purpose is to create a Kirei world for all—providing care and enrichment for the lives of all people and the planet. To this end, it is crucial to implement tangible steps to ensure that no one is left behind. In other words, we believe it is important to provide not only the functional value of Kao products and information but also the sentiment and affective value achieved by using our products.

We will create inclusive experiences with our products, taking diverse values and lifestyles into account.

To promote diversity, equity, and inclusion (DE&I) practices in a society that includes consumers as well as employees and business partners to further develop society and business, Kao developed DE&I policies in 2023.



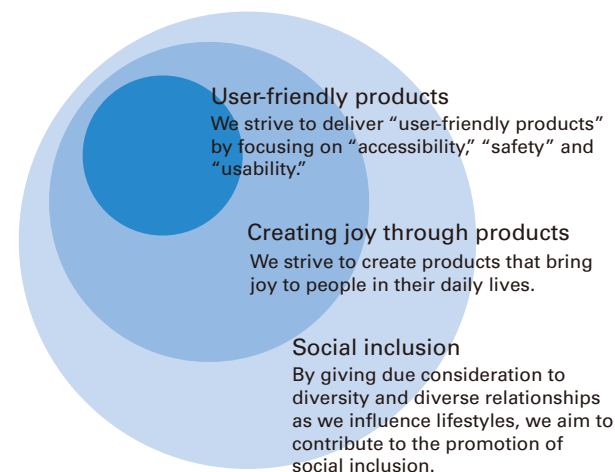
Diversity, Equity and Inclusion (DE&I) Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/policy/>

To achieve DE&I in society, we believe that applying the concept of UD to each and every product is crucial. We will also create inclusive experiences with our products, taking diverse values and lifestyles into account.

Kao Universal Design Guidelines

We implement universal product design in accordance with the Kao Universal Design Guidelines, which were formulated in 2011.

We will promote “ESG-driven *Yoki-Monozukuri*” and pursue it throughout the company, and by delivering satisfaction and inspiration to all consumers in their daily lives through the use of Kao products, we will strive to create social value through our business to enhance our corporate value.



Strategy

Risks and opportunities

Risks

If products do not adequately take UD considerations into account, then there is a risk of improper usage by consumers, and of other safety issues. Furthermore, even products developed with safety in mind may be used improperly if easily understood information about how to use them correctly is not provided. Failure in this regard could have a negative impact on safety for consumers, and might lead to a loss of trust in our company and products. Continuing to provide products and information without considering diversity also erodes trust in our company and brand. This is likely to result in lower earnings due to a decrease in users, making it difficult to achieve the Mid-term Plan 2027 (K27).

Universal Product Design GRI 417-1

In addition, observing the Act for Eliminating Discrimination against Persons with Disabilities will become a legal requirement in 2024. In other words, we must consider removing social barriers to a reasonable extent if people with disabilities ask the company for some consideration. Delays in this process would also diminish trust in our company and brand.

Opportunities

Helping to enrich the lives of people all over the world through Kao products, and through the information we disseminate will further reinforce trust in our company as an enterprise that is vital to maintaining a sustainable society.

Providing UD products and information can lead to greater loyalty to our products, enhance our brand value and corporate value, and ultimately drive higher profitability and competitiveness.

Strategy

1. Promoting UD from the perspective of consumers at all touchpoints between consumers and products

Kao incorporates UD principles into the product design stage. At the development stage, we verify whether UD—which encompasses simplicity, usability and safety—has been considered at all touchpoints with consumers; factors such as recognition, selection, purchase, use, and disposal are taken into account. In addition to reviewing the products themselves, we constantly review information provided to consumers in response to consumer feedback after launch.

2. In addition to product functionality, realizing information provision and communication that leave no one behind

It is important to provide information, such as how to use a product, so that consumers will use our products in their daily lives. Over and above product functionality, we will strive for information provision and communication that leaves no one behind.

3. Promoting the perspective of inclusiveness

Product development with consideration for DE&I must be approached from a global perspective, and this necessitates ongoing updates. We are elevating the standard of product development by promoting inclusivity on a global scale through the sharing of best practices across countries and regions, in order to disseminate this mindset and consideration.

The integration of functional UD features has become deeply ingrained in products available in Japan, and we will enhance product-related information in addition to functional considerations in the future. This will involve delivering the information individual consumers demand, especially through DX.

Regarding information provided on the web, we will provide web accessibility that meets the Level AA quality standard of the Web Content Accessibility Guidelines (WCAG) 2.1, published by the World Wide Web Consortium (W3C), on all of the Kao Group's websites by 2025.

Through collaboration with Mirairo Inc., a company which operates services to support people with disabilities, we aim for an inclusive future where every consumer can live in ways one likes.

Social impact

We have promoted the development and provision of products that anyone can use with ease under the basic concept of our consumer-focused *Yoki-Monozukuri* in plan and action.

Notches, tactile symbols to distinguish a shampoo bottle, which Kao created in 1991, have become the standard in the industry.

UD products such as the *Attack ZERO One-hand Push Bottle*, with which people with impaired vision or hands can measure out the right amount of detergent, help to improve the everyday lives of diverse consumers.

Increasing products and information without properly considering diversity has environmental impacts and makes it difficult for consumers to make the right choice.

Contributions to the SDGs



Universal Product Design GRI 417-1

Business impact

In line with the philosophy of *Yoki-Monozukuri*, Kao integrates the perspective of UD right from the product design stage. In this way, through UD-conscious product development, we provide products that a diverse range of people across the world can easily use and disseminate related information surrounding these products to contribute toward an inclusive society.

This leads to greater loyalty to our products, fosters the trust of stakeholders, and expands market share. We believe that, as a result, we can enhance our global presence to ultimately achieve greater brand loyalty and business growth.

Governance

Framework

Under the Board of Directors' supervision, the Internal Control Committee carries out risk management in relation to improving universal product design, and the ESG Managing Committee manages opportunities. These committees are both headed by the President & CEO.

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

Opportunity management related to universal product design is conducted by the ESG Managing Committee (meets 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 perspectives to be reflected in management strategy, and the ESG Promotion Meeting executes the strategies.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

Deploying a structure for UD-centered manufacturing throughout the company

A cross-business approach is vitally important for UD promotion. Each business division has appointed a UD promotion leader to collaborate with the Consumer Communication, which features a consultation window that deals directly with consumer requests and feedback, as well as with R&D and Creative, to promote UD-centered manufacturing.

Internal education system

We have distributed the edited footage of Workshops for Promoting Empathy with Elderly People, which started in 2012. The aim is to develop greater empathy for the elderly and a sense of direct connection with the problems they face.

Mainly in Japan, we have also re-examined internal examples of UD and shared them with the relevant internal functions, together with consumer feedback.

Collaboration with stakeholders

Collaboration with diverse stakeholders is an essential part of promoting UD.

For example, we reflect the opinions of consumers who actually use our products, implement product development in collaboration with people with disabilities, and communicate with the government.

Manufacturing that reflects consumers' views

Kao's consumer support desk inside our Consumer Communication Center receives large numbers of consumer comments on and responses to Kao products that are already on sale. These comments are shared among employees in daily, monthly, and annual reports, at internal portal websites, in-person exhibitions, and other occasions in a manner that considers why the comments were received, the background to the comments, and the feelings that they embody. In addition, the comments are also shared at the Quality Improvement Study Meetings, which individual business divisions hold on a monthly basis and lead to further improvements in products.

By utilizing consumer feedback in product development and improvement, and providing related information, not just at the development stage but also in the after-sales stage, we are able to develop products that are even more user-friendly.

By communicating with diverse consumers, including people with medical conditions or difficulties, we can adjust our approach to both products and information.

Co-creation with Mirairo, Inc.

As a business collaboration, we invest in Mirairo, Inc., which contributes to a better quality of life from the perspective of people with disabilities under the company philosophy, which says that people's shortcomings, weak points, traumas and the like are "barriers" and these should be replaced by "strengths" and value (Mirairo refers to this philosophy as "Barrier

Universal Product Design GRI 2-4, 416-1, 417-1

Value”) and promote cooperation to realize comfortable lives for consumers so they can fulfill their potential. We also aim to build a new social infrastructure to connect and deliver information and products that address the pressing daily concerns of people with disabilities, their families, the elderly, and others.

Exchanging information with consumer administration agencies and consumer groups

By exchanging information on a regular basis with government consumer administration agencies, including local consumer affairs centers, and with consumer groups, we are able to inform them about, and secure their understanding regarding, the proper ways to use and dispose of products, which can help to prevent consumer issues from emerging in advance, and regarding risk prevention, ensuring product effectiveness from a hygiene perspective, and the key aspects of UD. We have also been able to win the support of local communities for our efforts to ensure that consumers can enjoy safe lives with peace of mind.

Risk management

When developing new or improved products, we identify possible risks and apply insights on what happened with similar products in the past, etc. Then, relevant functions check these risks to address them in accordance with the company-wide crisis response framework. Specifically, relevant departments organize and check the content of past consultations and assumed risks for each touchpoint between consumers and products. These include recognition, selection, in-store or online purchase, conveyance, storage, use, disposal, and refilling.

Consumer comments on and responses after launch are also shared at the monthly Quality Improvement Study Meetings and other relevant occasions, and lead to further improvements in products.

We also keep a close watch on legal amendments and social trends related to UD considerations, and share information with related divisions to ensure that we can take appropriate actions in a timely manner.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets in 2030

1. Continuously practice manufacturing from diverse perspectives

We will expand “*Yoki-Monozukuri*” from the perspectives of UD and inclusiveness both within and outside Japan. We will also promote *Yoki-Monozukuri* in plans and actions established in collaboration with diverse consumers, taking a broad range of third-party opinions into account with the aim of solving social issues, and will widely disclose the processes and content outside the company.

UD products 100% within Japan
80% globally

We present product development processes co-created with a diverse range of consumers (at least one process a year)

2. Adopt a UD perspective when disseminating information

To improve the accessibility of Kao Group websites, we promote the improvement of user experiences and user

interfaces that make it easier for everyone, including people with disabilities, to use our websites and online services. Our target level is the WCAG 2.1’s Level AA. [The target is 700 (global) websites. The plan is for all of them to reach the target level by the end of FY2027.]

As a leading household goods company, we will co-create information with a diverse range of people, consider improving the ways we provide information content, and take other initiatives to deliver basic lifestyle information and the like that diverse populations can easily understand.

We publish summaries of information co-created with diverse consumers.

3. Promote understanding on the part of stakeholders

We aim to enrich the lives of people globally and to contribute to the sustainability of the world by spreading awareness of UD initiatives as widely as possible and fostering understanding of these measures among stakeholders.

2023 results

1. Product development from UD perspectives

Percentage of new and improved products that incorporate UD perspectives*1

Japan: 646 items (99%)

We launched products such as *Bioré UV Aqua Rich Aqua Protect Mist*, which is easy to carry and use even outside, *Attack ZERO Perfect Stick*, which does not require measuring and neatly removes stains, and *Toilet Magiclean Foam Pack*, which simply requires covering the inside of the toilet bowl with foam and which does not require scrubbing.

We integrate UD not only in consumer products but also in B-to-B hygiene products, and have developed a

Universal Product Design GRI 2-4, 416-1, 417-1

new bathhouse/bathroom detergent, the *Raku Navi* series, which lightens the load of daily cleaning tasks.

*1 Regarding the data for Japan, we decided whether to carry out the production of improved products or stop the production based on the improvement percentage in comparison with the previous product up to 2020. However, starting in 2021, the calculation is based on a more precise assessment of whether products feature UD considerations. Improvement percentage data for AEMEA has not been given because the basis for comparison is being revised.

2. Initiatives targeting diverse groups of people

- Promotion of web accessibility: 30% of Kao websites have achieved the WCAG 2.1's Level AA.

P327

Digital Transformation (DX) > Metrics and targets

Initiatives to aid people with visual impairments

- We revised the Braille stickers we have been creating since 2001 for people with impaired vision to identify products, and set up a website that provides information that people with impaired vision can easily understand. This website can be accessed by scanning the 2D code on Braille stickers with a smartphone camera.
- We provided lifestyle information content, and our employees volunteered to help record narrated information for *Home Life*, a voice-based magazine published by the Japan Braille Library.

Initiatives to aid people with hearing impairments

TV commercials with closed captioning

Kao has created over 2,000 commercials with closed captioning since 2012, promoting their widespread adoption.

As almost all television stations now support TV commercials with closed captioning, more than 80% of

our commercials include it. We will continue to work on promoting the inclusion of closed captioning in our Japanese commercials.

Activities by employee volunteers with impaired hearing

Kao Group employees with impaired hearing work on activities such as information provision and awareness raising in a community they voluntarily started. In 2023, we held some lectures, including a course on grooming and appearance for job-search activities for students with hearing impairments.

Reviews of 2023 results

We have been advancing product development that integrates the perspective of UD, and it has become standard practice to integrate UD principles from the initial stages of product design in Japan.

Yet we believe that the content of and the way we communicate product-related information still have room for improvement.

In 2023, we mainly worked on dispatch of information on websites. Although web accessibility has been heavily promoted, we will continue to enhance both the content and the methods of information delivery, solving problems for consumers.

Kao will continue to promote product development co-created with a diverse range of people to respect the principle of DE&I and deliver necessary information into the future.

We will review the system by 2025 for globally standardized evaluations.

Main initiatives

UD considerations in relation to the products that we launched and the information that we disseminated in 2023

We are continuing to develop products that make it possible for diverse groups of people to use our products in a stress-free manner in different circumstances. In this section, we present some examples of how we took UD into account in 2023.

Initiatives for people with impaired vision

Revision of Braille stickers and creation of a website to provide information for people with impaired vision

Since 2001, Kao has been providing Braille stickers to identify the usage of products in similar containers, such as facial wash and toothpaste, for people with impaired vision, including those with weak vision or who are completely blind.

However, since we started distributing Braille stickers, the usage environment has changed. For example, there has been an expansion in the types of target products, accompanied by a reduction in their container sizes. Moreover, the usage of sanitizer has increased due to the COVID-19 pandemic. In response to these environmental changes, we reviewed and revised the descriptions on the stickers.

To develop new stickers, we visited people with impaired vision at their homes, where we asked them to actually use Braille stickers. Then, we interviewed them, enabling us to add symbols that offer greater flexibility of use and review the range of sticker types.

Universal Product Design

GRI 416-1



Revised Braille stickers

We have received positive feedback from individuals who have used the new Braille stickers. For example, one person mentioned, “I accessed your website from a Braille sticker and learned about your cleaning detergent as well.”

We also introduced the new Braille stickers, along with Kao's lifetime information content, called “Hair styling to hear,” at a comprehensive event for people with impaired vision, Sight World 2023.

We will keep striving to create and provide information that is easy to understand in the future.

Development of a new bathhouse/bathroom detergent, the Raku Navi series, which lightens the load of daily cleaning tasks

Kao Professional Services Co., Ltd. (KPS), a Kao Group company engaged in the BtoB hygiene product business, has proposed creating environments where consumers can enjoy their time comfortably by providing commercial-use products for catering establishments, care facilities, hospitals, and accommodations, and offering expertise in sanitation management.

In 2023, the flow of people rebounded due to the relaxation of behavioral restrictions following the reclassification of COVID-19 as a less serious Class 5 disease under Japanese law. In this background, accommodation operators are facing problems such as workforce shortages and an aging employee demographic. This is driving a need to alleviate the workload in order to maintain quality services with a limited number of staff members.

KPS directed their attention towards the cleaning of bathhouses and bathrooms, areas that pose particularly burdensome challenges for facility cleaning, and developed a new bathhouse/bathroom detergent, the *Raku Navi* series, which lightens the load of daily cleaning tasks.

They offer *Raku Navi Large Bathroom Cleaner* for cleaning large bathrooms at inns, spa facilities, hotels, and more. This bathroom detergent eliminates the need for scrubbing with a brush. All cleaners have to do is spray it and wait for about 10 minutes. This new efficient cleaning method is expected to lighten some of the cleaning burden on employees.

They also offer *Raku Navi Modular Bathroom Cleaner* for cleaning bathrooms in budget hotels, city-center hotels, and similar establishments. This bathroom detergent enables cleaners to complete the job by spraying it into the bathtub and wiping it off with a sponge and rinsing detergent to clean bathtubs. As a result, reductions in cleaning burden, time, and water use are anticipated. Since this detergent is suitable for use on toilets, washstands, and glass, an entire module bathroom can be cleaned without needing different detergents for each type of surface.

We received positive feedback from user facilities. For example, one user remarked, “*Raku Navi Large Bathroom Cleaner* eliminated the need for burdensome scrubbing with a brush, which made cleaning easier.” Another noted, “*Raku Navi Modular Bathroom Cleaner* reduced the workload because we no longer need to rinse off the detergent.



Raku Navi Large Bathroom Cleaner and dedicated foam sprayer



Community
<https://www.kao.com/global/en/sustainability/society/community/>

Universal Product Design

Stakeholder engagement



Risa Nara

Viwa, a support organization for people with impaired vision
Special Researcher, PD, Japan Society for the Promotion of Science
Satoshi Fukushima Laboratory, Research Center for Advanced Science and Technology, the University of Tokyo
Doctor of Disability Science

As a visually and hearing impaired person, I would like to contribute what I have noticed about Kao's efforts.

Braille Seal Initiatives

As a user, I am grateful for your efforts to develop and improve Braille stickers since 2001. It is estimated that less than 20% of the visually impaired can read Braille, and I am concerned that this may be regarded as a cost-effective initiative. In fact, the revision has added visibility considerations not only for Braille users but also for low vision (low vision) people like myself. Nevertheless, if some of you think that this

seal is a special seal for a few stakeholders, that is a "waste! It is a waste!" The reason is that the existing products and this sticker can be multiplied to solve inconveniences. For example, the shampoo itself has an uneven surface, but the refill does not. By using this sticker, both the shampoo and the refill can be identified. In other words, this sticker is very versatile. It is a waste that users do not have a chance to know about it. It is a "waste" that users do not have the opportunity to know about it.

Liese, "Hairstyling Information You Just Listen To"

I was involved in the development of this content from the perspective of a concerned citizen and an expert. Content that a totally blind person can understand just by listening to it has become inclusive of all people. As a happy response, a visually impaired junior high school student practiced bun hairstyling over and over again while listening to it, and a sighted person also told me that he was able to straighten his hair in bed! I have also been approached by people who can see! Personally, I feel that the discussions we had with Kao employees over and over again during the development process led to a live learning experience for both parties. This project led to inquiries from other Kao departments, and I was impressed by the company's attitude toward realizing a society in which no one is left behind. I expect that this project, which involves people with disabilities, will provide a living training opportunity for those who are responsible for manufacturing, which will also eliminate subconscious discrimination

against people with disabilities and lead to further innovation.

Lastly, I was assigned to the University of Birmingham in the United Kingdom as an international visiting scholar. I was surprised to find that the concave and convex pump-type shampoo that is commonplace in Japan was not common, and I had to ask someone every time I used the shower. Because I use this shampoo every day, it was more stressful than I expected, and I even had to ask someone to bring a shampoo bottle all the way from Japan. As a Japanese, I am proud of Kao's efforts in this regard, and I hope that Kao will make more of these efforts known to the world. I hope that Kao will continue to promote activities to deliver necessary products and information in a sustainable manner to people around the world who will be made comfortable by Kao's products.

Safer Healthier Products

Create products made with carefully selected ingredients that people everywhere can use with peace of mind.

Social issues

In recent years, as social media including social networking services and blogs have evolved, a wide range of information is now easily accessible online. As a result, more consumers are expressing an increasing interest in the safety and sustainability of ingredients used in daily products. In addition, today it has become possible for consumers to search for related information. At the same time, however, scientifically unfounded, inaccurate information is also available on the web, and such misleading information may spread as if it were the truth.

Policies

Safety is always our first priority. With this in mind, we care not only about human health and wellbeing but also about the environment and sustainability when developing our products. We disclose our policy based on scientific evidence regarding ingredients of particular interest to society within and outside Japan to ensure that our products can be used with peace of mind. We hope to win the approval of many stakeholders and build a bond of trust for the future via thorough transparency and responsible communication.

Strategy

Risks and opportunities

Risks

A wide range of information, including inappropriate information, is available for high-social-interest ingredients. When our products contain such ingredients, there is a risk that the value of the products may not be properly understood. In addition, there is a risk of seriously undermining our trust if we do not indicate our policies on ingredients regarding which health or environmental concerns are expressed.

Opportunities

Appropriate and clear communication with consumers and customers about our ingredient policies based on scientific evidence helps us to enhance Kao's and our products' credibility. Communication based on shared information with consumers and customers leads to contribution to *Yoki-Monozukuri*, which includes innovation and value creation, providing opportunities for Kao to grow into an essential company in a sustainable world.

Strategy

We actively disclose our policies about the ingredients used in our products based on our assessment of risks and opportunities in light of social trends within and outside Japan. Disclosure of ingredient policies and communication will contribute to maintaining and enhancing the trust to consumers and customers, as

well as developing Kao as an essential company in a sustainable world.

1. Identification of high priority ingredients for our policy disclosure

We identify the high-priority ingredients to disclose our policy on the safety and sustainability of ingredients used in our products by precisely understanding the trends of stakeholders such as consumers, customers and distributors, as well as social issues from a global perspective. We determine the priority orders of ingredients to disclose our policy according to impacts on business, such as the number of products and the countries and areas of sale, in order to avoid business risks and develop further.

2. Disclosure of our policies based on scientific evidence

We will proactively disclose our policies about ingredients of particular interest to society based on scientifically verified information on our websites within and outside Japan. By sharing common information and communicating with consumers and customers through these disclosures, we will ensure their correct understanding, build a relationship of trust, and enhance our corporate value.

Social impact

In order for consumers and customers to use our products with peace of mind in a diverse information environment, we believe it is necessary to disclose our policies based on scientifically verified information. By sharing our policies, customers and consumers can

Safer Healthier Products GRI 416-1

enhance their understanding of our products and choose a product with greater confidence. Trust spreads from the individual to communities and society as a whole, which leads to greater trust.

Contributions to the SDGs



Business impact

We believe that disclosing our policies based on scientifically verified safety information about the ingredients used in our products allows consumers and customers to select Kao products with confidence, consequently generating opportunities for market expansion.

Additionally, communication with consumers and customers through these disclosures is expected to help strengthen trust on products and leads to the enhancement of corporate value.

Governance

Framework

We promote activities in the Chemical Stewardship Steering Committee under the ESG Managing Committee. A working group consisting of members related divisions within and outside Japan, assesses risks, identifies ingredients for which information should be disclosed, and develops draft policies. The Chemical Stewardship Council, consisting of the leaders of relevant Business divisions and R&D divisions, is consulted regarding such draft policies before disclosure.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

To promote the development of safer healthier products, we collect human and environmental safety information related to our ingredients and products, and share the information on our internal portal site. This information is shared with various divisions such as Business and R&D, so that each employee can enhance their understanding from a global perspective.

Collaboration with stakeholders

We disclose our policies on ingredients of particular interest to society based on scientifically validated information. Through these initiatives, we maintain and

improve the trust of consumers and customers, and support their safe use of our products and selection of suitable ones.

Communication with consumers and customers to promote their understanding

When we receive inquiries from consumers and customers regarding the safety of ingredients, we analyze them from various perspectives to gain insight from a broader perspective. Based on these analyses, we strive to develop easy-to-understand content and wording for ingredients.

Collaboration with Relevant Internal Divisions

We continuously collect human health and environmental safety information from all over the world. We utilize it for choosing ingredients and safety evaluation, and for the development of our products which can be used by consumers with peace of mind.

Collaboration with Industry Associations and Government

We closely review safety information through industry association activities in various countries and areas and communication with government agencies.

Risk management

We use the following risk management practices when selecting ingredients for policy disclosure, as well as after policy disclosure.

1. Selecting ingredients to disclose

The working group assesses the possible risks of the ingredients to be disclosed based on social trends

Safer Healthier Products GRI 416-1

within and outside Japan and scientifically verified information. We then determine at the Chemical Stewardship Council, consisting of a meeting within the Chemical Stewardship Steering Committee whether the ingredient is important enough to disclose our policy. For those ingredients that we determine to disclose, we take necessary actions quickly.

2. Post disclosure follow-up

Even after the disclosure, the working group actively conducts multifaceted investigations and continuously monitors whether new risks have arisen. When new issues are identified, such as updates to regulations or scientific findings, we will promptly take appropriate action to improve public trust, such as revising information or disclosing additional information.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

2030 long-term targets

We establish policies on ingredients of particular interest to society based on our research into safety information related to human health and the environment, and our evaluation of their validity. We have actively promoted activities and disclosed the policies about 18 ingredients selected as long-term targets in 2022 ahead of schedule. Meanwhile, we have continued to conduct surveys and consider enhancing information disclosure because social concerns and issues are influenced by changes in the social situation

as well as ethics and values. To enhance information disclosure, we reviewed ingredients about which we should disclose our policies, expanding the scope to ingredients that we avoid using in our products as well in order to provide information so that consumers can use our products with more confidence. As a result, we identified 12 new ingredients and decided to aim to disclose policies about 30 ingredients, updating our existing goal of 18 ingredients.

2023 results

In September 2023, we disclosed our policies about two key ingredients (octocrylene and homosalate) which are of high social concern and which we consider important for global expansion in our skincare business, on our sustainability website. We also promoted activities to disclose information on ingredients that we avoid using in Kao products.



About Ingredients Contained in Kao's Products
<https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/>

Reviews of 2023 results

The working group held regular meetings in order to thoroughly discuss the contents of each of the two ingredients and draft our policies. The draft policies were then reviewed by the leaders of related Business and R&D divisions, and further discussed to finalize the policies for publication. We have continuously promoted our activities and disclosed our policies on a total of 20 ingredients. Twenty ingredients were released in total against the 30 ingredients set as KPIs (67% publicly traded). We are also preparing information on

ingredients that we avoid using in our products on an individual basis and we plan to disclose it soon.

Safer Healthier Products

GRI 2-28, 416-1, 417-1

Main initiatives

Safe and secure ingredient use and information disclosure

We will disclose our policies and actions regarding ingredients of particular interest to society in a proactive manner, based on scientifically validated information. By 2022, We had disclosed our policies relating to 18 ingredients (alkyl sulfates, 1,4-dioxane, formaldehyde-releasing preservatives, parabens, plastic microbeads, preservatives, silicones, talc, UV absorbers, fragrance, aluminum salts, PEG (polyethylene glycol), mineral oil, phenoxyethanol, fluoride, BHT (dibutyl hydroxytoluene), oxybenzone, and octinoxate). In 2023, we disclosed our policies relating to two key ingredients (octocrylene and homosalate), which we consider important for global expansion in our skincare business. We have been continuously promoting our activities and have achieved disclosing 20 ingredients in total in FY2023. We also promote activities for information disclosure and enhance appropriate information regarding ingredients that we avoid using in our products.

We have the management system for ingredient information including health impact and environmental impact, as well as fundamental information to promote disclosing our policies on ingredients.



About Ingredients Contained in Kao's Products
<https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/>

Industry association activities / communication

We actively participate in the Japan Cosmetic Industry Association's activities to ascertain global regulatory trends related to health and environmental impacts and to examine measures regarding them. We have played a central role in compiling scientific research, usage surveys in Japan, and submitting opinions for public consultation by the governments, while we work to align with industry associations various countries and areas around the world. Furthermore, we actively participate in the activities of the Japan Soap and Detergent Association and the Japan Chemical Industry Association. We also participate in industry association activities in major regions of the world to research local information, and contribute to the exchange of information with governments especially in Asia including ASEAN countries.

Moreover, we strive for satisfactory communication with consumers and customers, business partners, etc. For example, when we receive inquiries regarding our use of ingredients or their safety, we provide sufficient information quickly. We also examine social interest from the inquiries we received and utilize them in our product development. On top of that, we endeavor to deepen understanding of the safety of chemical substances through a presentation at an academic society.



The Japanese Environmental Mutagen and Genome Society:
 Speech subject No. S4-4
https://jems2023.jp/en/program_en.pdf

Making Thoughtful Choices for Society

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P77	Sustainable lifestyle promotion	We are promoting horizontal recycling of used refill packs in collaboration with Lion Corporation. We introduced regenerated materials for some products for the first time.	Horizontal recycling of refill packs in collaboration with Lion Corporation	P80
		We started a demonstration experiment for a new collection scheme that leverages community recyclable waste collection routes to bring about the horizontal recycling of plastic packaging used for personal care products.	Start of a demonstration experiment leveraging community recyclable waste collection routes	P81
		Kao China implemented China's Cleanliness and Water-saving Campaign—"Towards a Clean and Beautiful China."	China's Cleanliness and Water-saving Campaign	P82
P84	Purpose driven brands	Each Kao brand will have a purpose for existing that improves quality of life and offers solutions to social issues within the communities or societies it touches to realize a Kirei World in which all life lives in harmony.	Purpose driven brands	P84
		Each brand addresses the plastic problem to promote the creation of eco-friendly products and recycling of products.	Initiatives to address the plastic problem	P84
		Each brand adopts different perspectives to promote creativity and innovation in products and services.	Reduction in every form of inequality	P86
P93	Transformative innovation	We realize a Kirei world for people, society, and the planet through advanced technology innovations from forecast and backcast perspectives.	Pursuit of innovation	P93
		We promote solutions to social issues based on universality and mechanisms obtained by examining the essence of objects and phenomena in detail.	Pursuit of Essential Research	P93
P100	Responsibly sourced raw materials	Out of the 3,083 smallholders supported by the SMILE program, 839 received Roundtable on Sustainable Palm Oil (RSPO) certifications.	Expansion of support for oil palm smallholders	P107
		We expanded the target to 212 farms for the Kao grievance mechanism.	Expansion of the grievance mechanism	P108
		We have confirmed traceability to 87% of the oil palm plantation.	Ensuring traceability	P106

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/dekokatsu/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.

Sustainable Lifestyle Promotion GRI 306-1, 306-2

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.

P25 Our ESG Vision and Strategy > Governance

Sustainable Lifestyle Promotion GRI 306-2

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.

P40 Our ESG Vision and Strategy > Risk management

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.

Sustainable Lifestyle Promotion

GRI 301-2, 306-2

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/>

Sustainable Lifestyle Promotion GRI 301-2, 306-2



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)

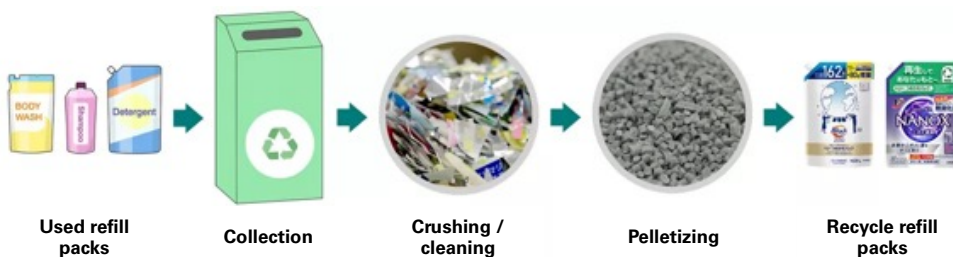
Refill packs for detergents, shampoos, and other products comprise layers of thin film made of different materials to protect the contents from temperature, humidity, and ultraviolet rays. Therefore, when recycled, it becomes a heterogeneous film consisting of many different types of components, and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

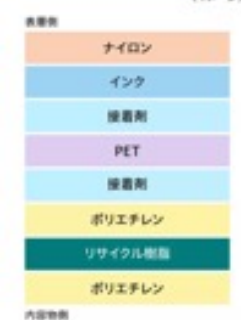
In addition, approximately ten percent of recycled materials are used. Additionally, some of the recycled refill packs collected at the Ito-Yokado Hikifune supermarket and Welcia Yakkyoku, where Kao and Lion are collaborating to conduct collection experiments, are also being used for the new recycled 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)

リサイクルつめかえパックの構造
(イメージ)



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

Sustainable Lifestyle Promotion GRI 306-2



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

Sustainable Lifestyle Promotion GRI 306-2

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>

Our ESG Vision and Strategy	Realization of the Kao Way	Making My Everyday More Beautiful	Making Thoughtful Choices for Society	Making the World Healthier & Cleaner	Walking the Right Path	Our Foundations	Appendix
Our Priorities -Kirei Lifestyle Plan-							

Purpose Driven Brands

All brands will work to further develop its business and brand and to realize a Kirei World in which all life lives in harmony by defining its purpose as improving the quality of life and addressing community and social issues.

Social issues

Realizing a Kirei World in which all life lives in harmony means, in other words, reaching a state in which all people are leading enriched lives. We believe that a healthy and sustainable global environment is essential, and supporting such an environment enables each and every one of us to live our lives to the fullest.

In order to achieve this state, we believe that the common challenge for all of Kao's brands is to solve the issue of plastic waste and solve inequality for all people.

The issue of plastic waste

The issue of plastic waste is closely related to having a sustainable global environment. Plastic waste places a heavy burden on the environment, wasting resources and causing pollution. Moreover, microplastics pose a potential threat to marine organisms, as there are concerns that these tiny pieces of plastic are inadvertently ingested by fish and other marine life. Additionally, it has been pointed out that microplastics can penetrate marine ecological systems, potentially disrupting the entire ecological balance.

For these reasons, all brands have focused their attention on this issue and are working to include it in their product development. We believe that the reduction of plastic and the promotion of recycling are important to protect a sustainable global environment and realize a Kirei World in which all life lives in harmony.

Inequality among people

Factors of inequality among people include gender, disability, race, sexual orientation, gender identity, and religion. We believe that the elimination of these factors will create an environment in which each person can live in their own way and realize a Kirei World in which all life lives in harmony. For example, our brands focus on women's health because the health challenges caused by hormonal disruption in women are different at every stage of life. In this way, we help women lead healthy lives by providing them with appropriate information and products.

By incorporating universal design into our products, we also aim to make them easy for all people to use. We believe that the efforts of each brand will help create a society where diversity is respected through the promotion of gender equality and social participation, thereby realizing a Kirei world.



Ministry of Economy, Trade and Industry, "Women's Health Initiatives in Health and Productivity Management"
https://www.meti.go.jp/policy/mono_info_service/healthcare/downloadfiles/josei-kenkou.pdf

Policies

All our activities are based on our corporate philosophy "The Kao Way" and ESG strategy – the Kirei Lifestyle Plan.

A Kirei Lifestyle means living a beautiful life inside and out. It also refers to a state of being mindful of not only ourselves, but also the world around us. In this way, Kao will emphasize Kirei Lifestyle and contribute to enriching people's lives around the world through innovation and creativity. We will establish criteria by which to evaluate each brand's response to the needs of consumers and society, its empathy and its purpose. In addition, we will accelerate our purpose-driven activities to build strong connections with consumers, and by 2030, we aim to increase the ratio of brands that address social issues and have a reason for existence that resonates with consumers and society to 100% for all brands. Purpose in a brand refers to the positive impact it has on people's lives, society, and the planet.

To solve social and environmental issues together with consumers and society, and to create a Kirei lifestyle, we will develop initiatives along the following lines: (1) Clarifying the brand's purpose, (2) Making specific proposals through the brand, and (3) Conducting communication activities through the brand.

Purpose Driven Brands

Strategy

Risks and opportunities

Risks

The issue of plastic waste significantly burdens the environment, causing wasteful use of resources and impacts on marine ecological systems. Microplastics can negatively impact marine life, thereby damaging digestive systems and inhibiting nutrient absorption. In addition, companies that do not address these issues may face a loss of reputation for social responsibility and profitability.

Risks and opportunities for the business and management plan include the possibility for each brand to develop environmentally friendly products, promote recycling, and respond to growing consumer awareness by addressing the issue of plastic waste. However, delayed or inadequate efforts in this regard may negatively impact the company's reputation and profitability.

Inequality among people can impede economic growth and innovation and can hinder the sustainable development of society as a whole. If left unaddressed, inequalities could undermine the health and fairness of society. Brands that fail to address these issues are likely to experience a decrease in empathy and user base, resulting in reduced loyalty.

Opportunities

An opportunity to solve the issue of plastics waste is to develop sustainable alternatives. For example, products made from bioplastics and renewable materials can be

developed to reduce the environmental impact. We also believe that efforts to effectively recycle plastic waste through the development and promotion of recycling technologies are important. Furthermore, we think that educating consumers about the importance of plastic waste reduction and recycling and encouraging behavioral change will help to build a sustainable society in the future.

By eliminating inequality with respect to people, we expect to maximize individual abilities and social growth. We believe that incorporating different perspectives into each brand will promote creativity and innovation in products and services. We also believe that a unified approach across all of Kao's brands will enhance brand and corporate loyalty.

Strategy

Kao's product brands, which play an important role as the point of contact between Kao and consumers, have established a brand purpose with the aim of not only realizing Kirei Lifestyles for consumers, but also contributing to the sustainability of society and the planet. Kao provides products and services and engages in various activities under this brand purpose, and by gaining the empathy of consumers and acting together with them, we will further deepen the bonds between us. We also believe that by creating synergy among our unique brand groups, we can provide more attractive value to consumers and leverage Kao's strength in developing many brands.

Social impact

Earning approval and support from consumers and effectively aligning their actions with our goals as a result of strengthening our purpose-driven brands will have a positive impact on people's lives, society and the planet through our brands.

Contributions to the SDGs



Business impact

Consistent product creation and marketing activities promoted based on clear purposes are expected to resonate with people and enhance the brand value. Through this initiative, it is expected that the brand will be strengthened based on purpose and supported by consumers, and that the brand will be better recognized and will demonstrate an existence value that resonates with people. This is expected to result in increased market share and long-term contributions to the overall business. Furthermore, it is expected to contribute significantly to the implementation of business plans and strategies, with many positive impacts such as increased profitability, reduced environmental impact, enhanced brand strength, and sales growth. Support from distributors is also expected to help develop a detailed sales strategy.

Purpose Driven Brands

Governance

Framework

Risk management in relation to purpose driven brands is carried out by the Internal Control Committee, and opportunity management is conducted by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management in relation to purpose driven brands is conducted by the Internal Control Committee (held twice per year) and its subordinate organization, the Risk & Crisis Management Committee (held four times per year). These committees are headed by the Executive Officer Responsible for Corporate Strategy. Opportunity management in relation to purpose driven brands is conducted by the ESG Managing Committee (held six times per 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.

Education and promotion

Communication with consumers is essential for making a positive impact on daily life, society and the planet. To this end, we provide training and on-demand lecture programs that are easy to join so that employees can reconfirm the significance of the brand from the

consumer's perspective, in conjunction with ESG management and with global consistency. The programs will also help us to develop personnel who will regularly take on challenges and lead change and innovation on their own.

Collaboration with stakeholders

Among the stakeholders involved in our business activities, it is most important to collaborate with consumers of our products and services. By providing products and services that meet the needs and expectations of consumers and disseminating information, including awareness-raising activities, we aim to encourage empathy and behavioral change, thereby improving our competitiveness and growth in the market.

From a BtoB perspective, we foster a sense of purpose, activity, and results through collaboration and alliances among companies. We therefore also work to create sustainable mechanisms to achieve what we aim to be as individual brands and companies.

Risk management

For each brand, we create a brand design document with the objective of achieving our purpose, and by annually reviewing our marketing activities through the PDCA cycle, we are working to create strong brands that include addressing plastic problems, gender equality, and health issues specific to women.

Metrics and targets

Mid- to long-term targets and 2023 results

Clarify the purpose of all of our brands. State the purpose of our brands in a way that is obvious to consumers, and promote consistent communication.

Following the completion of our educational training for brand managers in 2019, we clarified a purpose for each brand. In 2020, we began taking clear, concrete actions in line with these purposes. By 2025, we aim to realize all target activities for each of our brands. Kao will ensure that each of our brands has a purpose that can resonate with consumers and society as a whole. From there, we will guide these brands to align their actions with our goals by responding to changes in consumer lifestyles, social and environmental issues and hygiene concerns. We will also establish evaluation criteria to assess the status of each brand and conduct verification, thereby accelerating purpose-driven activities that foster a strong connection with consumers. By 2030, we also aim to increase to 100% the percentage of brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness.

2023 results

The percentage of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness was 57% in 2023. This result was calculated by conducting a survey on the number of users of Kao Sustainable Brands (15 Category Leading Brands, 2 Life Design

Purpose Driven Brands

Brands, and 19 cosmetics) who like the brand and applying the weighted average for each region and brand. The survey was conducted with respect to 28 brands among 36 purpose driven brands defined by Kao. We found out that 16 brands out of the 28 brands received empathy from consumers.

Reviews of 2023 results

As a result of our efforts in 2023 to strengthen Kao brands at home and abroad, including Asian and Western countries, we achieved various positive outcomes, for example, the expansion of our market share and high evaluations from consumers. More specifically, brands including *Merries*, *Laurier*, *Liese*, *MegRhythm*, *Cucute*, *freeplus*, and *KATE* maintained or increased their good reputation in 2023 as well. We think we achieved such a positive result because these brands are manufactured in consideration of the environment, they are easy to use, and they support modes of living suitable for individuals' lifestyles. Therefore, we successfully gained support from consumers with high sustainability awareness and contributed to the heightening of our reputation, sales, and market share. On the other hand, we also had some brands which were not highly acclaimed. We will take this result seriously and will continuously strive to gain a good reputation for such brands too. Concrete improvements include the development of products and services to meet consumer needs, the provision of transparent information, and further enhancements of our sustainable effort, in order to receive stronger sympathy from consumers. In this way, we think we

can improve our brands' reliability and sympathy, and drive continued growth.

Customer satisfaction level

	2021	2022	2023
Favorability level (%) of the product brand among consumers who use Kao products	74.3%	73.0%	73.3%

Note: Selection percentage of preferred brands in each product category

Main initiatives

CuCute

Brand activities that are eco-friendly and reflect diversifying lifestyles

CuCute dishwashing detergent, which supports quick and efficient dishwashing, offers a fun and positive approach to dishwashing that is in line with environmental considerations and diversifying lifestyles. With the increase in dual-income families, there is a growing need for more efficient domestic tasks, as well as a rising number of people who are keen to contribute to environmental preservation*¹ in their daily lives. With this in mind, since its launch in 2004, *CuCute* has realized both good "foaming" when washing, and good "defoaming" when rinsing, and saves water by approximately 20%*². In September 2023, to further reduce environmental impact, the extra-large and super-large sizes of *CuCute* refill containers will be reintroduced as new, environmentally friendly refills that aim to reduce plastic usage and are easy to handle after use. Kao's technology (patent pending) has made it possible to reduce the thickness of the bottle to the absolute minimum while maintaining its durability so that it can be easily crushed with light pressure for disposal, thus eliminating bulk. This bottle has reduced the quantity of plastic used in containers by approximately 40%*³ and has also reduced costs; in other words, it has achieved both sustainability and improved profitability. Since its launch, *CuCute* has experienced a 119%*⁴ year-on-year growth in sales, driven by environmentally conscious consumers who empathize with the brand's value. In 2023, the *CuCute* brand achieved its highest ever sales. Going forward,

Purpose Driven Brands

CuCute will continue to offer proposals that make dishwashing more fun and positive, in consideration of the environment and in keeping with diversifying lifestyles.

*1: 2023 Kao survey, N=2,909

*2: Compared with our products

*3: Container weight ratio to conventional product

*4: Intage SRI+, September 2023—January 2024



A new bottle refill for *CuCute* dishwashing liquid with reduced plastic usage and that is easy to handle after use

Merries

Kao Smile Toen, a childcare support service for nursery schools, aims to create a society where everyone can play an active role with a smile



Merries has a philosophy of wishing a bright future for babies, nurturing their healthy growth together, and creating a society where everyone can rejoice with a smile. Kao *Smile Toen*, a childcare support service for nursery schools, aims to support the healthy growth of babies and reduce the burden on childcare providers, thereby creating a society full of smiling faces. The new baby diaper subscription service will provide nursery schools with *Merries* baby diapers at a fixed price, allowing them to spend more time with their children by reducing the burden of labeling and packing diapers. We also support the healthy growth of children through the provision of educational content and services to create a hygienic environment in nursery schools. As *Merries*, we want to deliver high-quality diapers through a subscription service that makes babies comfortable and smile, and that allows them to be left at childcare facilities without hassle and peace of mind. As a result, we hope to encourage parents to balance childcare and work in the future, where everyone can play an active role.

[Parents' voice]

- I write my name on each diaper, a total of five diapers every day, so I appreciate the fact that I no longer have to do that. Furthermore, since I use up a pack a week, I no longer have to keep reminding myself to buy a new pack the day before I need one, which makes things easier.
- Since I leave my children with them from early in the morning until late at night, I liked the fact that I didn't have to write their names on the diapers and bring them back each time.

[Childcare worker's voice]

- My workload has decreased tremendously, and I can concentrate on my childcare work.
- I was so thankful that the diaper placement was organized, and I didn't have to keep track of diapers for each child. It was so easy because I just had to choose the right size.

[Awards]

HAPPY WOMAN AWARD 2024 for SDGs [Women's Support Brand Award]

Received the Parenting Award 2022

Laurier

Brand activities that contribute to the daily lives of individuals and to social issues



Laurier in the Workplace logo



Image of *Laurier* in the Workplace in a restroom

Our *Laurier* brand for sanitary napkins has a brand perspective of making menstruation easier to live with. We aim to create a society where women can live safely and comfortably with confidence in their self-expression by making the environment surrounding women's lifelong physiological phenomena better. We

Purpose Driven Brands

are doing this by carefully listening to the voice of every person, always being by their side, and engaging in *Yoki-Monozukuri* amid changing work and lifestyles. In addition to product development, as an initiative to reduce problems related to menstruation to the extent possible, in spring 2022 we launched “*Laurier* in the Workplace.” Similar to toilet paper, this project supplies sanitary napkins to the workplace, where women often tend to push themselves too hard, even during menstruation. The number of companies that have endorsed this activity and introduced sanitary napkins into their workplaces as part of their employee benefit programs has now increased to more than 50 (as of February 2024), and the circle of companies that are making it a matter of course to provide sanitary napkins in their workplaces is expanding. Users have also commented that they can work with peace of mind even when they do not have a sanitary napkin ready; that working in a factory sometimes means having to wear white work clothes and not being able to go to the bathroom quickly, so having sanitary napkins always available has reduced their stress; and that they hope this activity will become the norm in our society. *Laurier's* efforts not only address social issues related to menstruation, but also fulfill its social responsibility as a company by linking this to its business activities. As a result of gaining the sympathy of consumers, in FY2023, the brand favorability increased by 120% over the previous year (Kao survey). In addition, *Laurier* received a Bronze in the Marketing Effectiveness category of the “63rd ACC TOKYO CREATIVITY AWARDS” and Gold and Audience Awards in the “3rd JAA Challenge Awards,” a total of three advertising awards, including “*Laurier* in the Workplace,” in recognition of its communication that is close to our feelings.

We would like to continue to create a positive cycle that will bring joy to both workers and companies, as well as to the companies that support us.

In addition, as part of its efforts to nurture the next generation, *Laurier* has continued to provide menopause education at elementary schools since its launch in 1978 so that children can enter menopause with peace of mind. In 2023, we worked mainly with 1,265 schools in seven Asian countries to provide primary menstrual education. We also provide free primary education sets to about half of the elementary schools in Japan. From FY2024, with the digitalization of the educational field, we propose ICT elementary education on menstrual hygiene using video and digital content to make learning more enjoyable for children. We will continue to provide educational materials that respond to changes in society and help children grow without anxiety and with smiles on their faces.



Primary Education Set (Japan)



Kao Official Note
Laurier in the Workplace Initiative: Our Wish to Create a Comfortable Working Environment for Everyone
<https://note.kao.co.jp/n/nd4953c59f00d>

Kao Nurturing the Next Generation, *Laurier* Primary Education Program
<https://www.kao.com/jp/education/next-generation/laurier/>

TWANY

Brand activities to stay close to women

TWANY's brand purpose is to provide lifelong beauty while staying close to women's rhythm as a familiar and reliable beauty partner, thus supporting all women through health and beauty.

Since its birth in 1996, we have focused on the rhythm of beauty in women and have continued to propose products and beauty treatments through friendly counseling. The femtech and femcare area, whose market is expanding worldwide these days, has a great affinity with *TWANY*, which has proposed beauty by looking at the rhythm of women's beauty in a day, a month, a year, and a lifetime. Therefore, in 2021, we began to work closely with women in this area.

In the course of promoting activities, we sympathized with the mission of the women's health information service “*LunaLuna*” and established a web-based course called “*Femcare School*” in collaboration with *LunaLuna*. *TWANY* provided beauty information focusing on the rhythm of beauty, while *LunaLuna* provided knowledge on hormonal balance changes during menstruation and how to cope with them. Many people have viewed the website, and we heard a variety of comments, such as women's specific concerns, or “I feel uncomfortable, but there are things that I am ignoring.”

Based on this experience, we launched the femcare line *TWANY & me* in order to contribute to improving women's quality of life through femcare, which is possible only with *TWANY's* continuous support for women. The femcare of *TWANY & me* is a cross between “*Feminine*” and “*Care*” and means taking care of women's skin (face and body). As the first phase, two items, a body wash, and a body cream, focusing on skin

Purpose Driven Brands

care for the delicate zone, will be launched in November 2023. We will propose a skin care habit for the delicate zone.

Prior to the launch of the products, a website called “FemaleTerrace” was opened in October, which was created together with experts and femtech companies. The website provides contents that enable users to gather correct femcare information on women’s specific concerns. The first part of this series introduces the actual situation of delicate zone care. We will provide a lot of information, including the characteristics of the delicate zone area, the percentage of those who take care of it, and other details that are difficult to resolve on one’s own.

In this way, we intend to strengthen our product and service proposals and make femcare more accessible through comprehensive support for every stage of life, thereby contributing to the improvement of women’s quality of life.



TWANY, Kanebo Cosmetics
<https://www.kanebo-cosmetics.jp/twany/>

Female Terrace
https://www.kanebo-cosmetics.jp/twany/twany_andme/female_terrace/



Purpose Driven Brands

Employees' opinions

Saho Sugimoto

Sanitary Business,
Hygiene & Living Care Business,
Consumer Products Business,
Kao Corporation
(as of 2023)



We recommend “*Laurier* in the Workplace.” With the desire to be as close as possible to women’s feelings and bodies, I myself have been communicating my activities by talking with various companies and being interviewed. We saw that there was still a lack of understanding of menstruation, so we created content for menstruation training and began providing videos. We would like to continue to consider the support that *Laurier* can provide, rather than simply recommending the use of sanitary napkins as a tool, while taking into account the needs of the companies and employees who use them.

We will promote “*Laurier* in the Workplace” with companies that agree with us, with the aim of creating a workplace where everyone can work comfortably by gaining a new understanding of menstruation, regardless of gender.

Employees' opinions

Satoko Matsunaga

Communication Creation,
Creative,
Kao Corporation



Laurier was recognized with three 2023 External Awards for its communication with feelings, including “*Laurier* in the Workplace.” We are very happy that our activities, which were carried out in unison with the strong desire to take concrete actions to realize our Purpose for consumers, have been highly evaluated, and that the number of companies that agree with our proposal is gradually increasing and spreading throughout the world. In order for *Laurier* to become someone’s indispensable brand, we will continue to make thoughtful proposals, not overlooking the little things that consumers need and changes in the world.

Employees' opinions

Junichi Sasaki

TWANY Brand Manager,
Cosmetics Business,
Consumer Products Business,
Kao Corporation



Since the birth of *TWANY* in 1996, we have been promoting our brand activities with the core concept of “Rhythm of Beauty” and the desire to lead each individual to the beauty they seek throughout their lives.

Based on the characteristics of the brand and our past efforts, we decided to launch *TWANY & me* because we believe that we should contribute to improving women’s quality of life through femcare, which is possible only with *TWANY*, a brand that has always been close to women.

We will continue to strengthen our purpose-driven brand activities by providing comprehensive support for women at every stage of their lives by proposing products and services that enable women to obtain the care they need and the correct information.

Purpose Driven Brands

Stakeholder engagement



Risa Nasu

Senior Executive Manager,
LunaLuna Division,
Healthcare Business Division,
MTI, Ltd.

Since 2000, LunaLuna has been a women's health information service that helps women understand themselves and live their lives in their own way by providing health information tailored to women's life stages, with a focus on menstrual period record management.

In the course of our activities over the years, we have become aware of the problem that there are few places in society as a whole, including men,

where women can learn about the various physical and mental changes caused by female hormones and the accompanying health issues, which in many cases women themselves cannot understand unless they have experienced them themselves.

Therefore, in 2020, we launched the project "FEMCATION," which aims to create a society that can lean on one another based on knowledge, and we have been working to create opportunities for learning.

As one of these efforts, we have collaborated with *TWANY* since 2021 to offer Femcare School, a course that provides a place to learn the correct knowledge from the viewpoint of beauty and health.

The Femcare School featured topics from a variety of women's health issues that society as a whole needs to understand better, such as "Basic Knowledge of Women's Body and Mind," "Communication about Menstruation & PMS," "Preconception Care," and "Menopause." We also created an educational video featuring obstetricians and gynecologists to disseminate information.

These videos were viewed nearly 600,000 times, and of course many people were interested in the project, but there was also traffic from Kao's internal

portal site, which featured this initiative. We believe that this initiative has contributed to Kao's efforts to promote women's empowerment and solve health issues based on the Kirei Lifestyle Plan of making thoughtful choices for society.

We think that Kao is a brand that is trusted by many women. We hope that Kao will continue to provide products and initiatives that will encourage many women to lead vibrant lives in their own way.

In addition, since women's health and wellbeing require a change in the awareness of society as a whole, it is necessary to create an environment in which women, regardless of gender, have access to appropriate information from the time they are young adults. We hope that we can continue to work together to promote understanding throughout society.

Transformative Innovation

Pursue Essential Research to unleash breakthrough innovations that help realize more sustainable lifestyles by solving social issues and easing people's pains.

Social issues

The World Meteorological Organization (WMO) reported that 2023 was the warmest year on record, and climate change is affecting many aspects of our lives, causing poor health and affecting the growth of agricultural products due to heat and other factors.

Furthermore, the increase in plastic waste is a global issue, and an intergovernmental negotiating committee is formulating an international treaty under the supervision of the United Nations. In Japan, enforcement of the Act on Promotion of Resource Circulation for Plastics in 2022 has accelerated municipalities' initiatives for garbage separation, requiring cooperation from consumers.

Efforts for decarbonization and resource circulation are also becoming increasingly important. In order to go zero-carbon and zero-waste, not only national and local governments and companies, but also each and every consumer must change the lifestyle to which they have become accustomed.

The 2022 OECD household survey conducted in nine countries showed that more than half of the respondents expected that climate change and environmental issues would reduce the quality of life for current and future generations, and while they are willing to compromise their current lifestyles to protect the environment, they tend to avoid extra costs and choose actions that are easy to adopt. In Japan, there is a report that consumption-based household greenhouse gas emissions account for approximately 60% of the total; therefore, it is important for each household to strive to reduce greenhouse gas emissions.



Ministry of the Environment Annual Report on the Environment, the Sound Material-Cycle Society and Biodiversity in Japan 2023
<https://www.env.go.jp/policy/hakusyo/r05/pdf.html>

OECD "OECD Studies on Environmental Policy and Household Behaviour"
https://www.oecd-ilibrary.org/environment/how-green-is-household-behaviour_2bbbb663-en

Policies

We want to become an essential entity for consumers and customers by proposing products and services that solve social issues and change and enrich their lives. To this end, we have adopted the following three basic policies for our Research and Development activities.

1. Globally competitive core technologies and product development
2. Create both customer value and sustainable value
3. Enhancing development based on speed as a competitive axis

Under these basic policies, we will promote the development of technologies and products that realize a Kirei World in which everyone lives in harmony and sustainable lifestyles in line with the ESG Strategy, "the Kirei Lifestyle Plan."

As its development policy, in 2023 Kao published the "Kao Sustainable Product Development Policy" based on the new concept of "Maximum with minimum." We will promote the reduction of greenhouse gas emissions and plastic waste through initiatives to use plant-derived raw materials to reduce the use of raw materials derived from fossil fuels, develop containers that are easy to recycle, and so on. We believe that it will help accelerate the realization of a

sustainable society, in which we simultaneously minimize our environmental impact and maximize consumer value by developing technologies and products that will reduce the use of detergent and water while allowing people to wear beautiful clothes for a long time. This means changing their lives for the better without any extra burden. We will also expand this activity globally.

It is Essential Research and Technology Innovation that makes the concept of "Maximum with minimum" into products.

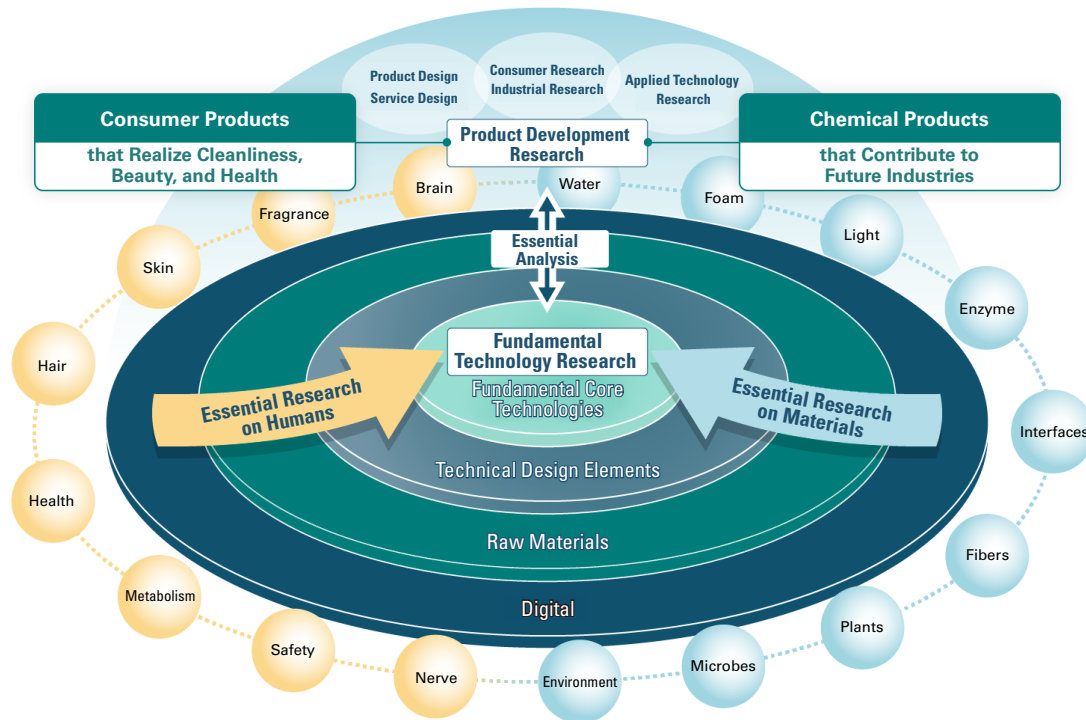
The essence of universality, mechanisms, and root causes are revealed as we, driven by the pursuit of Essential Research backed by inquisitive minds, exhaustively investigate objects and phenomena through the lens of science. They provide new evidence for solving problems facing society and consumers alike, and spark ideas for new technologies as well as consumer and customer value creation.

To solve problems and provide value, we will promote technology innovation by raising the level of our core technologies, maximizing the use of technology assets, and building new technologies.

When promoting technology innovation, it is important to provide value that corresponds broadly to the issues facing consumers and customers, but we also emphasize providing value that helps to solve the most pressing problems in specific domains. We propose highly satisfactory products and services through unique technologies and solutions that capture the essence deep within those problems and bring a sharp sense of value.

Transformative Innovation

Research and Development Activities of Kao



Research & Development
<https://www.kao.com/global/en/innovation/research-development/>

Strategy

Risks and opportunities

Risks

It takes years of research and development to establish technologies and apply them to products. In particular, since developing technologies for going from carbon-

zero to carbon-negative and to waste-zero involves advanced and complex processes, there is only so much that one company can do. In addition, there is a concern that if the original strategy or policy is significantly revised due to entering a new industry or a policy change, the investment made up to that point could be rendered useless.

Looking at day-to-day activities, damage due to leaks or disasters involving hazardous materials handled in R&D at Kao, as well as leaks of technical information related to pre-launch product development strategies or upcoming products, are also risks to the continuation of

business activities. We must also prepare for disasters arising from climate change.

Opportunities

One path to solving high-level challenges is open innovation. By combining external technologies with Kao's own technology assets and research findings, we believe that new ideas and approaches for environmental and social issues that are difficult to solve can be embodied as products, services, businesses, and systems. To realize a sustainable society, we will promote collaboration with companies and governments that address the same issues in a wide range of supply chains.

Strategy

We will live up to the trust in the safety and security of our soaps and detergents earned since our foundation in 1890 and promote the Management of Technology (MOT) by aligning management and business strategies with research and technology development strategies. Meanwhile, we will identify possibilities and domains where our core technologies, which are the source of our differentiation, can lead to new value.

With technology innovation as the driving force, we will tackle environmental problems and other social issues from backcasting and forecasting perspectives. This will involve accelerating our global growth by promoting the development of new technologies to address various issues around the world and rapidly expanding technologies and value that we have established over the years in the right places.

Transformative Innovation

1. Strengthen existing businesses by deepening existing technologies (short-term)

In response to diverse consumer and customer values, we will promote product development by continuously improving and utilizing our technology assets together with our business and manufacturing divisions. We will embody ESG-driven *Yoki-Monozukuri* in line with the concept of “Maximum with minimum,” which provides value through selecting raw materials that minimize environmental impact, substituting scarce raw materials, and reducing CO₂ emissions during product use. Furthermore, we will aim to accelerate the speed of development by actively incorporating digital technologies such as big data and artificial intelligence.

2. Expand existing business in borderline areas (by 2025)

We will reassess the strengths of our existing core technologies from the perspectives of ESG and QOL, and envision the world of the future by forecasting from Essential Research and technologies. We will provide products and services that bring unprecedented value through new combinations of various technologies based on our own core technologies, such as resource circulation for plastic film packaging using micro-interface control, and proposals for hygiene products and services using bacteria- and microbe-control technologies.

3. Creation of new businesses by backcasting from future society (by 2030)

We will re-envision inclusive future lifestyles and society from a backcasting perspective as we face global warming, climate change, and the super-aging society. We will identify the technologies needed to achieve the desired state and create new markets by utilizing multiple aspects of Kao's core technologies and

combining them with new ones. Furthermore, to drastically reduce CO₂ emissions, we will work to develop carbon-negative technologies that convert recovered CO₂ into new value.

 Integrated Report 2024
<https://www.kao.com/global/en/investor-relations/library/reports/>

Social impact

We will propose distinctive technologies and innovative products and systems to solve social issues, significantly change and enrich people's lives, and realize a circular society and safer, more secure, and healthier lifestyles.

Contributions to the SDGs



Business impact

Through Research and Development activities, we will increase sales of new and improved products, increase revenues and brand loyalty, and create new markets through new businesses.

The perspective of cost is also extremely important in product development. The Scarcity of raw materials will lead to cost increases and procurement risks in the future, and long development lead times will also result in higher costs. As such, we will review the way we promote R&D activities to improve the ROIC.

Governance

Framework

The R&D Division is in charge of promoting Transformative innovation. Under the supervision of the Board of Directors, the Internal Control Committee carries out risk management and the ESG Managing Committee conducts opportunity management. These committees are both headed by the President & CEO.

Risk management is performed by the Internal Control Committee (which meets twice a year) and its subcommittee, the Risk & Crisis Management Committee (which meets four times per year). The Executive Officer Responsible for Corporate Strategy chairs the committee.

Opportunity management is carried out by the ESG Managing Committee (which meets 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.

A system is in place for product development (vertical axis in the figure on the next page) and fundamental technology (horizontal axis in the figure on the next page) laboratories to accumulate wisdom and organically collaborate with each other. We set R&D strategies in line with our management and business strategies to transform science into technology and technology into unique products and services, thereby contributing to business by solving problems that consumers and society face.

In existing business domains, our product development laboratories view issues facing consumers and customers through the lens of science, collaborate

Transformative Innovation GRI 416-1

with business divisions to define the policy for the value we will provide at an early stage, and continue to provide innovative products by evolving and making the most of technology assets. In addition, in the new business domains, our technology development laboratories play a central role in creating technology innovations to address social issues from a future perspective, and we are considering early social implementation and commercialization through collaboration inside and outside the company.

These Research and Development activities are shared with research management on a monthly and semi-annual basis to check the progress of research themes, shared labor costs, actual budget performance, and the like.

In order to respond quickly and flexibly to changes in the business and social environment, the R&D Strategy acts as an intermediary and sets up a forum in the annual plan for reporting to operational and business management, including Executive Officers, so that policies, strategy implementation, and progress in

Research and Development activities are shared. Members of this forum verify progress and revise strategies as necessary, speeding up decision-making and accelerating global growth.

Education and promotion

Creating innovations requires nurturing a culture that encourages researchers to take on challenges in new domains by cooperating with many researchers, in addition to fostering a high level of expertise, creativity, and originality in individual researchers.

We have set up a research report database so that everyone can have access to in-house research findings, technology assets, and the latest research results. We also provide opportunities for exposure to cutting-edge science and technology through lectures and research guidance by outside experts. In addition, we hold presentation sessions where researchers can discuss their ideas to generate new findings. While increasing efficiency by utilizing online conferencing and other digital tools, we emphasize dialogue, including the participation of researchers from outside Japan, to create innovations by fusing different types of knowledge.

Collaboration with stakeholders

In promoting Transformative Innovation, multifaceted cooperation and collaboration with industry, government, and academia are necessary.

With universities, we are strengthening our core technologies and building new technologies through joint research that makes the most of cutting-edge science and technology. We share scientific findings with the academic community through presentations at conferences and in papers.

We cooperate with governments in efforts to establish a circular society, by recycling packaging, reusing diapers, in alignment with laws and local situations. Kao aims to establish technologies through collaborative demonstration experiments and introduce them to society as quickly as possible.

We also cooperate with suppliers to ensure a stable supply of raw materials.

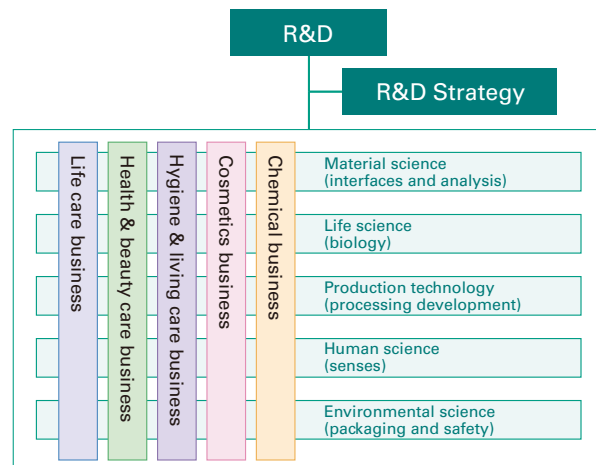
New value is created when two or more parties mutually supplement and combine their strengths, and this enables quick delivery of products and services to consumers.

Risk management

We address a wide range of risks in our R&D activities, prioritizing risks with the greatest business impact. So that we can respond promptly to risks in line with business changes, we are optimizing the allocation of R&D expenses and personnel, and making modifications according to the situation by visualizing the degree of progress and risk of research themes. We are also preparing for changes in the business environment by co-creating with governments and various stakeholders to keep abreast of the latest circumstances.

To avoid losing business opportunities stemming from prolonged R&D lead time, we are also enhancing the precision of our products and services by verifying new value as early as possible while promoting their social implementations.

Furthermore, with regard to risks related to the continuation of business activities, we identify risks such as technical information leaks, chemicals management, and the impact of natural disasters on



Transformative Innovation GRI 416-1

R&D functions, and conduct self-audits to ensure that all researchers are fully aware of these risks by working with the Risk and Crisis Management Committee and the Responsible Care Promotion Committee within the Internal Control Committee.

Metrics and targets

Mid- to long-term targets and 2023 results

Among the 19 Kao Actions in the ESG Strategy, the Kirei Lifestyle Plan, R&D has set two objects for Transformative Innovation.

Since R&D activities involve a wide range of goals, such as improved quality of life, safer and healthier products, decarbonization, zero waste, water conservation and diversity management, we set research themes and departmental goals so that researchers can promote Research and Development activities with a high level of awareness.

2030 long-term targets

1. Propose products with a major positive impact on lifestyles

Propose ten or more product releases by 2030 incorporating innovations capable of causing major positive change with respect to lifestyles, society or the environment (cumulative beginning in 2019)

2. Propose businesses and systems with a major positive impact on lifestyles

Propose ten or more businesses or schemes by 2030 incorporating innovations capable of causing major positive change with respect to lifestyles, society or the environment (cumulative beginning in 2019)

2023 results

At the Kao Group Technology Innovation session in November 2018, we announced our new technologies in five domains: surface chemistry, environment, skin, health and hair.

For “surface chemistry,” we are expanding the use of a sustainable surfactant known as “Bio IOS.” In recognition of its unique function, we received the 72nd (FY2023) Chemical Technology Award from the Chemical Society of Japan.

For “environment,” we are conducting a demonstration experiment for recycling film packaging. In 2023, we worked with Lion Corporation to commercialize refill packs that use recycled materials as the middle layer through horizontal material recycling, in which used refill packs are recycled as the same type of container. “*NEWTLAC 5000*,” an asphalt modifier that improves pavement durability made by transforming waste PET using proprietary technologies, received the Minister of the Environment’s Award at the 22nd Green and Sustainable Chemistry Awards by the Japan Association for Chemical Innovation (JACI).

For “skin,” we launched in the US market “*re/cover*,” which combines the fine fiber technology that forms a natural ultra-thin film with a serum for eczema. For “health,” Healthcare Systems Co., Ltd. launched “the *Babywell Check*,” a mail-in testing service that uses Kao’s skin RNA monitoring technology to monitor the skin barrier condition of infants. For the “hair” domain, a naturally occurring source of black hair melanin (coloring ingredient: dihydroxy indole) is being developed for hair colors, shampoos, and conditioners.

In 2023, we continued our Research and Development activities in these five domains and proposed numerous products based on our technologies.

Reviews of 2023 results

Our long-term goal for 2030 is to propose products, businesses, and systems that will have a big positive impact on lifestyles.

In FY2023, as we recovered from the COVID-19 pandemic, consumers began to go out more frequently and became more conscious about UV protection. To address such needs, we proposed “*Bioré UV Aqua Rich Aqua Protect Mist*,” which utilizes a coating film technology that achieves a sweat- and friction-resistant formula that easily comes off with cleanser as needed and a type of formulation that is easy to reapply on the go. This gas-free mist formula received high praise for its usability and comfort as we experienced unusually high temperatures.

In addition, we published a paper entitled “*Contribution to holding large-scale meetings amid the COVID-19 pandemic*,” which delves into scientific study on how to hold large-scale events amid the risk of infection and how to reduce the risk, earning the 2023 Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology, Science and Technology Award (Science and Technology Promotion). This is the result of activities we started in 2020 with a diverse group of external researchers.

In 2023, our proposal of products and systems continue to gain strong approval. We will continue our R&D activities to increase the number of innovations by promoting widespread adoption of science and technology through product proposals, presentations at academic conferences and papers, to transform consumers’ lifestyles and enrich society.

Transformative Innovation

Main initiatives

Promote ESG-driven *Yoki-Monozukuri* by deepening core technologies (short-term)

Under the Kao Sustainable Product Development Policy, which was published in 2023, we take a holistic approach to minimizing environmental and social impact and maximizing value for consumers, aiming to achieve ESG-driven *Yoki-Monozukuri* that consumers can easily adopt in their daily lives. Kao's proprietary core technologies, which we have established over the years, serve as effective solutions to this challenge. For example, we launched "*Attack ZERO Perfect Stick*." This product features a unique, easily dissolvable hollow powder structure created using the processing technology, and is formulated with agglomerated active ingredients for cleaning, odor removal, and anti-bacterial purposes. The stick-type formula does not require measuring, reducing water in the product and the plastic used per wash while making this product easy to use. It has excellent cleaning power and leverages the unique characteristics of agglomerated powder detergents, relative to commonly used liquid detergents. We will continue to make life more comfortable and sustainable through promoting the development of core technologies.

Global development of products that help improve quality of life (mid-term)

Introduced at the November 2018 Technology Innovation, the fine-fiber technology creates a natural-looking film by spraying ultra-fine fibers onto the skin using the electrospinning method. This film allows water vapor through the gaps, and its capillary force enables the formula to adhere evenly to the skin

without occluding it. Although we have been providing portable devices, we have successfully developed a patch-type sheet. In the United States, where many consumers suffer from problems of eczema, we have launched "re/cover," a skin care product that protects and keeps skin healthy by combining the fine-fiber sheet developed in Japan and plant extracts developed in the United States.

By collaborating globally and utilizing technologies in the right places, we quickly deliver products to market that are essential to consumers who have concerns.

Initiatives for carbon neutrality in production of chemical raw materials (long-term)

One way to promote carbon neutrality is to replace raw materials derived from fossil resources with biomass-derived materials that do not compete with food. However, for aromatic compounds of high industrial value, it was difficult to commercially produce a single compound from biomass, although utilizing lignin in cellulose is being considered. Taking advantage of our enzyme production technology for detergents, Kao has established a technology for producing by fermentation gallic acid and 4-amino-3-hydroxybenzoic acid (4,3-AHBA), which are aromatic compounds, from glucose, using coryneform bacteria. Gallic acid is expected to be employed as a raw material for semiconductors and rust inhibitors for boilers, and 4,3-AHBA as a raw material for biomass-derived, heat-resistant plastic materials. Until now, gallic acid has been produced from the sumac family of plants, whose production areas are limited, but it is now possible to produce it in a stable way. We will also expand research and development of other

aromatic compounds to contribute to the stable supply of raw materials and promotion of carbon neutrality.

Transformative Innovation

Employees' opinions

Global collaboration to improve QOL of eczema consumers through utilization of Kao's unique technology assets and product development.

Asuka Imai

Kao USA Inc.
Kao Americas Research Labs



contribute to society through continuous product development that can improve the quality of life for those consumers suffering from different skin conditions and allow them to do what they really want to do.

It is said that about thirty million people are suffering from eczema, a type of inflammatory skin condition, across the United States. By aiming to provide a unique, perceivable and accessible solution for those consumers, we developed re/cover Calming Eczema Serum and Moisture Patch. In the Moisture Patch, we used Kao's innovative technology, Fine Fiber Sheet, which can create an ultra-thin and breathable layer, and can be invisible and applicable on any skin tone. Throughout the project, we collaborated with various US local and global team members as a One-Kao team for delivering value to consumers. Our goal is to



Responsibly Sourced Raw Materials GRI 2-23

Source our raw materials in a more sustainable way that protects natural resources, the environment, safety and human rights through supply chain traceability and dialogue with suppliers.

Social issues

Major issues in product raw materials procurement include the destruction of the local environment and loss of biodiversity due to indiscriminate development, protection of the human rights of workers, safety and hygiene management, forced migration of local residents and health hazards in the supply chain.

Policies

To promote ESG procurement activities in accordance with our Policies for Procurement, Kao has developed our Partnership Requirements for Suppliers, ESG Promotion Activities with Suppliers, and High-Risk Supply Chain Management and Sourcing.

The Policies for Procurement include items relating to fairness and equity in trading, adherence to laws and ethics, and social responsibility. We seek to contribute to the establishment of a sustainable world, provide for due consideration for the protection of natural resources, environmental conservation and human rights, and support ESG procurement along with compliance with laws and ethics.

Our Partnership Requirements for Suppliers seek compliance from our supplier in areas such as rules and ethics, human rights and labor, fairness and equity, supply chain management, environmental management, and sustainability. Our standard contract with suppliers clarifies provisions concerning the aforementioned issues, including the environment, human rights and labor.

ESG Promotion Activities with Suppliers encourages the development of a sustainable supply chain, work on a High-Risk Supply Chain, and strengthen collaboration with our business partners. This ensures the traceability of the entire supply chain and contributes to the resolution of social issues such as resource protection, environmental conservation, security and human rights.

Based on the Policies for Procurement and the policies for ESG Promotion Activities with Suppliers, we conduct transactions with approximately 3,000 suppliers*¹ around the world.

*1 Raw material suppliers for direct purchase

Of these suppliers, we have identified key suppliers by assessing their impact on sustainable procurement, prioritizing risks, and considering the importance of the relationship.

High-Risk Supply Chain Management and Sourcing outlines an initiative for sustainable procurement of natural resources, provides the action policy for the procurement of palm oils, paper, and pulp, and describes the approach for solving fundamental issues. Particularly with regard to zero deforestation, we support the NDPE*² and request and confirm that our suppliers and their group companies, as well as their portfolio companies, comply with it.

*2 NDPE
No Deforestation, No Peat and No Exploitation

Additionally, when revising Policies for Procurement, ESG Promotion Activities with Suppliers, and High-Risk Supply Chain Management and Sourcing, we check for inconsistencies with the Partnership Requirements for Suppliers, which describes expectations of specific

activities from suppliers for sustainability-related issues (ESG issues).

P343 Biodiversity



Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>

Our Partnership Requirements for Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-partnership/>

ESG Promotion Activities with Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-esg/>

"High-Risk" Supply Chain Management and Sourcing
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>

Basic Policy on Biodiversity
<https://www.kao.com/global/en/sustainability/klp/policy/biodiversity-policy/>

Strategy

Risks and opportunities

Risks

Procurement risks may include, among others, the inability to procure raw materials as planned due to fluctuations in prices caused by various factors, including abnormal weather, natural disasters, geopolitical influences and international conflicts. Procurement risk may also arise when rapid changes in

Responsibly Sourced Raw Materials

demand, or problems originating with suppliers, destabilize procurement and disrupt the supply of products to the market.

In addition, the Kao Group's raw materials are heavily dependent on natural capital such as palm oil, paper and pulp. We must fulfill our corporate social responsibility by achieving sustainable procurement and fully considering environmental issues, including saving natural resources, global warming prevention and biodiversity conservation, as well as social issues such as safety, hygiene, the labor environment and human rights. If, as we make efforts to achieve these goals, our commitment to sustainable and responsible procurement comes to be viewed as insufficient due to an issue or issues originating in the supply chain, our brand image and credibility may be damaged.

Opportunities

ESG procurement of raw materials is important if we are to contribute to a sustainable society.

In terms of environment, we promote procurement of palm oil, pulp and paper based on our High-Risk Supply Chain Management and Sourcing. In terms of society, we conduct human rights due diligence in line with the Kao Human Rights Policy, and supplier risk assessments based on our Partnership Requirements for Suppliers. In addition, the Kirei Lifestyle Plan sets mid- to long-term targets centered on ESG procurement through 2030, and promotes responsible procurement.

By continuing these activities, we aim to become number one in ESG procurement.

Strategy

Our Procurement Division is conducting responsible procurement along the two axes of ESG procurement and stable procurement, in addition to competitiveness-enhancing procurement.

The entire supply chain is considered from an ESG perspective, and we work with suppliers to resolve ESG issues for ESG procurement. Furthermore, to achieve stable procurement, we strive to construct long-term relationships with suppliers and establish stable procurement systems with thorough risk management.

To achieve procurement for improving competitiveness, we will reinforce cooperative relationships with suppliers to attain the above ESG procurement and stable procurement, and make efforts to reduce costs and improve quality.

By promoting these three activities together with suppliers, we will provide products that consumers and customers will be able to use with peace of mind.

Responsible sourcing



Supplier selection

When selecting suppliers, in addition to confirming their business status, we also conduct ESG surveys using Sedex and our own survey forms, and add together the results of these assessments to make an overall judgment.

Among these, decisions on key suppliers are made from these three perspectives:

- A business perspective
 - Suppliers with a large impact on our business: Selection is based on purchase prices
 - Suppliers that are difficult to replace: Packaging material suppliers and manufacturing contractors with characteristic designs and functions
- An area perspective
 - Areas noted for conflict zones, human rights issues, etc.
 - Natural forests and other areas under environmental protection: Forest resources (palm oil, pulp and paper) suppliers
- An ESG perspective
 - Raw materials derived from natural raw materials
 - Suppliers with high human-rights risks: Suppliers that have not responded or have low ratings on Sedex and Kao SAQs
 - Suppliers who have committed inappropriate activities or unfair practices.

ESG risk assessment

To identify human rights risks and other ESG-related risks at suppliers, in addition to Sedex and Kao's own SAQ assessment results, Kao employees also visit suppliers to conduct on-site assessments. From these assessments, we request the implementation of third-

Responsibly Sourced Raw Materials

party audits (SMETA audits) for suppliers that we deem as high-risk so they can work towards improving issues.

Procurement of sustainable raw materials

We recognize risks associated with sustainable development based on resource constraints, loss of biodiversity, global warming and other environmental issues, as well as issues such as human rights, and are working to sustainably procure raw materials.

These initiatives must be managed across the entire supply chain. With regard to climate change, water and forest, we are participating in the CDP Supply Chain Program^{*1} and asking our key suppliers to disclose relevant information.

^{*1} CDP Supply Chain Program

The CDP is a nonprofit organization operated by institutional investors that requests corporations and other organizations to disclose information relating to climate change, water and forests. The CDP Supply Chain Program is an initiative in which participating enterprises ask the firms that make up their supply chain to disclose information relating to climate change, water resource use and forest resource use via the CDP platform.

Procurement of palm oil

For Kao, the most important natural resource is palm, and we are working toward sustainable palm oil procurement. As part of our commitment to identify and eliminate risks in the supply chain, we will work to ensure farm traceability and move to 100% RSPO^{*2} certified oil. We will also implement a support system

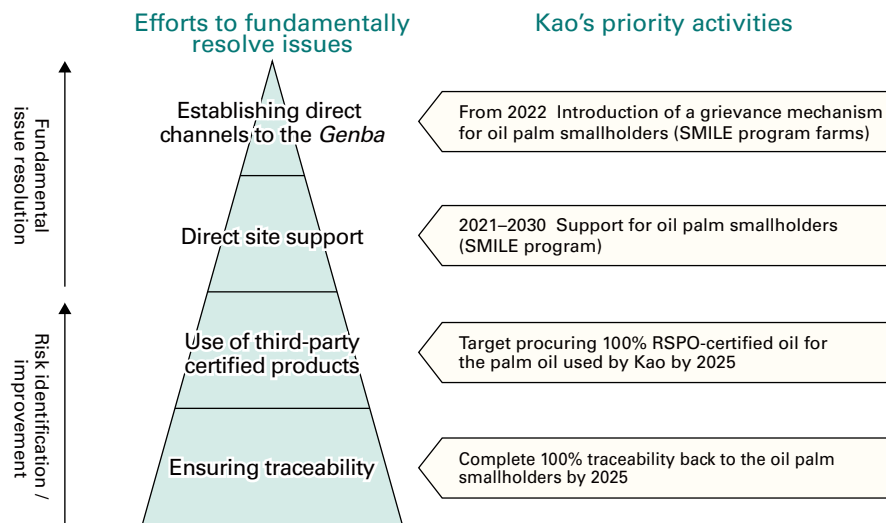
and a grievance mechanism for oil palm smallholders to resolve fundamental issues.

^{*2} RSPO: Roundtable on Sustainable Palm Oil

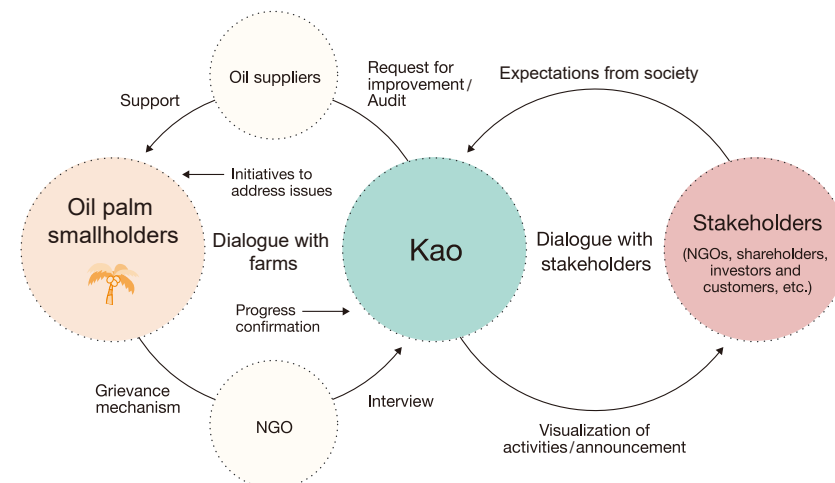
Social impact

Major social issues in product raw materials procurement include the destruction of the local environment and loss of biodiversity due to indiscriminate development, protection of the human rights of workers, safety and hygiene management, forced migration of local residents and health hazards in the supply chain. Addressing these issues is expected to have the following effects:

Activities for sustainable palm oil procurement



Operation of a grievance mechanism for oil palm smallholders



Responsibly Sourced Raw Materials

- Environmental protection: Preventing environmental destruction and loss of biodiversity caused by local overexploitation protects the planet's environment during product raw material procurement.
- Human rights protection: Protecting workers' rights in the supply chain fulfills social responsibilities and prevents violations of human rights.
- Protection of local residents: Preventing forced migration of local residents protects their rights.
- Prevention of health hazards: Preventing health hazards of local residents is possible with thorough safety and hygiene management.

When considering these effects, addressing social issues in the procurement of raw materials for products can be expected to be a positive activity for both the company and society.

Contributions to the SDGs



Business impact

ESG procurement has many benefits for businesses, such as reducing environmental and social risks, suppressing costs, and improving brand image and social credibility. It also enables the implementation of stable business operations and avoidance of reputational risks.

Specifically, ESG procurement provides the following benefits for businesses.

- From an environmental perspective, the introduction of renewable energy and recycling of waste can reduce environmental impact.
- From a social perspective, addressing human rights issues and labor issues can improve social credibility.
- We can avoid reputational risks while maintaining the stability of business operations by ensuring sustainable raw materials.
- We can improve the image of our brands and gain the trust of customers.

Governance

Framework

Risk management in relation to responsibly sourced raw materials 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 Representative Director, President and Chief Executive Officer.

Risk management related to responsibly sourced raw materials is conducted by the Internal Control Committee (which meets twice a year) and its subordinate unit, the Risk & Crisis Management Committee (meeting four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to responsibly sourced raw materials. 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 strategy, and the ESG Promotion Meeting executes the ESG Strategy.

In addition, the Human Rights and DE&I Steering Committee, under board-level ownership, has also undertaken strategy formulation and implementation planning and is working to ensure reliable and rapid execution.

By strategically coordinating three policies: ESG procurement, stable procurement and strategic procurement for enhancing competitiveness, Procurement will achieve competitiveness and promote responsible procurement to all stakeholders. To practice responsible procurement, Procurement's organizational structure is organized into a Strategic Sourcing Department and an Operational Excellence Department.

The principal mission of the Strategic Sourcing Department is to formulate and implement mid- to long-term procurement strategies based on the three procurement policies, while the principal mission of the Operational Excellence Department is to innovate in terms of efficiency and timely information sharing along the supply chain.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

To carry out responsible procurement, each of our Procurement employees must acquire the necessary knowledge, and ensure that they understand and adhere to the Policies for Procurement and related guidelines. To this end, we conduct various training and awareness-raising activities. We use new employee

Responsibly Sourced Raw Materials

training for recent graduates and mid-career hires, training for young employees and other training programs, for example, to deepen understanding of ESG procurement, stable procurement and strategic procurement.

Collaboration with stakeholders

We are promoting opinion exchanges with suppliers within and outside Japan through vendor summits, quality improvement meetings and other initiatives.

Vendor summits have a yearly theme under which participants communicate.

The award system implemented at these vendor summits honors business partners from the perspective of strategic partners, ESG, and stable supplies.

Furthermore, at these awards, we share the efforts of outstanding business partners as benchmarks and cooperate with participating companies to improve their capabilities for ESG procurement and stable supply.

We utilize Sedex for supplier monitoring, and by requesting suppliers to obtain Sedex membership and response, we are undertaking to assess risk for our entire supply chain. We are strengthening collaboration with our suppliers through various initiatives including the CDP Supply Chain Program, and developing our global procurement activities. We are also working with our international business partners to provide essential solutions to social issues.

We also continue to engage NGOs in dialogue and actively exchange opinions with other companies and external organizations.

Risk management

Furthermore, the Procurement Division reinforces risk management processes and takes measures such as securing alternative suppliers to prepare for the possibility of being unable to procure raw materials as planned due to fluctuations in prices caused by various factors, including abnormal weather, natural disasters, geopolitical influences, and international conflicts. We also implement measures, including cooperation with manufacturing divisions to improve demand forecast accuracy and enhance risk management in the supply chain to address the risk of disrupted supply of products to the market due to stable procurement being compromised by rapid changes in demand or supplier issues.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

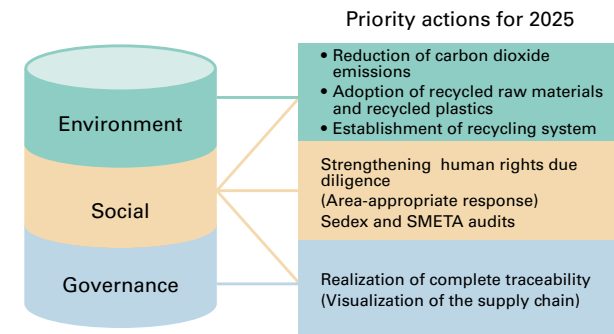
Mid- to long-term targets and 2023 results

Mid- to long-term targets

On the environmental side of ESG procurement, we will work to reduce carbon dioxide gas emissions from raw materials, use recycled raw materials and recycled plastics, and establish a recycling system for containers.

In social terms, we will strive to strengthen human rights due diligence on the part of suppliers by promoting Sedex and SMETA audits.

In governance terms, we aim to ensure traceability of raw materials back to their origin and make the supply chain visible.



In particular, in relation to procuring palm oil and palm kernel oil, we are expanding our initiatives to solve essential issues in the supply chain, ranging from ensuring traceability and promoting the purchase of RSPO-certified oil to supporting oil palm smallholders, establishing a grievance mechanism, and disclosing forest footprints to the public.

1. Ensuring traceability

We take into consideration the preservation of biodiversity and pursue zero deforestation in our procurement of palm oil and palm kernel oil. In addition, the Kao Group aims to procure only RSPO-certified palm oil by 2025 and to complete the traceability confirmation back to oil palm landholders, also by 2025.

With regard to paper and pulp procurement, we take into consideration the preservation of biodiversity, pursue zero deforestation, and are working toward 100% procurement of certified paper products and pulp used in consumer products by 2025. We will also continue to confirm traceability to the origin.

Responsibly Sourced Raw Materials

2. Human rights initiatives


We established the Kao Human Rights Policy in 2015 to address various risks associated with human rights issues. In addition to our own activities, we also request that the activities of our suppliers embody respect for human rights based on our Partnership Requirements for Suppliers, and we conduct human rights due diligence accordingly.

To conduct this risk assessment, in 2014, we joined Sedex, a platform for global companies to share information on ethical practices. We have also been encouraging our suppliers to join Sedex. We aim to achieve 100% implementation of due diligence by suppliers by 2025. In addition, we will request that suppliers that are rated as being high-risk conduct SMETA audits and act on them to address issues.

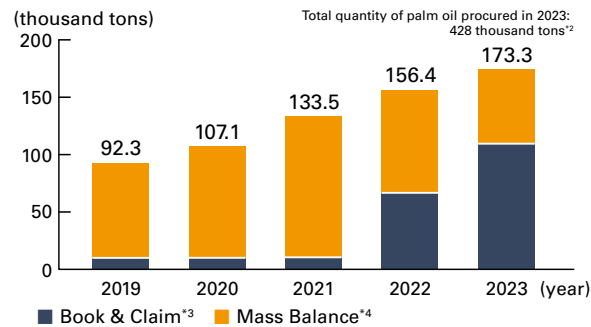
2023 results

1. Ensuring traceability

- Palm oil and palm kernel oil procurement Confirmation of traceability to the farms owned by suppliers: 87%
- Procurement of certified palm oil: Ratio of RSPO-certified oil to total palm oil: 40%
- Support for oil palm smallholders: 839 farms received RSPO certification.
- Introduction of the grievance mechanism: Operation started in September 2022.

 Palm Oil Dashboard
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Certified palm oil purchases*¹ (Kao Group)



*¹ Total of certified palm oil, certified palm kernel oil, and certified palm-derived raw materials

*² Total of palm oil, palm kernel oil, and raw materials derived from palm

*³ Book & Claim

A certification model in which RSPO-certified credits are traded online between producers and end-product manufacturers/sellers

*⁴ Mass Balance

A certification model in which certified oil is mixed with non-certified oil during the distribution process, but the quantity of certified oil is guaranteed.

- Paper and pulp procurement*⁵
- Confirmation of traceability: 100%
- Of this, 98% is certified paper and pulp*⁶ (as of December 2023)

*⁵ Covers paper and pulp used in Kao products (excluding some products).

*⁶ The ratio of certified materials among paper / pulp materials is tabulated based on the ratio by weight of certified materials for each procured item.

2. Human rights initiatives

We have been conducting assessments based on Sedex since 2017. We expanded these assessments in 2018 to cover all of our global business*⁷.

Overall evaluation of supplier risk assessment based on Sedex (as of December 2023)

Overall evaluation	SAQ response rate* ⁸	Sedex risk assessment* ⁹	Percentage
S	80% or more	3.0 or more	25%
A	80% or more	2.0 to less than 3.0	38%
B	80% or more	Less than 2.0	29%
C	Less than 80%	—	8%

*⁷ The scope of assessment is 1,339 sites that responded to the Sedex Self-Assessment Questionnaire (SAQ)

*⁸ Sedex new SAQ response rate

*⁹ Management control score values using Sedex assessment tools (Ranging from 0 to 5; the higher the score, the better the management)

In addition, SMETA audits were initiated for high-risk suppliers in 2021. In 2023, SMETA audits were conducted for 30 high-risk suppliers. No company was identified with serious risks in this audit, but there were minor issues identified for all suppliers. With this, corrective plans have been submitted, and corrective actions are currently being implemented.

SMETA audit results

Number of SMETA audits	30
Percentage of companies with serious issues	0%
Percentage of companies with minor issues	100%
Percentage of companies with minor issues that have submitted corrective plans	100%

Responsibly Sourced Raw Materials

Number of suppliers and actual number of key suppliers % of suppliers per country

Region	Percentage (%)
Japan	32
Asia	38
the Americas	11
EMEA	19

% of suppliers by category

Category	Percentage (%)
Raw materials	67
Packaging	18
Outsourced production	15

Number of key suppliers

Category	
Tier 1 Total number of key suppliers	187 companies
Tier 1 Percentage of key supplier spending	20%
Non-tier 1 Total number of key suppliers	80 companies

Actual performance of the CDP supply chain program

	Response rate
Climate change	85%
Water	94%
Forest	98%

Reviews of 2023 results

We have completed 87% of traceability checks of palm oil production regions (palm farms). We will continue to pursue traceability in collaboration with various stakeholders such as suppliers, farmers, and NGOs. Regarding support for oil palm smallholders, a total of 839 farms received the Roundtable on Sustainable Palm

Oil (RSPO) certifications. Currently, the grievance mechanism has been expanded to 212 farms.

We once again achieved nearly 100% traceability for paper and pulp-producing areas, maintaining the results from 2022, and the certified product ratio was 98%. We will continue to introduce certified products for small-scale suppliers and encourage confirmation of sustainability with the aim of achieving 100% by 2024, even earlier than our original target of 2025.

To address human rights, we request that all direct materials suppliers worldwide join Sedex, respond to Sedex questionnaires and set up data access rights. By the end of 2023, 97% of global transactions (by value) were conducted with Sedex member companies (including alternative programs and Kao SAQ). In the future, besides continuing to encourage suppliers to join Sedex, we will also clearly request that suppliers whose ESG assessment results from the Sedex assessment tool are low (Scores of B or C) set targets for an overall assessment of A or better and review items that need improvement.

SMETA audits for high-risk suppliers in 2023 were conducted at 30 companies, as a result of sufficient dialogue with target companies to gain understanding, and the goals were almost achieved. We plan to continue to complete audits of suppliers in Japan considered to be high-risk suppliers as of this moment in 2024.

P120

Decarbonization > Efforts in raw materials procurement

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	Our Priorities -Kirei Lifestyle Plan-
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

Responsibly Sourced Raw Materials

Main initiatives

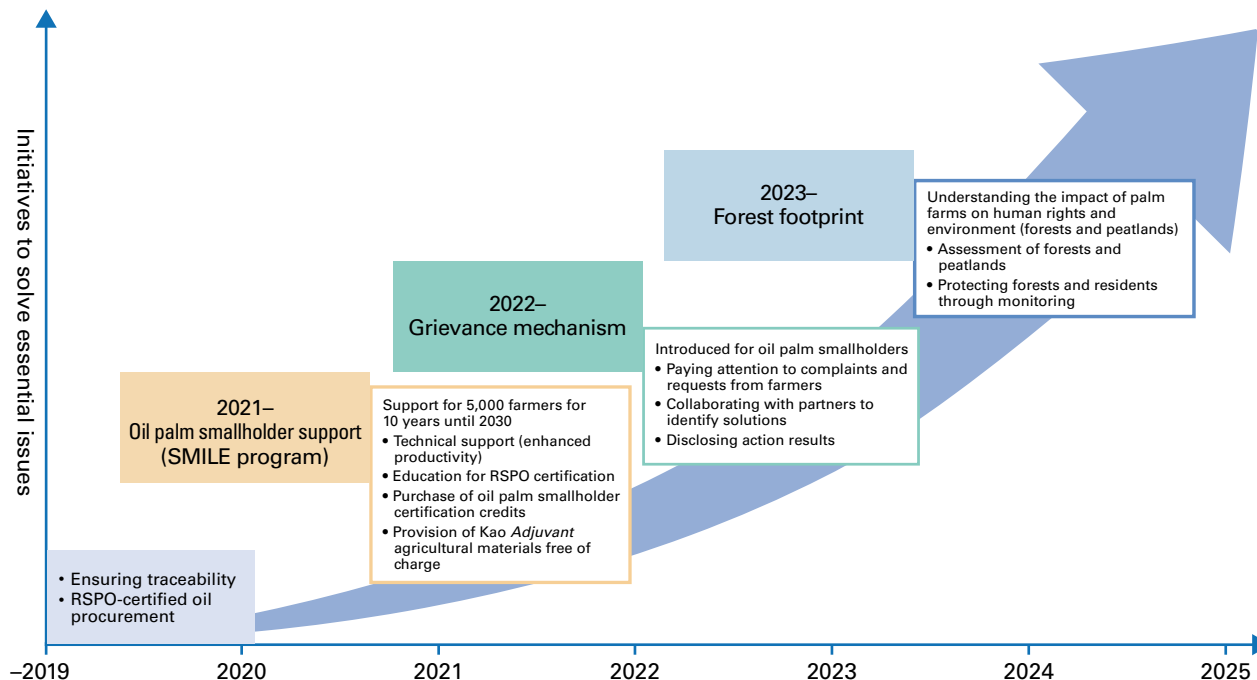
Palm, the most precious natural resource for Kao

For Kao, the most important natural resource is palm, and we are working toward sustainable palm oil procurement.

P102 Activities for sustainable palm oil procurement

Palm oil sustainability activities

Contribute in our own way in this field and become global number one in this area



Support for oil palm smallholders

Kao, Apical Group (a company that manufactures and sells oleo chemicals) and Asian Agri (a plantation company) are implementing Smallholder Inclusion for Better Livelihood & Empowerment (SMILE program) to help oil palm smallholders in Indonesia improve productivity and obtain certification for sustainable palm oil, with the aim of establishing a sustainable palm oil supply chain.

These activities will cover approximately 5,000 farms by 2030, with technical guidance related to production such as farmland management, labor safety, and fire management by special education teams of the plantation company, along with education and support to obtain RSPO certification. All certification credits after plantations are certified will be purchased by Kao. Oil palm smallholder certification credits enable smallholders to directly receive certification premiums, thereby providing steady income for the farmers.

Phase 1, which began in 2020, and Phase 2, which began in 2022, provided support to 3,083 farms in Sumatra. By 2023, 839 farms obtained RSPO certification and 9,996 tons of independent oil palm smallholder certification credits have been purchased.

In addition, Kao's pesticide spreading agent *Adjuvant**¹ is being provided free of charge. This free provision of *Adjuvant* has been implemented for a total of 628 farms in 2023.

*1 A high-performance agrochemical spreader developed by Kao that is derived from bio-based materials. Spread the chemical on the plant surface so that it is wetted and spread during agrochemical application.

Responsibly Sourced Raw Materials



Introduction of a grievance mechanism

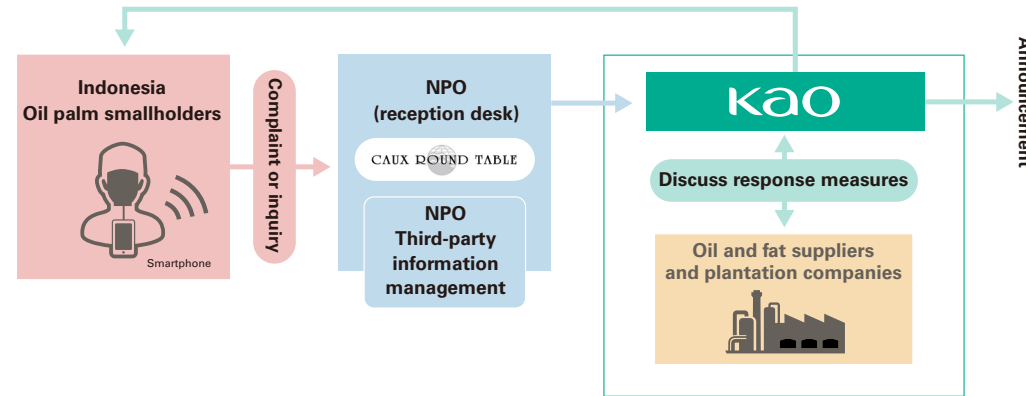
We have initiated the grievance mechanism as a way to rapidly address human rights issues in oil palm smallholders in Indonesia, which we will support with the SMILE program. In Kao's grievance mechanism, Kao and NPOs that use palm oils, together with oil suppliers/plantation companies, directly receive complaints (such as human rights violations and land disputes) from independent oil smallholders (farms), along with inquiries related to farm operation (including obtaining RSPO certification, labor safety on farms, replanting oil palms for increased productivity, and the purchase of seedlings and fertilizers). With this, investigations, response, resolution, and follow-ups are conducted before periodic reports are disclosed on a grievance list.

This mechanism covered 212 farms in North Sumatra, Indonesia, in 2023. 213 inquiries were received, and are being addressed.

In September 2023, Japanese and local employees (seven executive officers, including the Senior Vice President of Procurement from Kao, and six members, including the persons in charge of sustainability from fat and oil / plantation companies) visited Sidorukun Village, Labuhan Batu Regency, North Sumatera State to have a direct dialogue. Dialogues with 50 oil palm smallholder

Kao grievance mechanism for oil palm smallholders

- Direct dialogue with owners of oil palm smallholders
- Confirmation, investigation and response to complaints and inquiries
- Follow-up in collaboration with NPOs and suppliers



farmers were held with this visit, and participants raised many questions and proposals, including those related to sustainability. This exchange of opinions proved to be a valuable opportunity for both sides in deepening understanding and constructing better relationships.

Purchased electricity initiatives

The Procurement Division engages in procurement to provide stable and low-cost use of environmentally-friendly energy for all Kao Group activities.

Kao has been procuring all of its purchased electricity from renewable energy, and attained 100% renewable energy for all business sites in Japan in 2023.

Furthermore, Virtual PPA (Virtual Power Purchase Agreement), which purchases all environmental value created from a total of 15.6 MW generated by the largest photovoltaic power generators in Japan, was

introduced for the first time in the Kao Group. By February 2024, approximately 7.7 MW (49.5% of the total amount) was in operation, and we are moving forward with plans to have all power generators operating by June 2024.

Virtual PPA is a contract in which only the environmental value that corresponds to the quantity of energy from the newly installed photovoltaic power generation is directly purchased. The actual electricity used will be provided through the electricity supply and demand contract with power companies. This contract also has "Additionality" that increases the overall quantity of renewable energy in society as a whole, as it results in direct investment in renewable energy generation facilities.

Virtual PPAs contribute toward Kao's advanced and sustainable business operations, while also contributing toward the spread of renewable energy and reducing environmental impact.

Responsibly Sourced Raw Materials GRI 308-2, 404-2, 414-1, 414-2

Collaboration with suppliers

Supplier monitoring

We use Sedex in confirming compliance with our Partnership Requirements for Suppliers, which define initiatives in such areas as the environment, safety, conformance with laws and social norms, and human rights and labor problems, and in risk assessments. After joining in 2014, we began full-scale use of Sedex in 2016, and we request that all direct materials suppliers worldwide join Sedex and set up data access rights.

For suppliers that find it difficult to join Sedex, we also use an original survey form (Kao SAQ) as an evaluation tool to supplement Sedex. Kao SAQ comprises such social responsibility items as compliance, human rights and business practices, and such environmental conservation items as environmental policies, environmental objectives and various categories of environmental management, including pollution prevention (air, water, etc.).

We are also performing this assessment when onboarding new suppliers.

Kao vendor summits

As with 2022, the 2023 vendor summit was held remotely (within and outside of Japan). At the 2023 vendor summit, we and our suppliers presented our initiatives and activities, and called for collaboration to strengthen ESG procurement for responsible procurement (including joining Sedex, conducting SMETA audits, participating in the CDP Supply Chain Program and LC-CO₂ initiative), and stable procurement (including raw material traceability and information security).

Number of companies that participated in the vendor summits (Unit: firms)

	Held inside Japan	Held outside Japan	Total
2019	239	267	506
2020	Suspended	Suspended	—
2021	246	108	354
2022	273	29	302
2023	292	82	374



Supplier satisfaction survey

Kao conducts a supplier satisfaction survey once approximately every three years to confirm whether we are conducting procurement activities in a fair and equitable manner.

The survey was conducted in 2023, and we were able to receive valuable feedback from our 244 business partners on factors such as supplier selection, quality, ordering, customer service, and communication.

We received high marks for our attitude toward customers and quality requirements. Meanwhile, we uncovered issues concerning disclosure on changes and rejections after orders are made, along with quotation formats. Regarding changes after orders are made, we will continue to share information with relevant divisions for improvement. Furthermore, we will strive to provide thorough explanations that will satisfy business partners regarding the disclosure of rejection details. We will also move forward with improving the system regarding quotation forms.

Number of companies responding to the satisfaction survey (Unit: companies)

	Raw material suppliers	Wrapping/ packaging material suppliers	Equipment/indirect material suppliers	Total
2010	55	68	44	167
2013	71	59	45	175
2016	78	69	52	199
2020*1	105	69	36	210
2023	111	80	53	244

*1 Although the survey was initially planned for 2019, due to changes in the Procurement Division structure, the survey was postponed until 2020.

Education and promotion

Employee training and awareness-raising (Japan)

We educate new Procurement employees in our basic approach to procurement, which includes fairness and equity, adherence to laws and ethics and social responsibility. Through this training, we strive to encourage our employees to understand global social issues, such as human rights and labor, which are fundamental to the United Nations Global Compact and ISO 26000 principles. In 2023, we conducted education on our basic approach to procurement for five employees newly assigned to the Procurement Division.

Promoting certification testing (Japan)

So that all Procurement employees understand the relationship between society and the environment, and as education to modify their behavior accordingly, we encourage them to take certification examinations. In 2023, we encouraged employees to take the Certification Test for Environmental Specialists® (Eco Test®*2), and the cumulative number of employees who have passed the test accounted for 90% of division employees in 2023.

*2 Eco Test®: This test promotes an environmentally and economically sustainable world.

Making the World Healthier & Cleaner

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P111	Decarbonization	We achieved 100% renewable energy for purchased electricity in Japan. We also announced the construction of Kao's first biomass heat utilization plant at our chemical plant in Spain. Absolute scope 1+2 CO ₂ emissions reduction rate of 35% compared to 2017 was achieved.	Use of renewable energy	P122
		We achieved a 15% reduction in absolute full lifecycle CO ₂ emissions compared to 2017 due to the impact of our product lines that contribute to CO ₂ reduction at the usage, such as stick-type laundry detergents that enable one rinse, and shampoo and dishwashing detergent that reduce hot and cold water consumption during rinsing.	Mitigation products (transition to low-carbon products)	P121
		We released <i>Bioré GUARD Mos Block Serum</i> , the repellent lotion with Kao's unique technologies which are expected to reduce the risk of infectious diseases borne by mosquitos. The UV care product <i>Bioré UV AQUA Rich AQUA PROTECT MIST</i> , which protects the skin from ultraviolet rays, has received the Award for Excellence in the 2023 Nikkei Excellent Products and Services Award.	Applicable products	P122
P128	Zero waste	We are developing packaging containers that use less plastic and promoting the use of recycled and plant-derived plastics. We have launched <i>Attack ZERO Perfect Stick</i> laundry detergent, which uses pouch packaging instead of hard plastic containers, and <i>CuCute</i> dishwashing detergent, which uses approximately 40% less plastic than conventional products by reducing the thickness of the packaging containers.	Innovation for Reduction	P138
		We promote the use of recycled plastic in packaging. As part of our horizontal material recycling initiatives, in cooperation with Lion, we have commercialized for the first time, "recycled refill packs," which are partially made from collected used refill packs.	Innovation for Recycling	P140
P145	Water conservation	The main initiatives are in the use phase, which accounts for about 90% of water consumption. We promote the reduction of water consumption by developing and marketing water-saving products.	Reducing water use throughout the product lifecycle	P149
		This assesses the drought risk in areas where our offices are located. We will establish watersheds and link them to efforts to reduce water risks accordingly.	Water risk assessment	P150
P153	Air & water pollution prevention	We promote activities to reduce volatile organic compounds (VOCs) and COD, which are considered environmental pollutants.	Disclosing and reducing VOC and COD emissions	P157

P343 Biodiversity

Decarbonization

GRI 201-2

As we work toward the goal of becoming carbon zero by 2040, and becoming carbon negative by 2050, besides aiming to reduce CO₂ emissions in our own business activities, we also aim to contribute toward realizing the decarbonized society and sustainable business by helping to reduce emissions in society as a whole, and through carbon fixation to reduce the amount of carbon dioxide in the atmosphere.

Social issues

Societal ideals and current issues

Today, the vision for society is to realize net zero emissions of greenhouse gases by 2050, so that the average rise in global temperature can be kept to within 1.5°C higher than pre-industrial revolution levels.

However, according to the Working Group I contribution to the Sixth Assessment Report published in 2021 by the Intergovernmental Panel on Climate Change (IPCC)*¹, it is highly likely that human activity has already caused average global temperatures to rise by around 1.1°C over the period between 1850–1900 and 2010–2019, and if the current situation continues, it is possible that this rise will exceed 1.5°C before 2030.

Due to global warming, we have already begun having an increase in the scale of damage caused by localized torrential rain and typhoons, frequent forest fires, the melting of the Siberian permafrost and other climatic abnormalities. In reaction to these, U.N. Secretary-General Guterres is strongly concerned that the era of global boiling has arrived.

In response to this situation, in recent years, countries and regions around the world, including the European Union (EU), have been issuing carbon neutrality declarations, and in October 2020 Japan also announced that it would seek to become carbon neutral by 2050. In addition, many local governments within Japan have been declaring a climate emergency in relation to the crisis posed by climate change, and large numbers of business enterprises have announced that they are aiming to realize net zero emissions. In addition, COP28 was held in the UAE in November 2023 and made more effective action all the more important. There have also been movements demanding effective action on climate change, such as Fridays For

Future, in which young people—who represent the future—have played a key role.

Recently, we have been receiving a significant number of requests to advocate for and execute policies relating to the environment from corporate organizations, external organizations and investors. For example, corporate organizations such as JCLP*² are approaching the government to prompt formulation of environmentally friendly policies. External organizations, such as Carbon Trust, and investors, on the other hand, are making more requests to implement environmentally friendly efforts with respect to companies. Moreover, requests for the disclosure of information on financial reports and CSRDs are also increasing, showing that information disclosure for companies' sustainable growth is becoming even more important.

*1 IPCC

Intergovernmental Panel on Climate Change
This organization was established by the United Nations Environment Programme and the World Meteorological Organization in 1988 for the purpose of conducting comprehensive evaluations from scientific, technical and socio-economic perspectives regarding climate change, its impact, adaptation and mitigation measures.

*2 JCLP

Japan Climate Leaders' Partnership: Inter-company partnership for promoting efforts relating to measures against climate change in Japan.
Platform to promote companies' approaches to climate change, including the reduction of greenhouse gas emissions and the use of sustainable energy.

Policies

Climate change poses a major risk to the realization of an enriched Kirei Lifestyle, both now and in the future. The Kao Way, which is Kao's corporate philosophy, enunciates our mission to "create a Kirei life for all, providing care and enrichment for the life of all people

and the planet," and we are accurately implementing initiatives to both mitigate and adapt to global warming in relation to every aspect of our business strategy.

More specifically, we are advancing our efforts in line with the following policies.

• Basic Principle and Basic Policies on Environment and Safety

We have committed ourselves to contributing to social sustainability by giving thorough consideration to environmental conservation and human safety in every aspect of our operations, including product development, materials procurement, manufacture, distribution, sales, usage and waste disposal.

• Kao Group Responsible Care Policy

We have made a pledge to continuously reduce the environmental impact of our business operations by promoting reduced usage of resources such as water and energy.

• Environmental Statement

We have declared our resolve to take advantage of original Kao-developed technologies to continuously manufacture environmentally friendly products, not only during the creation process but even in the use phase, and engage in "eco together" with various stakeholders throughout the product lifecycle from raw materials procurement to final disposal.

• Kao Sustainable Product Development Policy

We have committed ourselves to seriously minimizing the effects on the global environment, biodiversity and human rights through the technologies based on our Essential Research, and maximizing value toward a variety of customers, society and the future.

• "High-Risk" Supply Chain Management and Sourcing

We have committed ourselves to a raw materials procurement policy that recognizes the risks relating to the sustainable development of palm oil, paper and pulp.

Through these activities, we aim to reduce net carbon emissions to zero by 2040, and become carbon

Decarbonization

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negative by 2050. At the same time, we are accelerating the provision of products and services that are adapted to the changing climate, and aiming to realize a Kirei Lifestyle for consumers.

P100 Responsibly Sourced Raw Materials



Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

Kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>

“High-Risk” Supply Chain Management and Sourcing
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>

Item	Content
Policies, laws and regulations	Increase in costs for responding to regulations resulting from the introduction of carbon taxes
	Increase in costs of raw materials due to restrictions on the use of fossil fuels
Technology	Increase in costs for product development in response to climate change
Markets	Drop in sales of seasonal products due to global warming
Reputation	Reputation risk due to insufficient response to climate change
Physical risk	Flood damage to Kao plants due to the increased frequency of concentrated heavy rainfall occurring over a short period of time and the possible impact of supply chain disruption on the supply of products

Opportunities

We have identified opportunities that may contribute toward reduced operating expenses due to the effective utilization of resources based on strategies adopted in response to climate change. We have also identified opportunities for increased sales resulting from the ongoing development of products that contribute toward mitigating the impact of climate change, in response to the changes in market demand caused by a shift toward ethical consumption by consumers.

Strategy

Kao is promoting decarbonization activities based on the above policies, and at the same time, is working not only to reduce the CO₂ emissions at its own worksites, but also to reduce CO₂ emissions throughout the entire product lifecycle. In addition, we are working actively to provide products and services that contribute toward reducing CO₂ emissions for society as a whole. We are also investing in the development of technologies for using the CO₂ in the atmosphere as raw material, and in activities to realize carbon fixation through tree-planting, etc. With regard to offset measures to support decarbonization in sectors outside our business areas, we recognize the importance of such measures—

particularly during the transition period—and we are working to implement them.

We are formulating resilient corporate strategies to respond to identified risks and opportunities.

For climate change, which is a problem that affects the whole of society, we have set ambitious goals of reducing net carbon emissions to zero by 2040 and becoming carbon negative by 2050. We aim to demonstrate solutions to the problem of climate change by actively developing applications for cutting-edge technologies and other new technologies, both within Kao and in the wider society, in collaboration with various stakeholders.

In order to reduce greenhouse gas emissions associated with our business activities, we are improving the energy efficiency of our worksites and shifting over to green energy use.

We are continuing to implement initiatives aimed at reducing emissions in collaboration with our stakeholders by cutting emissions at every stage in the product lifecycle, from raw materials procurement through to product use, disposal and recycling. We are also working actively to provide products and services that contribute toward reducing greenhouse gas emissions associated with product use.

Aiming to reduce CO₂ emissions in our business operations to zero by 2040 and to become carbon negative by 2050, we are applying Innovation in Reduction and Innovation in Recycling initiatives with respect to greenhouse gases. To achieve this target, we will fully utilize all of our existing assets (including production systems and equipment, intellectual property, human capital, internal and external networks and investments), and will build an organizational structure capable of speedy decision-making in relation to the promotion of decarbonization. Moreover, to maximize our R&D capability to undertake innovation based on Kao’s Essential Research, we are promoting further collaboration with external stakeholders.

Strategy

Risks and opportunities

Risks

Transitional risks that we have identified include a possible increase in costs relating to regulatory compliance due to the introduction of carbon taxes, increased expenses relating to product development in response to climate change, and rising raw material costs due to restrictions on the use of fossil fuels.

With regard to physical risks, important risks that we have identified include the risk of flood damage to Kao plants due to the increased frequency of concentrated heavy rainfall occurring over a short period of time, and the possible impact of supply chain disruption on the supply of products.

Decarbonization

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(scheduled to be operational from January 2025). In this way, we have been actively introducing energy-saving production facilities and decarbonizing technologies to promote the use of renewable energy for electric power. In July, we built a new plant for biomass heat utilization at our chemical plant in Spain, which will enable us to reduce CO₂ emissions from the plant by 95%.

At the same time, because the CO₂ emissions of the products that we manufacture are reduced, we can meet the demand for low-CO₂ products in the market.

Estimation of business impacts by 2030

We estimate that CO₂ emissions (scope 1 + 2) in 2030 will increase by 67% compared to 2017 unless we take any measures. If carbon taxes equivalent to 130 dollars/ton-CO₂*¹ are adopted by achieving the goal of reducing CO₂ emissions by 55% (scope 1 + 2) by 2030, then, assuming that the target outlined above is achieved, our carbon tax burden will be approximately 7.8 billion yen, around 21.0 billion yen less than it would be if we failed to take any action.

We evaluated the business impacts in relation to What Kao Aims to Be by 2030 by four product groups. More specifically, we set baseline Profit and Loss (P&L) data for 2030 on the assumption that our company's sales would reach 2.5 trillion yen by 2030 (1.67 times as high as in 2018), and that P&L would grow proportionately compared to 2018. Business impacts were estimated on the basis of this baseline P&L. In order to compare the respective impact of individual factors on our business based on different climate

Decarbonization scenario analysis

		Evaluation items	Evaluated financial impact	Impact of climate-related risks and opportunities, and financial planning, for 2030 (+ indicates a positive impact, - indicates a negative impact, ND indicates no impact, and numbers indicate the size of the impact)				Kao's response status
				1.5°C scenario ^{*1}		4°C scenario		
Transitional	Policies, laws and regulations	Introduction and/or raising of carbon tax	Increased operating costs due to introduction and/or raising of carbon tax	Increased operating costs due to introduction of new taxes and/or raising of tax rates	---	New carbon taxes are not introduced, and tax rates are not raised	ND	Scope 1+2 emissions reduction targets are set, and emissions reduction activities continue
		Introduction of restrictions on plastics	Taxation of fossil-derived raw materials for packaging	Increased procurement costs due to introduction of new taxes	-	New taxes are not introduced	ND	Public announcement of an Innovation in Reduction implementation strategy Annual adoption targets are set for innovative film packaging, and activities to reduce plastics usage continue
			Increased costs due to use of recycled plastic becoming compulsory	Increased procurement costs due to a rise in the unit price of recycled plastic resulting from the use of recycled plastic becoming compulsory	-	The use of recycled plastic is not made compulsory	ND	Public announcement of an Innovation in Recycling implementation strategy Expanded adoption of packaging made from recycled plastic
	Markets	Rising energy prices	Volatile electricity retail price	Increased costs due to a rise in the electricity retail price	-	Reduced costs due to a fall in the electricity retail price	+	Setting of energy use reduction targets, and proactive installation of solar panels to generate electricity for own use
		Rising raw materials prices	Rising prices for fossil-derived raw materials	Increased procurement costs due to rising crude oil prices	--	Increased procurement costs due to rising crude oil prices	---	Continuing activities to reduce usage of fossil-derived raw materials in product groups that utilize such raw materials
			Rising prices for procurement of palm oil	Increased procurement costs due to supply shortages resulting from tighter restrictions on forest development	-	Unchanged costs due to increased supply resulting from the development of new plantations	ND	Promotion of the development of substitute raw materials (such as algae-derived fats and oils, and unused biomass), and commencement of use
			Rising prices for procurement of pulp	Costs remain unchanged because, although forests fires increase, there is no shortage of supply	ND	Costs remain unchanged because, although forests fires increase, there is no shortage of supply	ND	—
			Changes in consumers' behavior	Increased sales of ethical products	Sales increase because of increased demand for ethical products on the part of the generation that will be the main purchasers of Kao products in 2030	++	Sales increase because of increased demand for ethical products on the part of the generation that will be the main purchasers of Kao products in 2030	++
Physical	Acute	Intensification of abnormal weather conditions	Increased damage from flooding	Increased risk of flooding, but difficulty in accurately predicting the amount of damage	-	Increased risk of flooding, but difficulty in accurately predicting the amount of damage	-	BCP adjustment Implementation of supplier water risk surveys
	Chronic	Rising average temperatures	Increased sales of sunscreen and antiperspirant products Increased sales of products against infectious diseases	Increased sales in regions and seasons with higher temperatures	+	Sales increase due to more expansion of regions and seasons with higher temperatures	+	Production planning adjustment Development and launch of products against infectious diseases
		Demand for water outstripping supply	Rising operating costs due to increased water use charges	Rising operating costs at plants operating in regions with water shortages	-	Rising operating costs at plants operating in regions with water shortages	-	Setting of water use reduction targets, and continued implementation of water use reduction activities

*1 Kao's assessment based on scenario analysis using the 2°C scenario

Decarbonization GRI 201-2

change scenarios, we performed an evaluation for both the 1.5°C scenario*² and 4°C scenario*³. For this reason, evaluation was not performed for some factors even though there was the potential for them to have a significant impact. There were also some factors which might have a major impact by 2050, but which will have only a relatively small impact by 2030.

*¹ As it is assumed that new equipment adopted in the future will still be in use after 2030, we have estimated the likely carbon tax rate in 2035 based on the IEA's World Energy Outlook 2021, and changed the base currency from Japanese yen to U.S. dollars from February 2023.

*² 1.5°C scenario
This is equivalent to the IEA's NZE 2050 Scenario, 2DS Scenario, IPCC's RCP 1.9 scenario or SSP1-1.9 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 1.5°C compared to the situation prior to the Industrial Revolution, and to the environmental damage that is expected to result from such a rise in temperature.

*³ 4°C scenario
This is equivalent to the IEA's Current Policy Scenario, IPCC's RCP 8.5 scenario or SSP5-8.5 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 4°C compared to the situation prior to the Industrial Revolution, and to the environmental damage that is expected to result from such a rise in temperature.



Hot water heat pumps at the Toyohashi Plant in 2022 (left: completed in May 2023) and photovoltaic power generation at the Kashima Plant (right: completed in January 2024), which were adopted using the internal carbon price system in 2022

Governance

Framework

Risk management in relation to climate change issues 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.

The Responsible Care Promotion Committee, which manages policy / regulatory regime and technology risks, and the Risk & Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The Responsible Care Promotion Committee meets twice a year to report on and discuss compliance with laws and regulations, the status of CO₂ reduction and other matters. It also sets targets for the following year.

P25 Our ESG Vision and Strategy > Governance

The Responsible Care Promotion Committee Secretariat, which is served by the Responsible Care Department of the Corporate Strategy Division, conducts monthly checks on compliance with laws and regulations, monitors CO₂ emission and water use, mainly at plants which have a large impact, and keeps abreast of the amount of chemical substances in wastewater, reporting on these and other matters to the head of the committee, committee members, members of the Internal Control Committee, auditors and others. The Core Technology Committee for Environment and Energy-Saving of the Supply Chain Management Division makes efforts to improve energy performance by conducting annual audits of the Energy-Saving Committee through sampling for plants within and outside Japan.

The Crisis Management Department of the Corporate Strategy Division acts as the Risk and Crisis Management Committee Secretariat. The Risk and Crisis Management Committee, which meets four times a year, manages risks caused by natural disasters and reputational risks.

The Internal Control Committee meets one or more times a year, receiving activity reports from the Responsible Care Promotion Committee, the Risk and Crisis Management Committee and other subordinate committees that it oversees and auditing the activities of those committees.

Opportunity management relating to climate change issues is handled by the ESG Managing Committee, which meets six times a year. Committee members are the persons in charge of the Business, Sales, R&D, SCM and other divisions, which is an arrangement which connects divisions horizontally. The Internal Control Committee, and the ESG Managing Committee which it supervises, discuss climate change and environmental issues as well as social and governance issues.

The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.

Education and promotion

Our employees are not only in a position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are among those who select such products. We thus recognize the importance of giving our employees the opportunity to learn about global warming through various programs and to actively engage in decarbonization activities of their own accord.

We began the creation and delivery of an e-learning program that provides essential knowledge for promoting the Kirei Lifestyle Plan in 2020. In 2022, we delivered updated information on decarbonization globally in both English and Japanese.

In 2023, aiming to foster a new generation of leaders who can consider business and organizational operation

Decarbonization

GRI 302-1, 302-4, 302-5

from an ESG perspective through lifecycle assessments (LCA), we held a master course (a workshop in which people can learn about the concept of LCA and the calculation method) with affiliates in Japan and Asia.

Collaboration with stakeholders

In line with the “eco together” motto of the Kao Environmental Statement, we are working together with a wide range of stakeholders to promote activities aimed at realizing decarbonization. We are also implementing education about decarbonization and working to spread awareness of our initiatives.

“eco together” with consumers/customers

As the product usage stage accounts for around 40% of total product lifecycle CO₂ emissions, raising consumers’ awareness is extremely important. For example, even if a consumer buys single-rinse laundry detergent, if the consumer sets the washing machine to do two rinses, then there will be no reduction in CO₂ emissions. We think it is thus very important for us to accurately communicate the environmental value that Kao products can provide and encourage consumers to use them properly. By organizing a wide range of different events, we aim to get across the importance of CO₂ emission reduction and the environmental value of our activities and products.

P79 Sustainable Lifestyle Promotion > Collaboration with stakeholders

“eco together” with business partners

We aim to realize the Kirei Lifestyle for consumers through “ESG-driven *Yoki-Monozukuri*.” However, this is not something that can be achieved by Kao acting

alone. We believe that it is important to share our vision with the business partners at every stage, from raw materials procurement through production to delivery and sales, so that we can take action together, and we have established a number of different venues for sharing information with them.

In particular, as the raw materials stage accounts for nearly 40% of total product lifecycle CO₂ emissions, we view collaboration with raw materials suppliers as being especially important.

We also view dialogue with investors and other stakeholders as being very important for the sustainable growth of business enterprises and of the planet, and in March 2019 we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD). By proactively implementing the disclosure of information relating to climate change, we are promoting dialogue with investors and other stakeholders.

TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

 TCFD
<https://www.fsb-tcfd.org/>

“eco together” with society

We proactively participate in activities organized by the United Nations, the central government, local government authorities, NPOs, etc., where we provide information about our technologies and exchange opinions with other participants.

In order to realize a decarbonized society, reducing the CO₂ emissions associated with electric energy generation is a particularly important approach, and we

are working actively to disseminate information about our activities in this area in such a manner as to work on the procurement of renewable energy.

Risk management

With regard to transition risk, we are developing and launching low-carbon products. Both SCM, R&D, and related business units will promote the introduction of renewable energy for purchasing in order to produce low-carbon products. For physical risks, we will calculate the cost of risk avoidance for the entire group and formulate a business continuity plan (BCP) that assumes long-term shutdowns.

Metrics and targets

Mid- to long-term targets and 2023 results

We aim to be carbon zero by 2040, and carbon negative by 2050, and we are accelerating our activities to achieve these goals. We will also be maximizing our contribution toward reducing greenhouse gas emissions throughout society as a whole.

2030 mid-term targets

We set ourselves the target of reducing the amount of energy consumed at all Kao Group sites by at least 1% per year, and we have maintained this target every year since 2013.

Our target for the reduction of greenhouse gas emissions at all Kao Group sites (Scope 1+2) has been set, based on the Science Based Targets (SBT) 1.5°C scenario, as a reduction of 55% (in absolute terms, compared to 2017). Our target for the reduction of greenhouse gas

Decarbonization

GRI 302-1, 302-3, 302-4, 302-5, 305-5

emissions throughout the product lifecycle (Scope 1+2+3) has been set, based on the SBT 2°C scenario, as a reduction of 22% (in absolute terms, compared to 2017). Both of these targets have been approved by the SBTi.

In addition, in June 2021 we joined the RE100 global corporate renewable energy initiative, and we have set ourselves the target of having 100% of electricity purchased by all Kao Group sites being generated using renewable energy by 2025, and of having 100% of the electricity used by the Kao Group sites being generated using renewable energy by 2030.

In addition, we aim to enable society as a whole to reduce greenhouse gas emissions by the equivalent of 10,000 thousand tons-CO₂ through the provision of Kao Group products and services.

Item	Scope	Target for 2030
GHG emissions (absolute quantity)	Across the entire product lifecycle for the Kao Group	22% reduction (compared to 2017)
	All Kao Group sites	55% reduction (compared to 2017)
Energy consumption (Per sales unit)	All Kao Group sites	1% reduction yearly (year-on-year, from 2021)
Electricity used	All Kao Group sites	100% renewable sources
Contribution to emissions reduction	Products, services	10,000 thousand tons-CO ₂

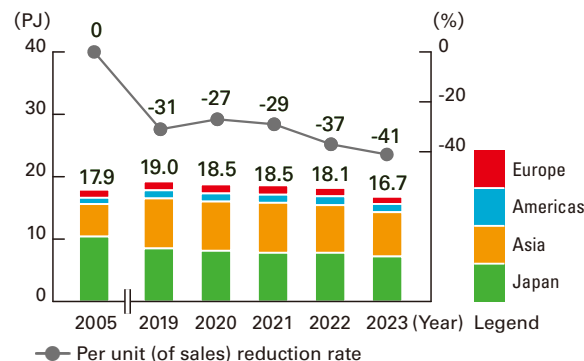
Long-term targets

Reduction of net carbon emissions to zero by 2040 and becoming carbon negative by 2050

Through our Innovation in Reduction and Innovation in Recycling CO₂ emissions reduction initiatives, and through the various activities that we undertake in collaboration with stakeholders, we are aiming to reduce CO₂ emissions to zero by 2040 and to become carbon negative by 2050.

2023 results

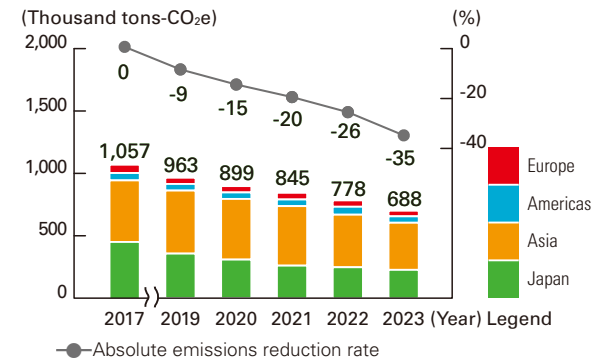
Energy consumption (all sites)



* Boundary: All Kao Group sites, including company cars in Japan

* Assurance provided for energy consumption figures

GHG emissions (all sites)

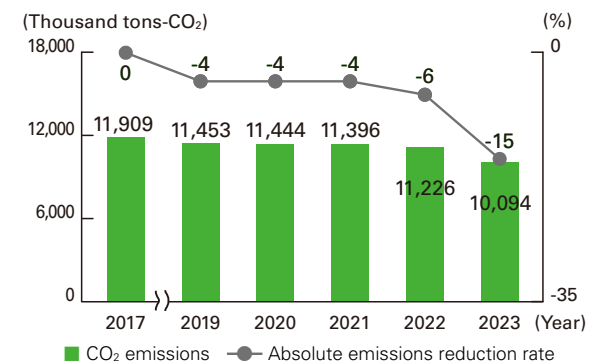


* Boundary: All Kao Group sites, including company cars in Japan

* Gases included: The seven GHGs specified by the Kyoto Protocol (only CO₂ for sites outside Japan)

* Assurance provided for GHG emissions figures

CO₂ emissions across the entire product lifecycle (Kao Group)



* "CO₂ emissions over the entire product lifecycle" is calculated by multiplying the CO₂ emissions over the product lifecycle per unit volume of products sold both within and outside Japan (excluding the Group's production and logistics processes) by the annual sales volume of the product in question and adding up the actual amount of CO₂ emissions over the Group's production and logistics processes. However, this amount does not include emissions related to the use and disposal of Chemical products.

* Assurance provided for CO₂ emissions figures and absolute emissions reduction rate

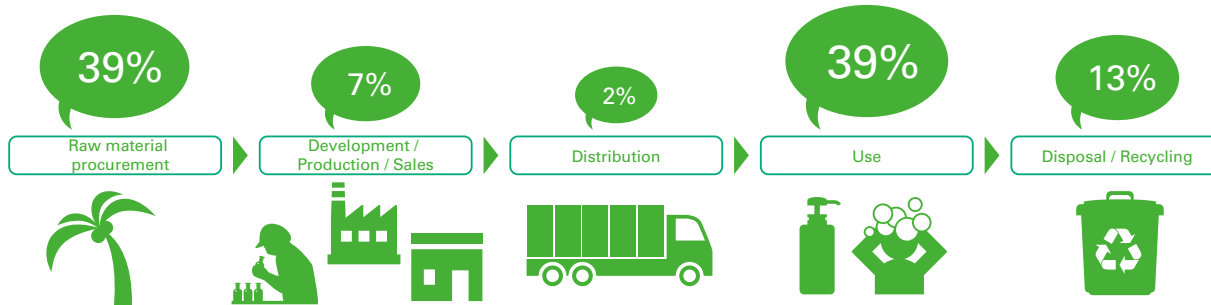


DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Decarbonization

GRI 302-1, 302-4, 302-5, 305-5

Share of CO₂ emissions accounted for by each state of the product lifecycle for Kao products



Avoided emissions

Avoided emissions in Kao's business operations totaled 4,485 thousand tons. We are advancing the development of technologies for products and services that contribute to a decarbonized society in our consumer products business and chemical business. In so doing, we compare the CO₂ emissions in the total product lifecycle between products/services to be newly provided and conventional products/services and take the amount reduced (avoided emissions) as the indicator. In our consumer products business, we provide packaging containers with less plastic and products which contribute to water saving. In our chemical business, aiming to realize Kirei of People, Society and the Earth in the future through the power of chemicals, we strengthen the deepening of eco-chemical products and suggestions of eco-solutions, and thus are developing various eco-related products, such as chemicals for fuel-efficient tires, low-temperature detergent for steel and low-temperature fixing toner. We are also working on developing saccharification enzymes used to convert waste and unused resources into bio-feedstock. In 2023, Kao Corporation concluded a memorandum of understanding with the Research Association of

Biomass Innovation for Next Generation Automobile Fuels^{*1}, aiming to supply saccharification enzymes to manufacture automotive bioethanol fuel.

^{*1} A research association comprised of ENEOS Corporation, Suzuki Motor Corporation, Subaru Corporation, Daihatsu Motor Co., Ltd., Toyota Motor Corporation, Toyota Tsusho Corporation, and Mazda Motor Corporation. The organization promotes technological research related to the use of biomass and efficient manufacturing of automotive bioethanol fuel toward realizing a carbon-neutral society.

Amortization of carbon credits

The total amount of carbon credits amortized by Kao came to 7 thousand tons.

Electricity purchased and electricity used that is derived from renewable energy (%)

	2019	2020	2021	2022	2023
Electricity purchased	28.3	37.2	51.8	63.4	72.1
Electricity used	21.6	28.8	39.5	48.6	57.1

In 2023, we achieved the purchase of electric power in Japan through the use of 100% renewable energy-derived power.

Reviews of 2023 results

Total lifecycle CO₂ emissions were 1,132 thousand tons lower than the previous year, a 15% reduction compared to both 2017 and last year. The primary factor in the reduction is the reflection of water heater data and the reduction of Kao's sales in Japan. However, the increase in the sales ratio of products that contribute to CO₂ reduction, such as stick-shaped laundry detergent for which one rinse cycle is enough, as well as shampoo and dishwashing detergent that reduce how much water is used for rinsing, and low-carbon products, such as UV care products, are partly to blame for the reduction.

Energy consumption for all Kao Group sites combined was 16.7 PJ. Energy consumption per unit of sales was reduced by 6% compared to the previous year, surpassing the target of a 1% reduction. Greenhouse gas emissions fell by 35% compared to 2017 due to the effect of our initiatives on our production sites worldwide, including the achievement of the use of 100 % renewable energy for electricity purchased by the plant in Thailand, the initiation of the purchase of renewable electric power in Vietnam, Indonesia and Mexico, the introduction of low-carbon equipment such as hot water heat pumps at one of our plants in Japan, and the response by production according to demand. Renewable energy accounted for 72% of all electricity purchased, and 57% of all electricity used by the Kao Group.

We offer a wide selection of household products such as water-saving products that reduce CO₂ emissions during the use stage, and also provide various industrial-use products that do the same. We will further expand our range of products that reduce water / hot water and power consumption in the use stage, which contributes a large portion of total lifecycle emissions, and take steps such as reducing the amount of raw materials used and switching raw materials to those made from renewable sources.

Decarbonization

GRI 302-1, 302-4, 302-5, 305-1, 305-2, 305-3, 305-5

Scope 1 GHG emissions ☒ (Thousand tons-CO₂e)

	2017	2020	2021	2022	2023
Japan	271	242	244	240	223
Asia	290	278	264	256	237
Americas	43	45	45	51	46
Europe	49	51	50	48	34
Total	653	616	605	595	539

Scope 2 GHG emissions ☒ (Thousand tons-CO₂e)

	2017	2020	2021	2022	2023
Japan	173	68	19	3	0
Asia	208	208	213	173	143
Americas	14	6	8	7	5
Europe	8	1	1	1	0
Total	404	282	240	183	149

Note: Emissions by scope conform to the Greenhouse Gas Protocol initiative
Scope 1: GHG emissions emitted directly by the company/ organization

Scope 2: Indirect GHG emissions from purchased electricity, heat, etc.

Note: Emission factors

Scope 1: In principle, uses factors defined in the Act on Promotion of Global Warming Countermeasures

Scope 2: In principle, uses the specific factors of the country's laws or regulations. When the specific factor cannot be obtained, the country-based factor released by the IEA is used.

Purchased electricity, steam, etc. (terajoules)

	2020	2021	2022	2023
Electricity	7,952	7,934	7,634	7,062
Heat	0	0	0	0
Steam	177	232	210	201
Cooling	0	0	0	0

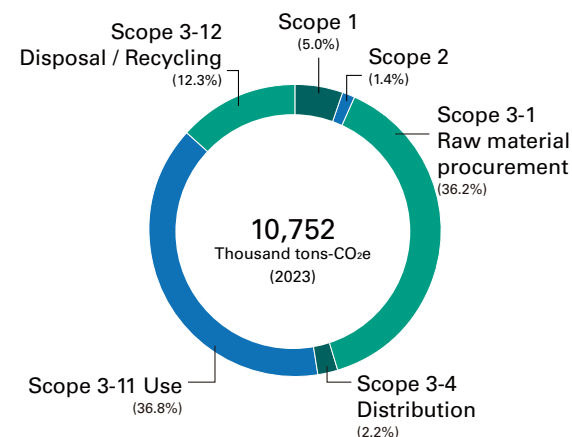
Note: Electricity is calculated as the calorific value of the primary energy (at the receiving end in Japan, generating end outside Japan).

Fuel consumption by fuel type (terajoules)

	2020	2021	2022	2023
Natural gas	8,579	8,723	8,553	7,847
Diesel oil	1,334	1,095	1,077	938
Gasoline	99	104	110	109
Other	132	126	123	116
Waste vegetable oil (heat recovery)	347	304	346	252

Scope 3 GHG emissions (Thousand tons-CO₂e)

	2017	2020	2021	2022	2023
1. Purchased goods and services <input checked="" type="checkbox"/>	4,496	4,215	4,228	4,109	3,892
2. Construction and building of capital goods	239	259	264	285	281
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	29	59	60	58	57
4. Upstream transportation and distribution <input checked="" type="checkbox"/>	253	249	245	241	234
5. Waste generated in operations	58	65	68	66	58
6. Business travel	4	4	4	5	4
7. Employee commuting	18	18	18	18	18
8. Upstream leased assets	0	0	0	0	0
9. Downstream transportation and distribution	97	111	108	109	104
10. Processing of sold products	119	116	131	131	128
11. Use of sold products <input checked="" type="checkbox"/>	4,687	4,653	4,647	4,680	3,956
12. End-of-life treatment of sold products <input checked="" type="checkbox"/>	1,415	1,438	1,432	1,417	1,324
13. Downstream leased assets	0	0	0	0	0
14. Franchises	0	0	0	0	0
15. Investments	8	6	5	5	8
Total	11,423	11,193	11,210	11,125	10,064



Category 1: Purchased goods and services

This value is calculated by multiplying CO₂ emissions associated with raw materials per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question.

CO₂ emissions associated with raw materials are calculated by multiplying the weight of raw materials purchased by inventory data (using supplier surveys, documentary data, commercially available databases, etc.).

Category 4: Upstream transportation and distribution

CO₂ emissions associated with transporting products (both within and outside Japan) while Kao Group acts as consignor.

For Japan, the calculation is made using the criteria specified by the Energy Conservation Act. For areas outside Japan, the calculation is made by Kao based on data for Japan.

Category 11: Use of sold products

This value is calculated by multiplying CO₂ emissions associated with product use per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question.

Industrial-use products are excluded.

CO₂ emissions associated with product use are calculated by multiplying the amount of water, hot water and electric power consumed during product use by inventory data (using documentary data, commercially available databases, etc.).

Category 12: End-of-life treatment of sold products

This value is calculated by multiplying CO₂ emissions associated with the disposal or recycling of sold products (both within and outside Japan) by the total annual sales volume of the product in question.

CO₂ emissions associated with the disposal or recycling of industrial-use products are excluded.

CO₂ emissions associated with disposal or recycling are the sum of CO₂ emissions associated with the disposal or recycling of product content and product packaging. Emissions from product content are calculated by converting all content that consists of fossil-derived carbon into CO₂. Emissions from product packaging are calculated by multiplying packaging material weight broken down by the appropriate percentage of disposal by incineration, landfill or recycling for each category of material in line with each country's performance in this regard by inventory data (using documentary data, commercially available databases, etc.).

* Kao focuses on the categories of 1, 3, 4, 5, 11 and 12 related to site activities to save energy and reduce waste materials, as well as on the product lifecycle.

Decarbonization

GRI 308-2

CDP*1 evaluation

Our initiatives for the environment have been highly rated by the CDP. In 2023, we obtained an A score for each of Climate Change, Water Security and Forests, becoming a Triple A company for the fourth consecutive year, and the only Japanese company to ever do so. Only two companies in Japan, and 10 worldwide, received a Triple A score in 2023.

*1 CDP

A non-governmental organization run by institutional investors and headquartered in London. The organization's activities include requiring companies to disclose information on climate change, water, and forests.

CDP evaluation

Area	2019	2020	2021	2022	2023
Climate Change	A	A	A	A	A
Forest (Palm Oil / Timber)	A-/A-	A/A-	A/A	A / A	A/A
Water	A	A	A	A	A
Supplier engagement	A	A	A	A	A



Results of CDP response
CDP 2023 Climate Change
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2023-001.pdf>

CDP 2023 Water Security
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2023-002.pdf>

CDP 2023 Forest
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2023-003.pdf>

Main initiatives

Efforts in raw materials procurement

Mitigation

Vendor Summit

We hold the Kao Vendor Summit, which important suppliers are invited to attend, where we give presentations on our ESG-related initiatives, including decarbonization, and request suppliers' collaboration. The event featured presentations on the activities being implemented by Kao together with suppliers, and invitations to collaborate, with the aim of strengthening ESG-driven procurement (including joining Sedex, participation in the CDP supply chain initiative, etc.) and stable procurement (traceability of raw materials, responding to BCP requirements, etc.).

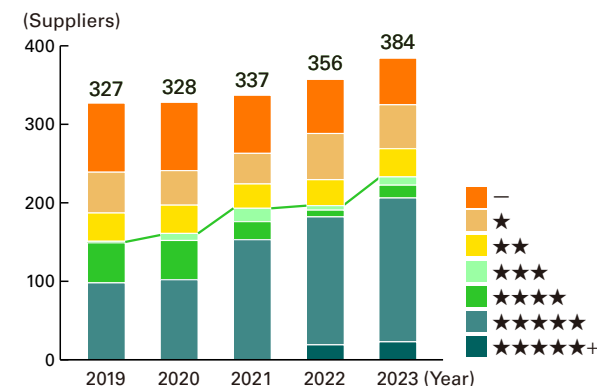
CDP Supply Chain Program (Climate Change)

In 2009, we became the first Japanese company to participate in the CDP Supply Chain Program. Since 2017, in the expectation that our suppliers will become more active toward promoting CO₂ reduction activities, we have been evaluating CO₂ reduction activities and have been working to provide the results of these evaluations back to our suppliers. In recognition of these initiatives, Kao was awarded the CDP Supplier Engagement Leader, the highest rating for CDP supplier engagement, for the seventh consecutive year.

The 2023 survey results showed that the number of suppliers obtaining an evaluation of at least "three stars" had increased to 196 compared to the previous survey, indicating that the overall supplier activity level had risen. The number of suppliers who failed to respond to the survey was smaller than in the previous year. We are working on engagement to encourage further enhancement of the level of activity implementation.



Supplier activity level (Climate Change)



CDP Supply Chain Program (Forests)

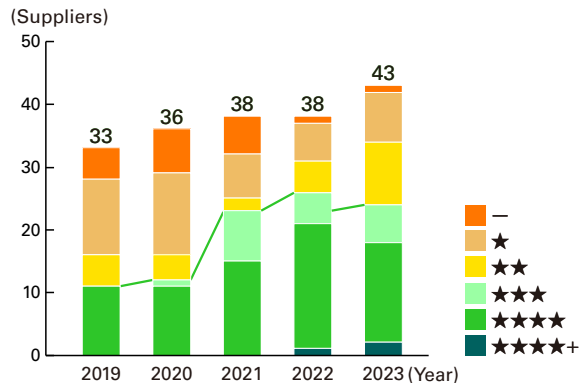
We have participated in the CDP "Forest" Supply Chain Program since 2018. We expect suppliers providing palm oil, paper or pulp to begin sustainable and responsible procurement, which includes procurement preventing deforestation. We assess forest activity status and provide suppliers with feedback on the results of this assessment.

The 2023 survey results showed that 24 suppliers obtained an evaluation of at least three stars, but one supplier did not respond to the survey. We will continue to promote ongoing engagement.

Decarbonization

GRI 308-2

Supplier activity level (Forests)



Low-carbon raw materials procurement

In collaboration with suppliers, we are working actively to adopt raw materials with lower CO₂ emissions by using plant-based and recycled plastics and thinner cardboard. This can make a substantial contribution to reducing CO₂ emissions not only in the manufacturing process but also at the time of disposal and recycling. We have also launched a new initiative to reduce CO₂ emissions from a mid- to long-term perspective, and have joined Genomatica, a leading sustainable materials company, and Unilever as founding members of a venture company to be established in the United States with the aim of supplying alternative palm oil raw materials to the market.

Furthermore, by optimizing the volume and frequency of raw materials deliveries, we are reducing CO₂ emissions in the transport of raw materials.

More precise calculation of the environmental burden of raw materials for calculating product lifecycle CO₂ emissions (LC-CO₂)

With the cooperation of those suppliers from which we purchase raw materials that have particularly high CO₂ emissions, we are collecting data on CO₂ emissions produced in the procurement and processing of raw materials. This measure not only improves the accuracy of our CO₂ emission calculations during the raw material procurement process but also allows us to evaluate the CO₂ emissions reduction initiatives adopted by suppliers, which can then be reflected in the lifecycle CO₂ emissions reductions of Kao products.

In 2020, we received the Industrial Science and Technology Policy and Environment Bureau Director-General's Award (Ministry of Economy, Trade and Industry), the highest award, at the Life Cycle Assessment Society of Japan (LCA) Awards, in recognition of our continued initiatives in relation to suppliers.

P104 Responsibly Sourced Raw Materials > Collaboration with stakeholders

Adaptation

CDP Supply Chain Program (Water)

Reflecting our focus on strengthening suppliers' awareness of the need to put water risk systems in place in relation to flooding of rivers and sewage systems caused by heavy rain, and on getting them to take appropriate action, we have been participating in the CDP "Water" Supply Chain Program since 2015.

P149 Water Conservation > Efforts in raw materials procurement

Developmental efforts

Mitigation

When deciding to launch new and improved products, we verify that the products satisfy the environmental standards outlined by the Design for Environment Guidelines. We also evaluate CO₂ emissions over the entire product lifecycle using the same standards. The results of these evaluations are not only used to determine product launches, but are also incorporated in future product development.

In particular, with regard to products that make use of water during the usage process, we recognize that both the water purification plants that provide drinking water for household use and the wastewater treatment plants that process households' wastewater use a great deal of energy and generate CO₂ emissions, and so we are working actively to develop water-saving products. Furthermore, products such as shampoo that require the use of hot water during the usage process also involve the generation of CO₂ emissions in relation to the heating of the water, so making products that use hot water into water-saving products can be very beneficial.

In addition, we aim to achieve "Maximum with Minimum," or in other words achieving the highest possible quality with the minimum possible raw materials. Based on this approach, we developed the Bio IOS surfactant. This surfactant is used in our *Attack ZERO* laundry detergent product. For *Attack ZERO Perfect Stick*, a laundry detergent in the shape of a stick, we have successfully reduced the use of plastic (per laundry cycle) by using pouch packaging for all sizes without using a hard plastic detergent container*¹.

*¹ Ratio by weight of the container compared with the conventional product

Decarbonization

GRI 302-4

P150 Water Conservation > Efforts during use

Adaptation

As global warming progresses, it is apparent that there is a tendency toward higher temperatures and an increased number of sunny days. Due to this, the demand for UV care products, as well as antiperspirants, etc., is expected to increase during the summer. The UV care product to protect skin from UV rays, *Bioré UV Aqua Rich Aqua Protect Mist*, a non-gas mist-type sunblock that can be used comfortably on the entire body, has been favorably received, and received the Award for Excellence in the 2023 Nikkei Excellent Products and Services Award. In addition, climate change increases the risk of infectious diseases. In June 2022, *Bioré GUARD Mos Block Serum*, a repellent lotion with innovative Kao proprietary technology, was launched in Thailand to a great response. Additionally, as the probability of droughts occurring increases, the demand for water-saving products is also expected to increase. We are working actively to develop products for which there is high demand in summer, along with water-saving products.

Given that there are expected to be significant restrictions on resource use in future, in order to meet the goals set in the Paris Agreement, there will be high demand for biomass materials that do not compete with food. We have developed Bio IOS surfactant, which uses a type of biomass that does not compete with food and which has not previously been used. Bio IOS surfactant is already in use in our *Attack ZERO* laundry detergent product.

Our total investment in environmentally friendly R&D, including climate change response measures, in 2023 was 407 million yen, while the total cost of this R&D work was 7,890 million yen.

Efforts in manufacturing (plants, offices, logistics centers)

Mitigation

1. Efforts to reduce energy consumption

Introduction of high-efficiency equipment and efficient operation of equipment

Continuing from the previous year, equipment such as chillers, air conditioners and compressors were replaced with Best Practice Technologies (BPT) equipment in 2023. Through optimized control using multiple units of air conditioners and compressors, we are operating equipment more efficiently to correspond to fluctuating demand.

In addition, we are switching lights to LED worldwide. Our plants, offices and logistics centers in Japan have accomplished plans announced in 2015, reducing CO₂ emissions by approximately 4.65 thousand tons annually. Affiliated companies outside Japan are also proactively switching to LED lights.

Eliminating energy wastage

As in the previous year, in 2023 we continued to take steps to find areas with wasted energy, reduce energy use to the minimum required, and use energy that was unused in other processes.

Aiming to improve the efficiency of steam use, we are continuing to strengthen our steam trap maintenance and increase the amount of steam we recover. We are also actively implementing improvement activities at worksites to optimize the amount of required energy, including lowering the set temperature of heat-insulated tanks and shortening operating times.

Striving to eliminate energy wastage at our offices, some of the steps we are taking include turning off unnecessary lights, using presence sensors to automatically turn lights on and off, optimizing air conditioner temperature settings and encouraging people to take the stairs to reduce unnecessary elevator use.

We undertook 180 energy-saving activities at Japanese plants and offices in 2023, resulting in approximately 5,771 tons of CO₂ reduction and 170 million yen in cost reduction for the year.

2. Efforts to use cleaner energy

Clean-burning fuel

Gas fuel, especially natural gas, is the cleanest fossil fuel. We use natural gas at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

Use of renewable energy

We are promoting the introduction of solar photovoltaic power generation systems for on-site power generation at Kao-owned facilities. In 2023, we added facilities at Pilipinas Kao, Kao Corporation Shanghai and Kao Industrial (Thailand). The total power generating capacity of these systems was 14,199 MWh in 2023. The generating capacity of individual facilities is shown on the next page.

We are also promoting the purchasing of electric power that is generated using renewable energy. Kao Corporation's Ehime Plant, Toyohashi Plant, Odawara Office, Sumida Office, Sakata Plant, Arida Training Center, Kao Group Customer Marketing (76 locations), Kao Logistics (51 locations), Head Office of Kao Corporation, Osaka Office, Minato Club, Kiwa Dormitory, Seiwa Dormitory, Ibaraki SP, iCONM, Tonomachi RGB Annex, Miyaumi Warehouse, Wasa, FC Sengoku, Techno School, Jogen Dormitory, Yoshikawa Dormitory, Keiyo SP, Ginza BPS, NIVEA Kao Corporation

Decarbonization

GRI 302-4, 305-3, 305-6, 403-7

Head Office, e'quipe, LTD., Molton Brown Corporation, Kao Chemicals Germany, Kao Manufacturing Germany, Molton Brown (UK headquarters and factory), KCSA (Mollet, Santiga), Chimigraf (3 plants), Kao USA (headquarters, plant, logistics), China (3 plants), Kao Germany, Kao Consumer Products (Southeast Asia), and Kanebo Cosmetics (Thailand) have replaced all electricity consumption with renewable electricity.

Kao Industrial (Thailand), Pilipinas Kao, Kao Penang Group, Kao Indonesia Chemical, Kao Vietnam, Kao Specialties Americas, and Quimi-Kao also purchase renewable electricity. The use of this renewable power reduced CO₂ emissions by 232 thousand tons.



Photovoltaic (solar) power generating facilities at Sakata Plant

3. Reducing the volume of leaked refrigerants and other greenhouse gases

Air conditioners and chillers used in manufacturing are charged with fluorocarbon, which has extremely high global warming potential. To reduce the volume of fluorocarbon leaks from equipment, we have been strengthening our regular equipment inspections.

Total generating capacity of solar power equipment (2023)

Company / Plant	Total generation (MWh)
Sakata Plant, Kao Corporation	2,777
Tochigi Plant, Kao Corporation	1,474
Wakayama Plant, Kao Corporation	789
Kawasaki Plant, Kao Corporation	421
Kao Sanitary Products Ehime	407
Toyohashi Plant, Kao Corporation	386
Atsugi Logistics Center, Kao Logistics	243
Sumida Kita Logistics Center, Kao Logistics	179
Sumida Office, Kao Corporation	86
Kao (Hefei)	2,980
Kao Corporation Shanghai	990
Quimi-Kao, S.A. de C.V.	780
Kao Industrial (Thailand)	775
Kao (Taiwan)	551
Pilipinas Kao, Incorporated	500
Kao (Shanghai) Chemical Industries	251
Kao Penang Group	168
KAO CHIMIGRAF, SOCIEDAD LIMITADA	140
Kao Spain Olesa Plant	123
Kao USA	99
PT Kao Indonesia Chemicals	44
Kao Austria Handelsgesellschaft mbH	37

4. Initiative to secure ZEB Ready certification for office buildings

In August 2020, a newly-built office building forming part of our Sumida Office (in Sumida Ward, Tokyo) was awarded ZEB (Net Zero Emission Building) Ready certification. Through the installation of highly efficient, energy-saving equipment such as highly-insulating external walls and water-based radiant air-conditioning, the new building realizes a reduction in energy consumption of 58% compared to a building with

standard specifications. The new building also has solar panels on its roof, along with an emergency generator unit, ensuring that the building is ready to cope with natural disasters.

Adaptation

With rising summer temperatures, heat stroke prevention is essential. Especially for our outdoor workers, we have taken measures such as sharing the day's heat index, shortening continuous working hours and preparing drinking water.

Additionally, as new water risks, including more powerful typhoons and localized torrential rains, are likely to emerge as a result of climate change, annual water risk surveys are conducted at our plants.

Efforts in distribution

Mitigation

CO₂ emissions during distribution in Japan were 99 thousand tons-CO₂ in 2023, a 1.4 % increase (compared to 2017).

1. Increase shipment volumes per shipment

We are proactively making adjustments including improving loading efficiency, changing product sizes and using larger vehicles.

2. Shorten shipping distances

We are continuing to look at ways to revise shipping routes, optimize manufacturing plants and shift which logistics center is used.

Decarbonization

GRI 302-4, 302-5, 305-3

3. Use cleaner shipping methods

We are pursuing steps such as switching from truck to shipping methods such as rail and ship, which have lower CO₂ emissions (modal shift).

4. Improve loading ratios

Having trucks return from their shipping destination with a load, instead of returning empty after unloading, i.e., improving the loading ratio, contributes to improving energy efficiency and CO₂ emissions in shipping.

We are participating in the Cross-ministerial Strategic Innovation Promotion Program promoted by Japan's Cabinet Office. We have partnered with Lion Corporation to launch a smart logistics initiative, with scheduled deliveries having started in October 2020.

The aim is to enhance the productivity of truck transport and reduce CO₂ emissions by implementing two-way transport that integrates deliveries between Kao's Kawasaki Plant (in Kanagawa Prefecture) and the Sakaide Logistics Center (in Kagawa Prefecture), as well as from the Sakaide Plant (in Kagawa Prefecture) of Lion Chemical (a Lion Corporation affiliate) and the logistics centers at Kazo (in Saitama Prefecture), Kashiwa (in Chiba Prefecture) and Sagami-hara (in Kanagawa Prefecture).



Collaborative delivery with Lion Corporation

This new initiative will achieve shorter empty running distances for the trucks in comparison with conventional transportation methods, and is expected to result in a 45% reduction in CO₂ emissions and a 23% reduction in transport costs for both companies' combined.

5. To enhance visualization of distribution-related energy usage and CO₂ emissions

We had been making preparations to begin calculating distribution-related energy usage and CO₂ emissions outside Japan starting from 2020. However, the calculation and reporting of distribution-related CO₂ emissions outside Japan for 2020 has been based on estimates. We are proceeding with preparations to begin reporting of emissions based on actual distribution performance as soon as possible.

6. Distributive innovation through the use of reusable folding containers

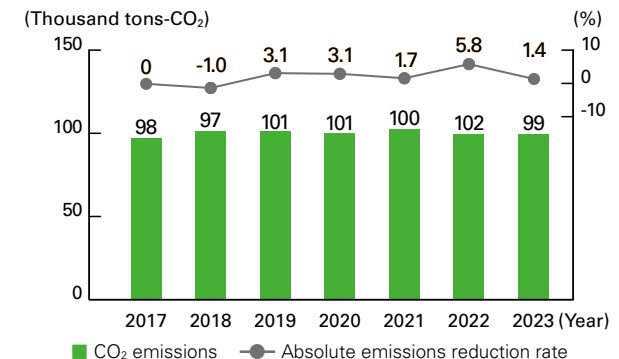
Recyclable corrugated cardboard has been the primary packaging material used to pack products for delivery to retailers. However, there have been issues related to the burden of opening and disposing of packaging at the store and CO₂ emissions in the recycling process. To this end, Kao and Costco Wholesale Japan have worked together to introduce reusable folding containers and have launched an effort to collect and reuse them. We will expand stores that use such containers, and at the same time, we will aim to standardize the use of reusable folding containers on an industry-wide basis in the future.

Incidentally, this effort was embodied for the first time in 0★1Kao, a system for achieving project commercialization and internal structural reform after soliciting ideas from each employee, which started in July 2021.

Adaptation

With the worsening trend toward short-term, localized torrential rain, there is an increased risk of the supply chain from Kao's plants to our customers being disrupted, with Kao being unable to deliver products on schedule, and a possible need to use roundabout routes over an extended period, leading to an increased environmental impact. When risks appear, in order to take appropriate measures in a short amount of time, subsidiaries are charged with managing product transport to our main market in Japan.

CO₂ emissions from transportation (Japan)



* Boundary: Kao Corporation and Kanebo Cosmetics Inc.

* Assurance provided for CO₂ emissions

Efforts during use

Mitigation

We offer a wide selection of products that contribute to the reduction of CO₂ emissions during the use stage.

Important examples include ultra-concentrated laundry detergents that only require one rinse cycle, and shampoo, body wash and dishwashing detergent that reduce the amount of hot water required for rinsing.

Decarbonization GRI 302-5, 305-3

In the laundry detergent segment, in 2009 we launched *Attack Neo*, which reduces the lifecycle CO₂ emissions per wash by approximately 22%. In 2019, we introduced *Attack ZERO*, a concentrated liquid clothing detergent that has redefined the whole concept of clothes washing, which uses *Bio IOS*, our most advanced ever detergent base, as its main ingredient, and which was followed by *Attack 3X* in 2020. Within Japan, the way in which consumers do their washing has begun to be transformed, with washing machines that come equipped with a button allowing the user to select a single rinse cycle as a standard feature becoming the norm. For *Attack ZERO Perfect Stick*, a laundry detergent in the shape of a stick, we made it possible to reduce the number of rinses to one, even for the powder detergent. Kao offers laundry detergents that require only one rinse in Japan, Taiwan and Hong Kong.

We also offer other products, such as *Bioré-u the Body Foaming Type*, a body wash, which can be expected to reduce the amount of water used by washing by hand, and as a result, cut CO₂ emissions by approximately 10%.

To help ensure that when consumers use these products, which are capable of effectively reducing CO₂ emissions, they use them properly, we participate in environmental events hosted by local governments and distribution companies.

We also offer a wide selection of products for industry that allow customers to reduce their CO₂ emissions during the use stage. These include a toner with low-temperature fixing, which reduces the photocopier's power consumption, washing and rinsing agents that can wash and rinse steel plates at low temperatures to reduce CO₂ emissions from fuel consumption, a semiconductor wafer cleanser that contributes toward CO₂ emissions reduction by

reducing the amount of ultra-pure water and chemical agents used during the cleaning process, an additive for coating material that helps improve fuel economy by reducing the coating weight of wire harnesses for automobiles, and an additive essential to improving the dispersion of a material required for fuel-efficient tires to demonstrate their performance.



Attack ZERO, a concentrated liquid laundry detergent



Bioré-u the Body Foaming Type, a body wash, which can be expected to reduce the amount of water used by washing by hand

Adaptation

As global warming progresses, the period of time for which there is high demand for anti-perspirants etc. in the summer is lengthening, and demand is expected to rise. We are therefore working to strengthen our development of these types of products. Additionally, as

the probability of droughts occurring increases, the demand for water-saving products is also expected to increase.

Our *sonaeru* website provides information about household products that will be useful in the unfortunate event of a natural disaster occurring, with a particular focus on products that can help people maintain good hygiene while living in an evacuation facility.



Efforts in disposal and recycling

Mitigation

CO₂ emissions in the disposal and recycling stage consist of the following two types. One type is the CO₂ emitted as materials and ingredients degrade when packaging, diapers and other materials disposed of by consumers after use are incinerated, or when wastewater containing cleansing and other agents

Decarbonization

GRI 2-28, 302-5, 305-3

made from petroleum is treated. The other type is CO₂ emitted from using the energy required to operate incinerating and recycling equipment and wastewater treatment facilities. In order to simultaneously address these two types of emissions, the most important thing is to reduce the volume of material subject to disposal and recycling. For this reason, as far as possible, we recycle waste that is subject to disposal and recycling. In the case of waste that cannot be recycled and can only be disposed of as waste, we adopt a carbon neutral approach.

In line with this philosophy, we refer to initiatives that reduce the amount of waste that needs to be dealt with as Innovation in Reduction. We are applying Innovation in Reduction to the raw materials used in manufacturing packaging and diapers, and to the cleaning agents used in cleaning products. We refer to initiatives in the area of recycling as Innovation in Recycling. We are applying Innovation in Recycling to packaging and to used diapers.

Used diapers are carbonized using carbonization equipment, and the resulting material is then utilized for environmental purification and plant cultivation. We are also undertaking R&D aimed at conversion to new types of carbon material.

We are proceeding with the utilization of biomass plastic and other raw materials that are carbon neutral in terms of the amount of CO₂ emitted during disposal. As a new initiative, we have started research on a manufacturing model to utilize cassava residue as biomass as a commissioned project by the New Energy and Industrial Technology Development Organization (NEDO), a national research and development corporation.

P138 Zero Waste > Initiatives taken in relation to our products

Examples of major collaboration projects with stakeholders

- Participation in the Green Value Chain Platform and 2°C Target Network Corporate Edition administered by Japan's Ministry of the Environment, offering Kao's scope 3 efforts as an example and contributing to the calculation of scope 3 emissions by corporations
- DECOKATSU awareness, promoted by the Ministry of the Environment, and the contribution to lifestyle change for consumers toward decarbonization
- Participation in the Japan Climate Initiative and the spread of information and opinion exchange on climate change measures promoted by various constituents besides the national government
- Participation as a member of the LCA Working Group organized by the Japan Chemical Industry Association. We have disclosed case studies of our carbon lifecycle analysis efforts, and disseminated information to society about the contribution that chemical products can make toward reducing CO₂ emissions.
- Participation in the Supply Chain Program run by the CDP for 14 consecutive years. We are contributing toward the enhancement of suppliers' awareness, and toward promoting a transformation of the types of action taken by suppliers.
- As a member of the steering committee of the TCFD Consortium of Japan, we are contributing toward the disclosure of climate change-related information, and toward the promotion of dialogue.

In 2023, we were involved with three lectures, interviews, etc. relating to decarbonization. Our decarbonization initiatives have contributed toward enhancing awareness in society.

Employees' opinions

Distributive innovation project through the use of 0★1Kao reusable folding containers

Miki Asayama

Logistics Reform Division, Logistics Center,
Sumida Office,
Kao Corporation



Kao has sales companies and logistics companies within its own group, and I held a series of discussions with many co-workers about contributing to ESG. After having many discussions, our dream has become to realize both the reuse of packaging materials for reducing the environmental load in distribution through the sale of products and streamlining efforts at shops in response to a manpower shortage. In response, 0★1Kao, a new system that allows any employee to propose a business project, was established. We immediately started taking action to accomplish our dream using this system. As a result, we received empathy from many employees and business partners. We then began trial sales half a year later, and our proposal was adopted officially a year and a half after the submission of our proposal. The packaging material was named GURU-GURU BOX.

We will add refinements as needed, and I hope that this project will become a dream for the entire business world.



Decarbonization

Stakeholder engagement

Norihiro Itsubo

Professor, Faculty of Science and
Engineering, Waseda University



A paper published in Science in 2022 (Mckay et al.) pointed out that seven of the 16 climate tipping points, including ice sheet melting in Greenland and west of Antarctica and loss of coral reefs at low latitudes, could not be avoided worsening the situation even if the 2°C target is achieved. In addition, it was noted that the North Atlantic ocean circulation, which is essential for global climate stability, may cease as early as the middle of this century. We must do our utmost to avoid the consequences of the worst. Kao is a leader in actively leading initiatives to build a decarbonized society, but more efforts are expected to be made to break out of the status quo. I would like to offer my main opinions and recommendations below.

Reduction strategies and enhanced efforts from a life cycle perspective

The SCOPE 3 calculation results were approximately 10 million tons-CO₂, with the largest categories being the use of products sold (Category 11) and up to raw material procurement (Category 1). The water- and energy-saving products offered by Kao contribute to a significant reduction in the environmental impact of the usage stage, and are presumed to be of the highest standard in the world.

Guidelines for the evaluation of reduction contribution have been published in the WBCSD. It is recommended to quantify the reduction contribution by referring to these methods. Activities to raise consumer awareness through plants, exhibitions, school education, etc. are also favorable. Further dissemination to the world is expected, including communicating the importance of handwashing in developing countries. Regarding raw material procurement, it is also excellent that Kao voluntarily sets up ESG promotion guidelines and monitors the activities of its suppliers. On the other hand, if I were to raise an issue, it is unclear to what extent this contributes to the reduction of CO₂ emissions. In particular, how far have you managed land use up to the production of palm oil, the raw material? About half of the greenhouse gas emissions in Southeast Asia are associated with land use. The management of farms that provide raw materials is extremely important, but this part is not explained. You mentioned that the emission factors used for LCA implementation are provided by suppliers, but please clarify whether you have verified the emission factors for land use change.

Positioning of negative emissions

To achieve carbon neutrality, it is not possible to reduce emissions alone; negative emissions, or increased CO₂ absorption, are required. In the current long-term goals at Kao, the development of innovative technologies, storage in raw materials, and artificial photosynthesis are keywords. The above is envisioned to begin implementation in the 2020s and expand its scale over time, but it is unclear what is currently being done with these initiatives. Even if

the project is still in the research and development stage, it is desirable to introduce the initiative, and it is expected to clarify whether there is a prospect for long-term implementation.

Active use of internal carbon pricing

According to the CDP report, 20% of prime market firms have already adopted carbon pricing and approximately 50% will do so within the next two years, which together means that 70% of firms will adopt carbon pricing within the next two years. In Kao's decarbonization efforts, explanations of the use of carbon pricing regarding reduction of Scope 1 and 2 emissions can be seen. Carbon pricing should be used in project budgets for reducing Scope 3 emissions. For example, will there be development of detergents that can be cleaned with water in areas where hot water is used for laundry, or detergents that require less drying time in dryers? It is expected that ideas for various product developments will expand.

Zero Waste

GRI 306-1, 306-2

With the aim of creating a resource-circulating society, Kao promotes the reduction and recycling of resources used for packaging and products that are used in and generated from business activities, and contributes to the sustainable development of its business and society.

Social issues

Efforts to build high-level circular economic societies with high-level economic growth are increasingly needed throughout the world. Considering that the planet's resources are limited, standards of living are rising, and the resources needed are steadily increasing as the global population continues to grow, the one-way economic models of the past will no longer support the prosperous lifestyles and culture of the future.

In regions where social infrastructure (i.e., waste treatment systems) is not sufficiently developed for the increases in the amount of waste generated including household waste, there are numerous instances of environmental pollution due to waste being dumped or insufficiently treated at disposal facilities. In addition, we are concerned that improper conduct by consumers after using our products results in waste being dumped on land and entering the ocean, which can lead to the issue of marine plastic pollution.

Currently, there is a stable supply of plastic products and packaging that are reasonably priced, lightweight, multi-functional and corrosion-resistant, so they play an indispensable role in realizing consumers' Kirei Lifestyle. However, many of these plastics are fossil-based and do not decompose naturally unless they are properly disposed of after use, and the volume of marine plastic waste continues to increase. It is estimated that by 2050, there will be more plastic than fish in the ocean, in terms of weight. This marine plastic is starting to have detrimental impacts on marine ecological systems.

To keep the temperature rise due to climate change under 1.5°C and achieve a carbon neutral society by 2050, consumption of fossil fuels must be drastically reduced. Consequently, the production of fossil-based

plastics is expected to decrease drastically from the current level. Therefore, it is clear that existing plastic packaging made with large amounts of fossil-based plastics is not sustainable.

In order to both stimulate economic activities and transition to a decarbonized society, the use of fossil-based plastics must be reduced while meeting the growing demand for plastics. In light of this situation, we recognize the growing importance of reducing plastic consumption and of recycling.

An additional issue is that, currently, around one-third of all food produced in the world is thrown away as waste. Given that around 8% of annual GHG emissions derive from food waste, there is a clear need to reduce the amount of food that is wasted.

We supplied products that included 91 thousand tons of plastic packaging, such as bottles and film-type refill packs. In addition, 714 tons of food waste was generated.

We aim to help realize a zero waste society, not only by minimizing the resources used in all processes from new product development through to disposal of used products, but also by trying to ensure that, after use, all products are reused, recycled, or effectively utilized in some other way. We also believe that, in cases where it is unavoidable for something to be disposed of as waste, it should undergo appropriate treatment.

Policies

We believe that, in all processes from new product development through to disposal of used products, we should make as much effort as possible to reduce the quantity of products that will be disposed of and recycled, and that we should try to ensure that all waste, regardless of whether it is solid or liquid, is utilized in a way that is useful for society, with the ultimate goal of achieving a net zero waste society. At the same time, as we see it, we should seek to maximize recycled resources, and when the generation of waste is unavoidable, it should be utilized appropriately.

More specifically, we are advancing our efforts in line with the following policies.

• Basic Principle and Basic Policies on Environment and Safety

We have committed ourselves to contributing to social sustainability by giving thorough consideration to environmental conservation and human safety in every aspect of our operations, including product development, production, distribution, usage and waste disposal.

• Kao Group Responsible Care Policy

We have made a pledge to reduce, reuse and recycle waste and strive to continuously reduce our environmental impact.

• Environmental Statement

We have expressed our determination to take advantage of our proprietary technologies to manufacture products that minimize the impact on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. We are also determined to engage in 'eco together' with

Zero Waste

GRI 306-2

various stakeholders throughout the product lifecycle, from raw materials procurement to final disposal.

With the aim of realizing these policies in concrete terms, in 2018 we announced Our Philosophy & Action on Plastic Packaging and stated that we would promote manufacturing from the perspective of 4R (reduce, reuse, replace, recycle). In 2019, we announced that we would be taking responsibility for our products not only until they are sold, but until they are disposed of, and that we would be focusing heavily on Innovation in Reduction and Innovation in Recycling aimed at building a resource-circulating society for plastics.

To realize our vision, we are collaborating with other business enterprises, local governments and universities as we seek to create a resource-circulating society.

P140 RecyCreation activities



Our Philosophy & Action on Plastic Packaging
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/plastic-packaging-001.pdf>

Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

Kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>

Announcing a Roadmap for Reaching Plastic Packaging Net Zero Waste by 2040 and Negative Waste by 2050
<https://www.kao.com/global/en/newsroom/news/release/2023/20230516-003/>

Food waste is of relevance to Kao's beverage business, and we are working to reduce the amount of waste generated as much as possible and striving to ensure that when the generation of waste is unavoidable, the waste is recycled.

Efforts in raw materials procurement

To reduce the waste generated when transporting raw materials, we continuously work with external suppliers to adjust the volume and frequency of raw materials deliveries.

Initiatives taken in relation to our products

We offer products such as baby diapers and cleaning sheets that become waste after consumer use. For this reason, while ensuring product performance, we are developing technologies to reduce the amount of raw materials used in products and we are trying to minimize the amount of waste generated after product use. In this way, we are also aiming to contribute to the reduction of costs and CO₂ emissions in conjunction with waste processing.

We also use recycled plastic for some of our products. As such, we are aiming to minimize the amount of virgin plastics used and that of fossil fuel, which is the raw material for plastics.

Initiatives targeting packaging

We are aiming to realize net zero waste for plastic packaging by 2040, and negative waste for plastic packaging by 2050. Zero Waste refers to a situation in which the amount of plastic packaging used by Kao equals the amount of plastic recycling Kao is involved in. We will reduce the amount of plastic used to the maximum extent possible, and then offset this by developing products and services using plastic waste generated by society, thereby reducing the quantity of plastics used to virtually zero. In addition, Waste Negative is defined as a situation where Kao is involved in more plastic recycling than the amount of plastic packaging used by Kao. To achieve these goals, we are undertaking measures in compliance with the ISO 18600 series standards for packaging and the environment.

Specifically, we are reducing the amount of materials used in packaging, and in particular, we are promoting Innovation in Reduction and Innovation in Recycling from the perspective of 4R in order to reduce the use of plastic packaging, which has become a serious issue for society these days.

Efforts in development, manufacturing and sales

We have set reduction targets for how much waste we generate, and we aim to minimize the amount of waste generated at each stage of development, production and sales in our entire group.

We are reusing and recycling waste and other materials inside and outside the company.

Zero Waste

GRI 306-1, 306-2

We ensure that generated waste is thoroughly sorted, and we select the most appropriate recycling methods in cooperation with contracted waste treatment providers. At the same time, we monitor the amount of waste recycled and sent for final disposal along with the amount of waste generated to improve how waste is treated overall.

Development / Production

We are studying loss reduction countermeasures on an ongoing basis according to the type of loss of raw materials and products that occur in our plants in order to minimize the losses.

Sales

Going forward, we will review product shipping and stock replenishment methods and provide information using digital means in an effort to minimize waste generated in returned products and promotional materials.

Preventing illegal dumping of waste

When contracting waste treatment service providers to dispose of waste generated at our plants and offices, there is a risk of illegal dumping. To reduce this risk, we regularly visit the service providers to verify that the contracted waste is being disposed of appropriately. The Kao Group in Japan has created a database containing information including contracts with waste treatment service providers and the results obtained from surveys of appropriate waste treatment to prevent illegal dumping. This system is also connected to the Electronic Manifest System, which also ensures the prevention of illegal dumping.

Proper storage and treatment of PCB waste

Polychlorinated biphenyls (PCBs) were formerly used in insulating oil, such as in transformers and ballasts, but they have low degradability and therefore pose a risk to human health and can create hazards in living environments. We store and treat waste containing PCB appropriately in accordance with the law until its disposal is contracted to a service provider.

Reducing food waste

We monitor the generated food waste that is treated through wastewater treatment or incineration and cannot be effectively used for other purposes.

Since food waste is generated when products close to their use-by dates are returned, we work with our suppliers to extend use-by dates and review return policies. Some returned products can be utilized effectively in methane fermentation and composting. Through activities such as these, we take steps to reduce food waste.

Strategy

Risks and opportunities

Risks

Item	Content
Policies, laws and regulations	Stricter regulations on the processing of waste generated at worksites Mandatory labeling of information on plastic consumption, etc.
	Increased regulation on the consumption of plastic packaging (mandatory use of recycled plastic, taxation)
Technology	Unsuccessful attempts to develop technology for reducing plastic consumption or using recycled plastic
	Increased volumes of waste generated from worksites in conjunction with the manufacture of new products
Markets	Higher disposal costs as a result of increases in the volume of waste generated in excess of disposal capacity throughout society, changes in consumer preferences, rising costs for virgin plastic or recycled plastic, increased consumption of hygiene-related product packaging due to enhanced consumer hygiene awareness resulting from the COVID-19 pandemic, etc.
Reputation	Criticism of the industry or of individual companies, stronger concerns among stakeholders, changes in consumer preferences, etc.

Opportunities

Item	Content
Resource efficiency	Lower disposal costs as a result of decreases in the volume of waste generated from worksites and lower costs for packaging, better transportation efficiency, etc. as a result of reducing plastic consumption
Products, services	Reduction in the volume of waste generated through the development of resource-saving products, higher sales due to expanded use of packaging using less plastic and development of innovative packaging, higher income due to licensing of development technology
Markets	Higher sales due to improved access to new markets, use of public incentives for developing innovative technologies, etc.
Resilience	Improved resilience through actively continuing to promote 3R activities for plastic packaging, and by providing even more environmentally friendly plastic packaging, rather than merely returning to the situation that existed before the COVID-19 pandemic

Zero Waste

GRI 306-1, 306-2

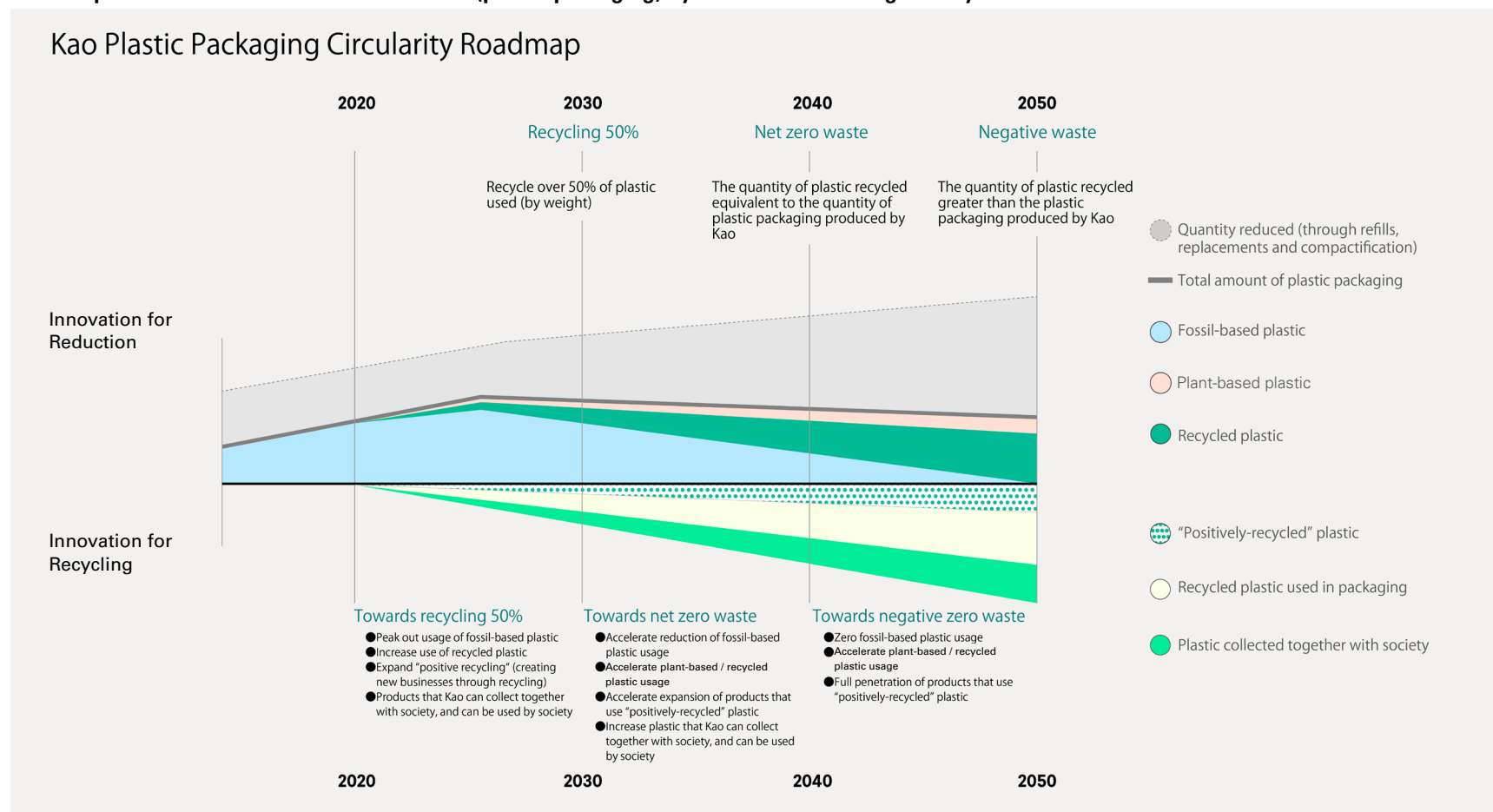
Strategy

Plastic packaging plays an important role in our products because of its versatility and flexibility. At the same time, recognizing that the excessive use of plastic is a

common concern for Kao and consumers in terms of its impact on the global environment, we believe that plastic resources used for packaging should be recycled as much as possible to create a recycling society.

We have established a roadmap for plastic packaging and aim to achieve Zero Waste by 2040 and Waste Negative by 2050. In order to achieve this, we are promoting our efforts in line with Innovation in Reduction and Innovation in Recycling.

Roadmap toward the realization of Zero Waste (plastic packaging) by 2040 and Waste Negative by 2050



Zero Waste

GRI 306-1, 306-2

Innovation in Reduction

This involves initiatives to reduce the amount of plastic used in packaging.

Reduce

This involves initiatives to reduce the quantity of plastics used in packaging. In addition to reducing the quantity of plastic used, we will reduce the use of fossil-based plastics while aiming to achieve a carbon-neutral society by 2050.

Reuse

The usage of plastic film refill packaging enables us to slash the usage of plastic by around 75% compared to plastic bottles, so we are promoting the adoption of refillable and replaceable products. To expand the use of such products, we have continued to make improvements to these refill products to make refilling easier for consumers, and we are promoting the use of innovative film packaging. We are also exploring the possibility of in-store refilling whereby consumers bring packaging to the store and purchase only the refill. In addition, we have adopted a system for some products whereby we take back used pieces of packaging from customers and then clean and reuse them.

Replace

We have been using recycled paper for the carton boxes and instructional inserts for many products, including powdered laundry detergent, since the 1960s, and we plan to expand their use. We are implementing initiatives to replace fossil-based plastics with alternative materials such as paper and metal. We are also proceeding with initiatives to use plant-based plastics as an alternative to fossil-based plastics.

Innovation in Recycling

This involves projects to recover used packaging and recycle it so that it can be used again as recycled plastic.

Recycle

Based on the fundamental technology that we have accumulated until now, we are focused on creating innovative recycling technologies for used plastic, including the use of recycled plastic for packaging, as well as developing and using high-quality, low-cost recycled plastics, encouraging activities that generate value from used plastic, using plastic waste for industrial applications, and developing easily-recyclable packaging by, for example, replacing refill packs made from multiple layers of different plastic materials with a single material.

Furthermore, we are establishing a framework to recover and recycle used packaging in collaboration with stakeholders such as distributors, competitors and local government authorities, with the aim of helping to build a resource-circulating society. At the same time, we are working actively to promote the use of recycled plastic.

Social impact

We are continuously implementing 3R activities (reducing, reusing and recycling waste generated at plants) not only at the stage for developing products and packaging, but also at the stage of production and transportation.

By adjusting the volume and frequency of raw materials deliveries with external suppliers, we contribute to reducing the amount of packaging materials our suppliers procure, as well as reducing CO₂

emissions from the transport of raw materials. In addition, we are continuing our efforts to improve the production methods used by our subcontractors for contracted product manufacturing, for example, by providing them with the relevant technology. This contributes to reducing CO₂ emissions associated with raw materials procurement.

In the area of plastic packaging in particular, we are promoting the development and sales of film packaging that can reduce plastic consumption by around 75% compared to regular containers. In Japan, products in refillable film packaging are becoming popular. Going forward, we will be able to reduce the quantity of plastics used in packaging in our group companies outside Japan by expanding this technology.

Besides our efforts in regard to film packaging, we are also implementing initiatives to reduce plastic consumption through the reuse of bottles.

Through effective collaboration between the recycler and the manufacturer, we are getting used products recycled to create recycled products that are useful in consumers' daily lives. Working together with distributors, competitors, local government authorities and other stakeholders, we are putting in place a framework for the collection of used packaging. Having as many other stakeholders as possible participate in this initiative will help make the benefits even more substantial.

Furthermore, efforts to recover waste that has already been released into the environment greatly contribute to the protection of marine and land ecological systems.

By curtailing waste and the like generated from business activities, promoting recycling to achieve zero waste, and developing a society where innovative film packaging that can drastically reduce the quantity of

Zero Waste

GRI 306-1, 306-2

plastics used (to around one-sixth of the former level) is widespread both internally and externally, we will contribute to enhancing resource productivity throughout society as a whole. Doing this will contribute to creating and promoting a circular society and make it possible to offer consumers clean products in a future society with limited resource availability. These are important approaches for achieving the Kirei Lifestyle.

Contributions to the SDGs



Business impact

We are quite sure that the promotion of activities based on the strategies mentioned above will have various business impacts. Details of the business impacts are described as follows.

Increasing the loyalty

Stakeholders will be aware of our initiatives for the transition to a recycling society that reduces and recycles waste, not just plastics, and will share our values, which will lead to product selection and contribute to increased sales.

Improving the productivity efficiency

Curtailing the amount of waste and the like generated from business activities will lead to a reduction in manufacturing costs.

Reducing waste processing costs

Promoting recycling at each stage, from production to sales, will lead to a reduction in waste processing costs.

Reducing the quantity of plastic used for packaging

Once stakeholders recognize our efforts through our products, services and communication and understand their value, it will lead to an increase in loyalty and sales.

Avoiding new taxes

Although we may experience a cost increase from a short-term perspective, we can avoid new taxes on the use of fossil-based plastics from a mid- and long-term perspective.

Governance

Framework

Under the supervision of the Board of Directors, risk management in relation to zero waste issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to zero waste issues is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to zero waste issues. 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 Plastic Packaging Steering Committee has also undertaken strategy formulation and implementation planning under board-level ownership, working to ensure reliable and rapid execution.

As part of our Responsible Care (RC) activities that include reducing waste produced by subsidiaries, RC managers in Japan and RC managers of subsidiaries with manufacturing plants outside Japan hold an annual meeting with the aim of activating and raising the level of the activities.

The RC Environment Committee of the SCM Division meets twice annually to gain an understanding of the conditions at each plant and share information on best practices with the objectives of curtailing the production of waste from plants in Japan and promoting recycling. The Core Technology Committee for Environment and Energy-Saving conducts annual Environment Committee audits at every production site in its efforts to improve waste performance.

Packaging Technology Research holds packaging review meetings when new and improved products are launched. Members from the relevant divisions, including business units, the SCM Division and the Consumer Communication Center, evaluate the environmental performance of the packaging.

Education and promotion

Many of our products become waste after use. We are facing this fact earnestly and recognize the importance of giving our employees the chance to learn about the generation of waste from our business activities and

Zero Waste

GRI 301-2, 306-2

used products through various programs and to actively engage in waste reduction measures of their own accord. To this end, we have created many opportunities for employee education. We have created an e-learning program containing the knowledge needed to implement the Kirei Lifestyle Plan in both English and Japanese, and we deliver zero-waste-themed content to employees both within and outside Japan. In addition to waste-material reduction activities conducted in plants and technology development that is oriented toward using fewer resources in manufacturing, if we also strengthen employees' waste awareness, it will help to enhance our activities in this area. To this end, we hold various meetings, such as Global RC Meetings whereby RC managers in Japan and RC managers of subsidiaries with manufacturing plants outside Japan meet together, and packaging review meetings whereby staff in the R&D, SCM Division and business units meet together, with the aim of spreading internal awareness of zero waste. With regard to packaging, our Research Laboratories, Procurement, SCM, Business divisions, the ESG Division, etc., engage in a periodic exchange of views regarding our strategy in this area, the issues faced, and how to address them.

Collaboration with stakeholders

We recognize that in order to help consumers attain the Kirei Lifestyle, it is vital for us to deepen mutual understanding with a wide range of stakeholders and collaborate with them.

As the waste generated at the stage of production impacts local communities, having good communication with them is also vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

Methods of processing waste generated from our business activities, as well as waste generated by consumers and customers after using our products, are regulated by government agencies. To recycle more waste and make it easier to process waste, we are implementing initiatives in collaboration with municipalities, retailers, recyclers, and commodity manufacturers.

We are also sharing ideas with suppliers and undertaking collaborative R&D with them in order to reduce the quantity of plastics used in packaging and enhance its recyclability.

Consumer behavior also needs to change in order to attain the Kirei Lifestyle. We provide opportunities to think about the Kirei Lifestyle through visits to the Kao Eco-Lab Museum and plant tours that take Kao products as the theme. This visit program to the Kao Eco-Lab Museum includes displays that enable participants to get a real feel for the amount of waste generated from products manufactured using limited amounts of resources.

Risk management

In the process of assessing risks and opportunities, the ESG Divisions identify risks anticipated at Kao, and conduct risk and opportunity assessments based on feedback from outside experts and staff in internal departments. These are approved by the Internal Control Committee and ESG Managing Committee, respectively.

The secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and review measures. In principle, the division and department in charge take the lead in addressing these

risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

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Risk and Crisis Management > Governance > Education and promotion > Risk surveys

Metrics and targets

Mid- to long-term targets and 2023 results

We are aiming to achieve net zero waste for plastic packaging by 2040 and negative waste for plastic packaging by 2050, and we will also be helping society as a whole to reduce the use of plastic packaging. Furthermore, we will promote the reduction of waste, not only plastic.

2025 mid-term targets

Item	Scope	Target for 2025
% of recycled plastic used in PET containers	Kao Group in Japan (consumer products)	100%

2030 long-term targets

Item	Scope	Target for 2030
Quantity of fossil-based plastics	Kao Group	Will peak and begin to decline
Quantity of innovative film-based packaging penetration	Kao Group and other companies	300 million ^{*1}
Recycling rate of plastics involving Kao	Kao Group	50%
Amount of waste generated ^{*2}	Kao Group Production sites ^{*3}	0 (less than 1%)
% reduction of discarded products and discarded promotional materials	Kao Group in Japan	95%

Zero Waste

GRI 301-2, 306-2, 306-3, 306-4

We aim for Kao's involvement in plastic recycling to account for at least 50% of the volume of plastic packaging used.

We are aiming to reduce the amount of plastic packaging*⁴ used by Kao and by society as a whole by 200 thousand tons.

We are also aiming to use recycled materials for 40% of the plastic packaging used by Kao and to peak out the use of fossil-based plastics.

*1 Annual penetration amount

*2 Amount of waste not recycled from business sites

*3 Beginning with production sites

*4 Amount reduced through the use of innovative film packaging, refill and replacement products, and the development of more concentrated products

2040 long-term targets

We are aiming to reduce plastic packaging waste to zero*⁵.

*5 This is the state in which the amount of plastic packaging used by Kao is roughly equivalent to the amount of plastic for which resource recovery*⁶ is implemented by Kao.

*6 Amount of positive recycling of plastic + Amount of recycled plastic that is used by Kao for containers and packaging + Amount of plastic that is collected by Kao and society in general and used by society.

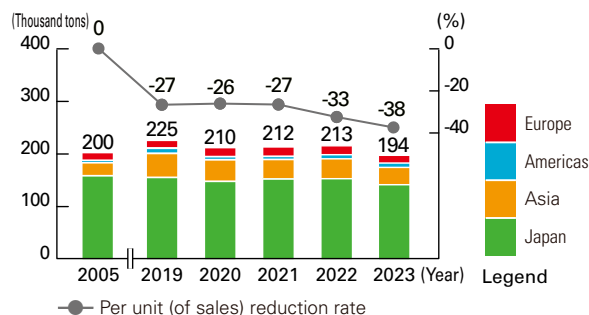
2050 long-term targets

We are aiming to reduce the quantity of fossil-based plastics used to zero.

We are also aiming to achieve negative plastic packaging waste*⁷.

*7 This is the state in which the amount of plastic for which Kao implements resource recovery*⁶ is more than the amount of plastic packaging used by Kao.

Amount of generated waste and other unwanted materials ☑ (all sites)



* Boundary: For 2005, all Kao Group production sites, and all non-production sites in Japan. From 2015, some non-production sites outside Japan are also included.

* Assurance provided for the amount of generated waste and other unwanted materials.

* Per unit of sales was calculated based on Japanese GAAP in FY2005, and based on International Financial Reporting Standards (IFRS) from FY2017 onwards.

Amount of generated waste and other unwanted materials

In 2023, the amount of waste generated totaled 194 thousand tons, representing a decrease of 19 thousand tons compared to the previous year. Although net sales decreased slightly, the reduction rate (per unit of sales) was 38%, representing a significant improvement.

Amount of hazardous waste generated

Of the generated waste, 22 thousand tons constituted hazardous waste. No hazardous waste was transported internationally under the Basel Convention.

Waste plastics

In 2023, the volume of waste plastics discharged in Japan (including in-house treatment, excluding valuable

resources) was 6,728 tons, lower than the previous year's result (7,340 tons). Kao Corporation was the only corporate unit to discharge more than 250 tons, with 6,176 tons of waste plastic discharged, which was less than the previous year's result (6,770 tons). We will continue our initiatives to reduce the amount of waste by aiming to keep it below the previous year's level.

Recycling

We are promoting the reuse of waste, such as offcuts generated in the production of baby diapers, etc., for example, by turning such waste into pallets or using it to make paper products.

Reuse and recycling*⁸ of waste, etc. was 176 thousand tons ☑ with a recycling rate of 91%.

We maintained our target of a 0.1% or lower final disposal ratio for waste. We have achieved our target of zero emissions for the 18th consecutive year since the target was set (final disposal ratio to generated waste for all Kao Group offices in Japan).

Starting from 2021, as a new zero waste indicator, we have begun to calculate a combined landfill disposal and incineration rate, which was 4.3% for all production sites combined in 2023. We are aiming to reduce this rate to under 1% (i.e., to more or less zero) by 2030.

The combined landfill disposal and incineration rate is the share of industrial waste (as defined in Japan) generated by production sites that is disposed of either by landfill disposal (direct disposal by landfill without intermediate processing) or incineration (incineration without heat recovery). Waste that individual countries' laws require to be disposed of by landfill or incineration and waste in countries where there are no facilities for disposal other than by landfill or incineration is excluded.

*8 Boundary: All Kao Group sites, including company cars in Japan

* Assurance provided for the amount of material recycled

Zero Waste

GRI 301-2, 306-2, 306-3, 306-4

Reduction rate of discarded products and discarded promotional materials

The target for this activity was set in 2021. The performance achieved in 2023 was a 20% reduction rate (20% in 2022, 14% in 2021).

Food waste

We define food products returned from business partners because of damage to packaging or because they are past the best-before dates as food waste, and we manage food waste through programs to measure break-down by food category. Of the food waste we have received, we define products processed into feed or for composting that have been processed or disposed of based on the amount of food waste utilized effectively, wastewater treatment, or incineration as in-house disposal. In 2023, the amount of food waste disposed of by the Kao Group as a whole totaled 711 tons, of which 1 ton was utilized effectively for methane fermentation or composting^{*1}. To reduce the amount of food waste disposed of internally, we are promoting the development of products with a long use-by date and trying to minimize delays in distribution. We have also been working together with our business partners to review the rules relating to the return of products that are approaching their use-by date.

^{*1} Besides methane fermentation or composting, this figure also includes the effective utilization of packaging (such as cans or cartons).

Changes in amount of food waste ☒ (in tons)^{*2}

Item	2019	2020	2021	2022	2023
Amount of food waste generated	251	592	723	706	714
Amount of food waste utilized effectively ^{*3}	20	27	43	8	1
In-house disposal	230	565	680	698	712

^{*2} Third-party assurance was obtained for these data from 2021 onwards.
Boundary: Kao's food businesses

^{*3} Contracted disposal: Contracted disposal includes methane fermentation or composting, and also effective utilization of packaging (such as cans or cartons)

Inspection of waste treatment facilities

In 2023, the number of locally confirmed cases increased due in part to the transition of COVID-19 to category 5. We have confirmed 173 facilities with the cooperation of 135 waste treatment companies, including a documentary review (in Japan). The evaluation results showed that there were no waste treatment companies that did not meet Kao's evaluation criteria.

Amount of packaging materials used by material type

In 2023, the amount of paper and pulp used was 174 thousand tons. Of this, the ratio of certified paper and pulp was 97%. The amount of metal used in packaging was 4.5 thousand tons, and the amount of glass used was 0.6 thousand tons.

Horizontal material recycling of film packaging

Since June 2021, we have been developing and verifying recycling technology at our pilot plant for film packaging recycling set up at Wakayama Research Laboratories. Since October 1, 2021, we have also been participating in the project of Kobe Plastic Next: Joining Forces to Recycle Refill Packs. In this project, retailers, consumer product manufacturers, and recyclers (resource recycling business operators) collaborate with the city of Kobe to recycle used refill packs of household and personal care items, with the aim of becoming a resource-circulating society. In 2023, we collected used refill packs and used them partially to produce recyclable refill packs for the first time, in collaboration with Lion Corporation. The products we sold this time were available in limited quantities, but we will continue our R&D so that we can continue to provide the refill packs as products.

We are examining easier-to-recycle packaging designs with the aim of raising recycling rates and realizing horizontal material recycling.

Shift to 100% recyclable, reusable packaging

Plastic packaging used for household products in Japan is required by Containers and Packaging Recycling Law to have a framework in place for recycling. Our plastic packaging is thus already 100% recyclable.

Outside Japan, definitions of what constitutes recyclable packaging vary depending on the country or region, and recyclability also depends on the recycling systems that exist in each country or region. We are therefore working to confirm not only packaging specifications but also the sales areas for each type of packaging.

* Cardboard, paper, plastic, metal and glass

Amount of plastic packaging used

Plastic packaging usage in 2023 was 85 thousand tons. Of this, fossil-based plastic usage amounted to 79 thousand tons.

Kao Corporation now offers 423 refill and replacement products (as of December 2023), with a penetration rate of 79% and approximately 80%. The refill ratio for fabric softener, in particular, now stands at approximately 90% (unit basis).

Plastic consumption has been reduced by 78.3% through the use of refill and replacement products. If the impact of making products more concentrated is also factored in, then the overall amount of reduction was 128.6 thousand tons, and the reduction rate (compared to if the products had been packaged in the original plastic packaging) was 78.4%.

Zero Waste

GRI 301-2, 306-2

Changes in amount of plastic packaging used (in thousands of tons)

Item	2020	2021	2022	2023
Amount of plastic packaging used	116.6	92.9	90.8	85.0
Recycled plastic usage rate	0.37%	1.5%	2.9%	6.1%

Quantity of innovative film packaging penetration

In 2023, the total number of products manufactured using innovative film packaging, calculated as the combined total of products that included *Raku-raku Eco Pack Refill* and *Air-in Film Bottle*, was approximately 14 million items.

Quantity of recycled plastic used

Recycled plastic made from used plastic is utilized for shampoo, conditioner, and body wash products by Kao (Taiwan) Corporation, and it is also used by the salon-oriented *Kerasilk* brand in EMEA and by the *Oribe* brand in the U.S., as well as by brands such as *Attack ZERO* and *CuCute* in Japan. The total amount of recycled plastic used in 2023 was 5,152 tons (2.0 times as much as in 2022).

Recycled plastic usage rate in PET packaging

In an initiative targeting household products sold in Japan, we have begun using recycled plastic in the manufacturing of PET packaging, starting with the packaging of *Attack ZERO* and *CuCute Clear Foam Spray*. In 2023, 81% of the plastic used in this PET packaging was recycled plastic.

Contribution to the reduction of the amount of plastic used in packaging by Kao and society

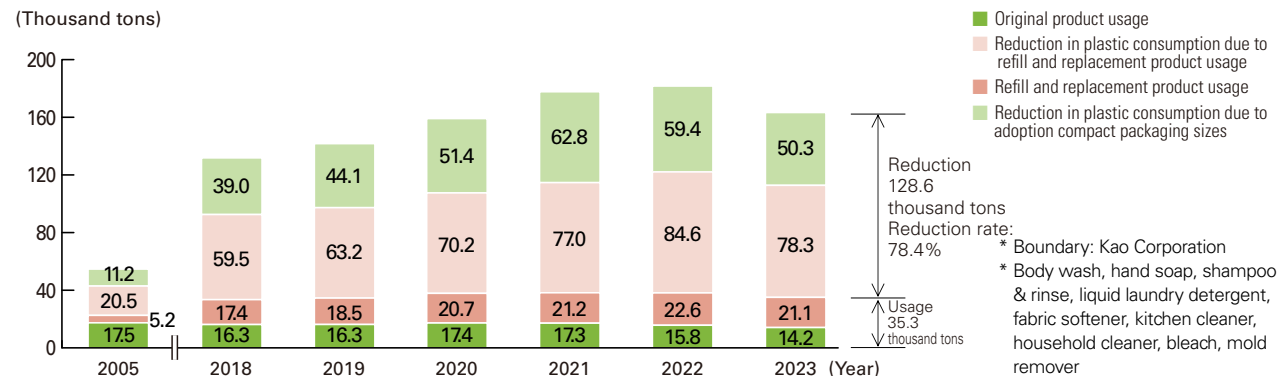
The amount contributed to the reduction of plastics for refills/replacements was 128.6 thousand tons.

Quantity of plant-based plastics used

Plant-based plastics are used for *Merit* shampoo and conditioner, *Segreta* shampoo and conditioner, *CuCute* 1,380 ml containers, *Raku-raku Eco Pack Refill*, and and shampoo and treatment, and other products, and the total amount used has reached 418 tons (0.9 times the amount in 2021).

Usage and reduction volume of plastic in refill and replacement categories

(Thousand tons)



Zero Waste

GRI 301-2, 301-3

Main initiatives

Initiatives taken in relation to our products

Reducing the amount of product materials used

We continue to reduce the materials used in making products that become waste after product use by consumers. For example, we reduced the product weight of medium-sized *Merries* disposable taped diapers by 37% while improving the product function compared to its 1990 version.

Products that use recycled materials

We use recycled materials for some of our products. We have been using recycled paper in the carton boxes and instructional inserts of many products since the 1960s, including powder-type laundry detergents. We use recycled polypropylene (PP) in the measuring spoon for *Attack* powder type laundry detergent, which was first put on the market in 1987, and recycled polyethylene terephthalate (PET) in the fibers of *Quickle Wiper* floor dry cleaning sheets, which first appeared on the market in 1994.

Using waste PET to make NEWTLAC 5000/5500 asphalt modifier

The Chemical Business has used our proprietary modification and compounding techniques on discarded PET materials (waste PET) to develop *NEWTLAC 5000/5500*, a new type of asphalt modifier, through positive recycling. The full-scale commercial launch of the new product took place in late 2020. We are expanding the sales not only in Japan but also in North America and the Asian region.

Besides improving the durability of road surfaces in the same way as conventional asphalt modifiers, asphalt road surfaces that are durable and environmentally conscious can also be created because *NEWTLAC 5000*

uses waste PET, the disposal of which has become a problem for society (approximately 1,430 PET bottles are used to cover a road area of 100 m²).

For our contribution to the reduction of environmental impacts and implementation of our technology into society, Kao received the Minister of the Environment Award in the 22nd Green and Sustainable Chemistry Award in May 2023.



The winner of the Minister of the Environment Award in the 22nd Green and Sustainable Chemistry Award
Development of Highly Durable Asphalt Materials for Pavement Using Waste PET
<https://www.kao.com/jp/newsroom/news/release/2023/20230525-002/>

Recycling of used baby diapers

Field testing of technology to convert used disposable baby diapers into carbon material began in January 2021, in collaboration with Saijo City, Ehime Prefecture, where Kao Sanitary Products Ehime is located. We have developed carbonization technology that reduces the amount of CO₂ emitted during recycling, while also sterilizing and removing odor, and reducing the volume occupied by the recycled material. We are proceeding with activities to develop applications for the carbon material obtained through recycling, including industrial uses, air and aquatic environment purification, and plant cultivation.

The recycling system development has been undertaken through joint research with the Kyoto University Open Innovation Institute, with the aim of realizing social implementation by 2025.

Paper hot water pipes

Paper hot water pipes handled by Chemical Business combine molding technologies with high-temperature material technologies and are made from waste paper.

Compared to general ceramic hot water pipes, the amount of raw materials used is reduced to one-tenth and post-use waste to one-sixteenth.

Initiatives targeting packaging

Initiatives to reduce

Smart Holder and Raku-raku Eco Pack Refill

In 2017, we proposed *Raku-raku Eco Pack Refill*, which can be used with our *Smart Holder*, improving usability and allowing the product to be completely consumed, thus reducing environmental impact. This eliminates the need for an original plastic bottle.

Until now, these were sold only on our online site, but we implemented a full-scale rollout to stores in April 2020. We believe this will make them accessible to more consumers and will encourage use.



Smart Holder and Raku-raku Eco Pack Refill

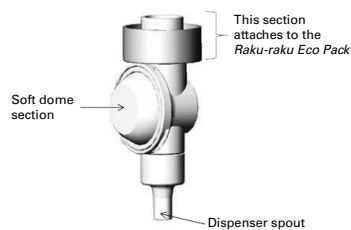
Zero Waste

Launch of the Raku-raku Switch for dispensing a fixed amount from film packaging with one light push

Bioré u The Body—Body Lotion for Wet Skin, which was launched in September 2020, uses a *Raku-raku Switch* that, when attached to a *Raku-raku Eco Pack Refill*, makes it possible to extract a fixed amount of liquid with just a light touch. Compared to bottles with pumps, *Raku-raku Switch*-equipped products reduce the quantity of plastic used by around 50%. From a universal design perspective, these products have the outstanding feature of being easy to use even for people who do not have much strength.



Raku-raku Switch



P80 Sustainable Lifestyle Promotion > *Yoki-Monozukuri* in plan and action and proposing activities and collaboration with stakeholders

Launch of new refill containers eco-peko bottles for the future

eco-peko bottles for the future, which have been used for *CuCute* products launched in September 2023 incorporate Kao's packaging and container technologies (patent pending) to realize extremely thin bottle walls for easy crushing at disposal, while retaining durability and ease of refilling. As a result, not only does the product ease the overall burden of washing dishes, but also the quantity of plastics used has been reduced by approximately 40%^{*1}, and CO₂ emissions from

container production and disposal have also been reduced.

^{*1} Weight ratio regarding conventional containers



eco-peko bottle

P87 Purpose Driven Brands > *CuCute*: Brand activities that are eco-friendly and reflect diversifying lifestyles

Spread of thin-film refill packaging

Film refill packaging already uses less plastic than regular containers. To promote the use of refill containers, Guhl of Germany launched its *refill shampoos* in 2023, and Jergens launched its *Stampers Foam Hand Wash* in the Americas.



Use of plant-based plastics

We are actively developing technologies for using plant-based plastics for bottles and refills. Since we began this initiative in 2012, our consumption of plant-based plastics and the range of products for which they are used have continued to expand.

For example, *Raku-raku Eco Pack Refills* are made from 15% plant-based plastic based on its weight. In Thailand, we replaced the container for *Bioré* makeup remover with plant-based bio-PET and put refill packs made of recyclable single material on the market in May 2023.



Initiatives to reuse (promoting the adoption of refill and replacement products)

We continue to provide refill and replacement products and expand sales of *Smart Holder*.

Refillable in stores

At *Molton Brown*, following on from the packaging reduction initiative implemented in 2020 (specifically, in-store refill for handwashing products), starting from 2021, reusable bottles and *Aroma Reed Diffuser refills* have been on sale both in-store and online in EMEA and in the Americas. Utilizing refills makes it possible to reduce the amount of single-use plastic and plastic that is disposed of as waste by 82%.

Zero Waste

GRI 301-2, 301-3



Aroma Reed Diffuser refill

Initiatives to recycle RecyCreation activities

We have been engaged in research toward creating a new circular economy system. We have proposed and are working on the RecyCreation approach, which generates new value by adding technology and the knowledge and ideas of various people to used items. In our RecyCreation activities, we continue to collect in cooperation with local governments and NPOs such as Kitami City, Onagawa Town, Ishinomaki City, Kamakura City, and Kamikatsu Town, in-store collection in cooperation with companies such as Lion Corporation, Ito-Yokado, Welcia Yakkyoku, and Hamakyorex Co., Ltd., and collection from employees within Kao Corporation. Adding the amount collected by Kobe Plastic Next, which has been participating in these efforts since 2021, the total amount of refill packs collected from January to December 2023 is approximately 10 tons.



RecyCreation on Facebook
<https://www.facebook.com/RecyCreation.jp/>

The RecyCreation Concept



Commencement of the verification process for a resource-circulating model project involving horizontal material recycling*1 of single-use plastics

Since October 2021, we have been participating in the project of Kobe Plastic Next: Joining Forces to Recycle Refill Packs. In this project, retailers, consumer products manufacturers, and recyclers (resource recycling business operators) collaborate with the city of Kobe to recycle used refill packs of household and personal care items, with the aim of becoming a circular economy society.

The city of Kobe encourages every resident of Kobe to recycle used refill packs from detergents and shampoo products, etc. by dropping them off in collection boxes placed in 75 locations at retail outlets throughout the city. By leveraging "return trip operations" from retail outlets and the cooperation of existing waste collection operators, used refill packs can be collected effectively with minimum environmental impact. Recyclers and manufacturers are working together to achieve horizontal material recycling for film packaging from the collected

refill packs, as well as turn them into recycled products that are useful in daily life. Kobe and 16 companies and organizations are collaborating to realize resource circulation. The project aims to set an example to help promote similar activities across Japan.

*1 Recycling of materials into products with the same application

**KOBE
PLASTIC
NEXT**



みんなであつなげよう。
つめかえパック
リサイクル

Efforts to recycle marine plastic waste

It is said that approximately 65% of waste (number of containers / bottles base) drifting to Japan is plastics, so we are working not only on the reduction of plastics but also on the effective use of marine plastic waste released into the ocean.

On the Tomogashima islands of Wakayama City, waste and debris that drift to the islands have been a serious issue for some time. In collaboration with Wakayama City, we have been developing products made from reused marine plastic wastes that have been collected on Tomogashima islands with our unique technologies. In December 2023, we constructed pavement using an asphalt modifier made from waste PET in the area of the Wakayama Station bus terminal.

Use of recycled materials

In 2023, 6% of packaging was created using recycled plastic. Regarding bottles made from PET materials in Japan, the incorporation of recycled plastic advanced in 2023 with the dishwashing detergent *CuCute's* bottle-type refill container (extra-large size), and the odor removal product for clothes and fabrics *Resesh Disinfectant EX WIDE JET*.

Zero Waste

GRI 301-2, 301-3

Kao (Taiwan) started using recycled plastic for regular containers in 2016. In 2023, the use of recycled plastics increased approximately 15 times compared to 2016. The use of recycled plastics has also started in China and Thailand, such as the *Bioré Cleansing Oil* and *Feather Nature Clean Care's* 340 mL and 480 mL bottles.



Molton Brown has also started using recycled plastics. Some products in their hotel series use polyethylene containing PCR material.



Development of film packaging recycling technology

Refill packs can significantly reduce the quantity of plastic used compared to rigid containers and are made from composite materials with many layers rather than a single raw material, as with PET bottles, in order to protect its contents from heat, moisture and UV rays

with a thin film. In doing so, the different varieties of recycled ingredients make inhomogeneous plastic, which is difficult to reuse in film packaging under present circumstances.

We aim to improve the rate of recycling and achieve horizontal material recycling by developing and verifying recycling technology at our pilot plant for film packaging recycling set up at Wakayama Research Laboratories in June 2021. The plant will examine effective processes for separation and collection from consumers and easier-to-recycle packaging designs.

In collaboration with Lion Corporation, we have commercialized refill packs that use a portion of horizontal-recycled regenerated materials for liquid detergent refill containers, which are available in limited quantities at select stores*¹.

*¹ Kao and Lion products at certain Ito-Yokado stores and Welcia Yakkyoku stores; Kao products only at certain AEON stores.



Initiatives adopted at our business sites

Reducing the amount of waste produced

We handle a large number of liquid products, and reducing the sludge produced from treating concentrated wastewater generated in the process of cleaning tanks and switching products is a major issue.

Kao Industrial (Thailand) treats wastewater using separate wastewater treatment facilities according to the COD concentration of the wastewater, which has successfully reduced the amount of sludge produced and contributes to reducing waste. Fatty Chemical (Malaysia) has also reduced waste through the adoption of sludge dewatering equipment.

Also, to contribute to reducing the amount of generated waste at retailers, we are working with the understanding and cooperation of retailers to reduce the number of boxes used in the delivery of products.

Enhancing waste recycling

Waste recycling in manufacturing

One example of this is recycling the waste generated by the manufacture of diaper and feminine care products to be turned into plastic pallets. We began test operation of this system at our plants in 2016, with cooperation from research laboratories and related divisions using the strengths of our matrix management.

By 2020, we were able to recycle 772 tons of waste into approximately 49,620 plastic pallets. This project has now been put on hold, as the required number of plastic pallets had already been secured.

Zero Waste

GRI 2-28, 308-2

Collaboration with stakeholders based on “eco together”

“eco together” with consumers/customers

Awareness-raising activities at the Kao Eco-Lab Museum

To encourage more consumers to choose refill and replacement products that greatly reduce plastic consumption, overviews of our packaging initiatives have been presented at the Kao Eco-Lab Museum and at the EcoPro exhibition.

Display enabling visitors to get a real feel for how much plastic is used in packaging



Ways to look after and wash eco-friendly reusable shopping bags to keep them clean

With the rise in awareness and concern for the environment, as well as the fact that consumers are increasingly having to pay for plastic shopping bags, 88% of people reported taking an eco-friendly reusable shopping bag with them when they go shopping (according to a survey conducted by Kao in December 2019).

In relation to new legislation in Japan that came into effect in July 2020, requiring consumers to pay for plastic shopping bags in shops, the Kao Consumer Research Center has posted hints on ways to look after eco-friendly reusable shopping bags, which are now being used more frequently, and to keep them clean, on the life information website (Japanese).

“eco together” with business partners

Recognizing that it is essential to collaborate with manufacturers that are producing materials, recycled

plastics, and packaging when developing and launching new packaging, we work together with a wide range of business partners.

“eco together” with society

Clean Ocean Material Alliance

We are participating in the Clean Ocean Material Alliance, which was established to encourage global initiatives for solving the ocean plastic waste problem. The Executive Advisor at Kao Corporation is chairman of the alliance, and Kao is taking a leading role among Japanese businesses.



Clean Ocean Material Alliance
<https://cloma.net/english/>

Japan Partnership for Circular Economy (J4CE)

The trend toward development of the circular economy is picking up speed throughout the world, and we are participating in the Japan Partnership for Circular Economy, which was established to strengthen collaboration between government and the private sector, with the aim of promoting an enhanced understanding of the circular economy among a wide range of stakeholders, including Japanese companies, and of promoting related initiatives. We provided case studies for inclusion in a collection of case studies, and our representatives were included in the panelists for a panel discussion held to accompany the official ceremony that marked the publication of the collection of case studies and the launching of the related website.



Japan Partnership for Circular Economy (J4CE)
<https://j4ce.env.go.jp/en>

Circular Partners (CPs)

A cooperative organization that is composed of members of countries, local governments, colleges, companies, trade associations, and relevant organizations and that engages in circular economy activities in an enterprising and pioneering manner. Members of CPs discuss and examine what action to take to realize a circular economy.

Package collection measures

Together with outside organizations, we are involved in recovering packaging, etc., discharged into the natural environment.

In October 2020, we signed a cooperation agreement with Wakayama City. To protect the ocean from pollution, including marine plastic waste, arising from land-based activities, we have undertaken surveys and collection of marine plastic waste that has accumulated at Tomogashima, Kataonami and Hamanomiya Beach. We are promoting research on reusing recovered marine plastic to make tables and chairs for oceanside facilities, and using it as a road strengthening agent on the oceanside cycling path. We are also engaging in unique clean-up activities for river and ocean waste and in the community.

Introducing cases at seminars on waste

In Japan, it has been reported that many incidents occur at waste treatment companies, which are caused by not providing sufficient information on the chemical substances to the contractor when contracting the waste treatment.

Therefore, we present cases at various seminars regarding waste with the aim of spreading our knowledge about past successful cases of improving communication with waste treatment companies, and

Zero Waste

identifying points of improvement in how we communicate information.

Thanks to these activities, there were again no incidents involving waste contracted for disposal from us in 2023.

Employees' opinions

Effort to collect used plastic packaging

Shinobu Hiramatsu

Packaging Technology Research,
R&D, Kao Corporation



Two major environmental challenges that Kao has been focusing on are decarbonization and zero waste. As a member of Packaging Technology Research, I have been collaborating with local governments and companies to establish a scheme to collect used plastic packaging and to promote the development of a technology for reusing it. Through this effort, I am acutely aware of the importance of individuals' and companies' awareness of recycling. I also believe that, aside from the establishment of a recycling technology, the construction of a recycling system is indispensable, and that it is impossible to achieve this goal only through Kao's efforts alone. Therefore, by collaborating with various stakeholders, I will continue to promote recycling in the entire society and industry, focus on the development of new environment-friendly containers, and aim to create a resource-circulating society.

Zero Waste

Stakeholder engagement

Masanobu Ishikawa

Specialy Appointed Professor /
Assistant to the President
Eikei University of Hiroshima



Kao's response to the views expressed last year

Kao has been actively promoting activities for collecting and recycling plastic containers and collaborating with various groups all over the country. We collected used refill packs and used them partially to produce recyclable refill packs for the first time, in collaboration with Lion Corporation. The products we sold this time were available in limited quantities, but we will continue our R&D so that we can continue to provide the refill packs as products.

The next step of this initiative is to ensure economic sustainability. To do that, a greater amount of plastic needs to be collected, and the cost of collecting, filtering, and storing the plastic needs to be reduced. We will address the challenges common to RecyCreation activities and other similar activities, and will seek solutions that provide significant value to the entire society.

Moreover, the asphalt modifier produced from collected PET bottles contributes to resolving environmental issues and reducing infrastructure maintenance costs, which helps us to create new value based on interface science—Kao's core competence. We will continue to aim to grow further as a leading company in initiatives for resource circulation.

Kao's activities are steadily advancing in FY2023. As the volume of collected materials increase, the collection and recycling activities of plastic containers in collaboration with various entities throughout Japan has been seeing an accumulation of experience regarding the deepening of cooperation, recycling, logistics, sorting technologies, and cost structures to pave a clearer path towards goals.

As a result of these activities, Kao has become the second organization to be approved (the first as a manufacturer) for the voluntary collection of plastic packaging under the Plastic Resource Circulation Act. As the first manufacturer approved under this system, both supervisory authorities and Kao invested significant amounts of time to obtain approval. However, as a result, we have been able to collect plastic packaging from Kao offices throughout Japan and obtain certification for the system in Kamakura that collaborates with the local government there. This process visualized the relationship between the cost structure of the real system to attain the goals under the Plastic Resource Circulation Act and the constraints of the existing legal system. This is important knowledge for Japan towards the shift of its future economic structure to a circular economy structure, and the organized dissemination of information for future discussions is required.

In addition to the (limited) sales of horizontal material products from the business for collecting refill pouches and horizontal material recycling, the main product bottle collection business has been conducting trials involving picking out target bottles

on a sorting line after separate collection at the municipality to confirm the feasibility of the technology.

The production of asphalt modifiers using PET bottles that are unsuitable for recycling as they are excessively soiled or the like being conducted, and the development and sales of products that quintuples the life of road paving through this is considered to be a great contribution on a global scale. In developing countries, there is a significant demand for road paving and obtaining high-quality recovered materials is difficult, making this initiative highly suitable.

The horizontal recycling of composite films and asphalt modifiers are both based on interface science—Kao's core competence. Kao shows that an arterial industry can create new value by focusing its core competence on resource recycling. I look forward to Kao shining brighter as a leading company that contributes to sustainability in its core business.

Water Conservation

GRI 303-1

Kao is promoting water conservation throughout the entire product lifecycle by providing products that have high water-saving benefits to protect future lives.

Social issues

Water is necessary to life for all plants and animals on the planet. All humans also need access to sustainable sources of sanitary water in order to maintain lives of cleanliness. In Japan, water used for washing apparently accounts for the largest share of total household water usage^{*1}. Given that water used by Japanese households when using Kao products accounts for around 15% of all household water usage in Japan^{*2}, we recognize that we have a big role to play within society in relation to water resource conservation.

Currently, problems including localized torrential rains and floods, chronic drought and related long-term dry conditions, are arising in many regions and are predicted to grow in severity due to future population growth and climate change.

In addition, water is a local resource, and consequently, for example, even when the same amount of water is taken from a river, there is a significant difference in terms of the impact on water resources between water taken in a water resource-rich basin and water taken in a water-stressed watershed. For this reason, when we undertake sustainable operation, we are aware that we need to take action both to reduce the company's own water risk and to give consideration to the local environment to address social issues and local residents.

^{*1} Water Resources Department, Water and Disaster Management Bureau, Ministry of Land, Infrastructure, Transport and Tourism

^{*2} Based on a survey conducted by the Kao Group

Policies

The product use stage accounts for around 90% of total lifecycle water usage for Kao products, with the raw materials procurement stage accounting for only around 10%. As one of Japan's leading manufacturers of consumer products, we are demonstrating leadership by actively rolling out new, water-saving products and striving to realize effective engagement with government bodies and suppliers.

We also continue to implement activities aimed at minimizing the negative impact on water conservation at every stage, from product development through to disposal.

More specifically, we are advancing our efforts in line with the following policies.

- Environmental Statement

We have expressed our determination to take advantage of our proprietary technologies to manufacture products that minimize the impact on the environment, not just in the manufacturing process, but in the daily life of the customers who use them as well. We are also determined to engage in 'eco together' with various stakeholders throughout the product lifecycle, from raw material procurement to final disposal.

- Basic Principle and Basic Policies on Environment and Safety

We have announced that we assess environment and safety aspects throughout the entire product lifecycle, from manufacture through disposal, when developing products and technologies, and to offer products with a lower environmental impact.

- Kao Group Responsible Care Policy

We have made a declaration that we will strive to develop technologies for products that consumers and customers can use with peace of mind, and to provide products that have a low environmental impact. We

shall strive to continue reducing the environmental impact of our business activities by promoting the saving of natural resources such as water.



Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

Kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>

Strategy

Risks and opportunities

Risks

If the populations in urban areas in the world keep growing and urban water infrastructure is unable to keep pace with urban residents' continually increasing demand for water, then residents may not have enough water to use, and it may be impossible to implement wastewater treatment properly. In this case, citizens' cleanliness and hygiene will be under threat. Furthermore, if the cost of municipal water supply rises, then plant operation costs will rise too, with a risk that this may lead to reduced profits. Plants need to act with consideration for the environment and residents of watersheds, and we believe that failure to do so will give rise to reputational risks among local residents and others.

Climate change is associated with an increased likelihood of new risks and opportunities related to infections. In 2020, the COVID-19 pandemic saw the emergence of new risks and opportunities, and water consumption increased throughout the product

Water Conservation

GRI 303-1

lifecycle, particularly during use. In such opportunities, there is a growing possibility that we may not be able to achieve our water reduction targets, and failure to achieve these targets risks damage to the company's reputation. Even though people's awareness of sanitation has been heightened, if drought occurs, there is a risk that they will not be able to perform cleaning activities adequately, and so will not be able to maintain the Kirei Lifestyle.

Opportunities

Because the rise in awareness of the need to save water and the need for cleanliness and hygiene, which has emerged in relation to climate change, is closely linked to our business areas, current developments also represent a significant opportunity for us. Continuous implementation of measures to reduce plant water consumption in response to the situations outlined above should lead to both cost reductions and increased profits.

Rising awareness of the need to save water will create opportunities for increased sales of water-saving products for washing clothes, washing one's body, etc. Furthermore, rising awareness of the importance of cleanliness and hygiene will generate opportunities for increased sales of all cleansing products.

Strategy

We recognize that water is not only an important raw material for producing Kao's products, but it also assumes an important role because Kao products that require water are used at home.

We believe that Kao products that require water should use as little water as possible. Accordingly, we continue to actively develop water-saving products based on innovation.

Approaches to reducing water consumption during production

We use water as a product ingredient as well as to clean and cool equipment at our plants. We set targets to reduce water consumption at each plant and are working to reduce water consumption and increase recycling based on the 3Rs (reduce, reuse and recycle).

Reduce

Multiple plants, including Kao Chemicals Germany, conduct efforts to increase the number of times that water is reused for boilers and for cooling to reduce their water consumption.

Reuse

Rainwater is collected and used to water green spaces at the Sumida Office, Kao Chemical Corporation Shanghai, and Fatty Chemical (Malaysia) Sdn. Bhd.

Recycle

Active recycling efforts, such as recovering steam and treating and reusing water that has been used in production processes, are being carried out at many plants.

Social impact

We aim to substantially improve water usage efficiency in all stages of the product lifecycle.

At our plants, we set targets and continue to aim for a reduction in water consumption. We believe that this contributes toward safeguarding the river basins (rivers and their sources) that are used to supply water to the plants.

As a good corporate citizen with strong roots in the community, we work actively to provide support for local residents and minimize the risk when their livelihoods are threatened by water risk.

We are also developing water-saving products, which we are rolling out globally, to reduce water consumption during product use. As we see it, in this way, even in areas where restrictions are placed on water consumption, consumers can continue to enjoy lives of cleanliness.

Also, from the point of view of ecological system conservation, we think that achieving water consumption targets for all Kao Group sites will contribute to the sustainable availability or supply of fresh water in the river basins where the water sources used by plants are located. Moreover, achieving targets for the amount of water used during product use and during the entire product lifecycle will reduce the burden of waterworks infrastructure maintenance, and reducing the amount of water used by consumers will lead to them paying lower fees for water and sewer services.

Contributions to the SDGs



Business impact

Achieving water consumption targets for all Kao Group sites will contribute to the sustainable availability or supply of fresh water in the river basins where water sources used by plants are located and the reduction of the burden of waterworks infrastructure maintenance, and will have a positive effect on conserving ecological systems. We believe that it will also contribute to the sustainability of our plants and lead to a stable product supply. Moreover, achieving targets for the amount of

Water Conservation

GRI 2-28, 303-1, 303-2

water used during product use and during the entire product lifecycle, as well as receiving consumer sympathy from all stakeholders for the use of water-saving products and our efforts toward water-saving that are not limited to drought areas and in times of disaster will lead them to choose our products and contribute to increased sales and the achievement of the Kao Group Mid-term Plan 2027 (K27).

* Source: Development Bank of Japan, The Water Supply Sector: Future Forecasts and Management Reform, 2017

Governance

Framework

Under the supervision of the Board of Directors, risk management in relation to water conservation issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to water conservation issues is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy. The Responsible Care Promotion Committee, which manages policy / regulatory regime and technology risks, and the Risk & Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The Risk Management & Responsible Care Committee of Corporate Strategy acts as the secretariats for the Responsible Care Promotion Committee and the Risk & Crisis Management Committee.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to water conservation issues. 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 in management strategy, and the ESG Promotion Meeting executes the strategies. Committee members are the persons in charge of the Business, Sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The Internal Control Committee, and the ESG Promotion Meeting that it supervises, discuss water and other environmental issues, as well as social and governance issues. The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.

In regard to employee education based on Responsible Care (RC) activities, we provide relevant education to all employees.

We implement relevant education for all employees working at applicable worksites at plants and research institutes that have secured ISO 14001 certification.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

As the product use stage accounts for around 90% of total product lifecycle water consumption, it is important to design products that contribute to saving

water. For this reason, we provide employees with numerous opportunities to learn about this.

By giving our employees opportunities to learn about water through various programs, we can ensure that they will actively engage in water conservation activities of their own accord when engaging in water conservation at plants or conducting R&D on water-saving products. This will raise the overall level of our water-saving activities.

Our employees are not only in a position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are among those who select such products. Therefore, it is important that employees also undertake measures to conserve water in their role as consumers. We have created an e-learning program containing the knowledge needed to implement the Kirei Lifestyle Plan in both English and Japanese, and we have been delivering water conservation-themed content to employees both in Japan and overseas since 2021.

Collaboration with stakeholders

We recognize that, in order to help consumers attain the Kirei Lifestyle, it is vital for us to deepen mutual understanding with various stakeholders and to collaborate with them.

As the water consumed at the stage of production impacts local communities, having good communication with local communities is vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

In order to solve water issues faced by countries and areas, we actively participate in programs organized by the central government, local government authorities, NPOs, and others. We play a leading role in

Water Conservation

GRI 303-1, 303-2, 303-3, 303-5

the Future of Washing Initiative, which is gathering wisdom from industry, academia, government and ordinary citizens across the boundaries of traditional business domains and academic fields, and discussing and proposing washing solutions for the future. We are implementing a water conservation campaign in China and are participating in the Water Project conducted by the Ministry of the Environment of Japan.

It is essential that suppliers in high water-risk sectors understand the need to improve their water management standards and to take appropriate actions. Through the CDP Supply Chain Program, we request that suppliers respond each year. We provide feedback on supplier assessment results in order to enhance the overall level of the activities undertaken by each supplier.

Consumer behavior needs to change in order to attain the Kirei Lifestyle. We provide opportunities for consumers to think about the Kirei Lifestyle through visits to museums or plants on the subject of the water that all of them use daily. For example, the Kao Eco-Lab Museum has displays that vividly indicate the amount of water for human needs.

Risk management

In the process of assessing risks and opportunities, the Corporate Strategy examines risks and opportunities anticipated at Kao, and conducts risk and opportunity assessments based on feedback from outside experts and staff in internal departments that are implementing initiatives. These are approved by the Internal Control Committee and ESG Managing Committee, respectively.

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk

Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and review measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

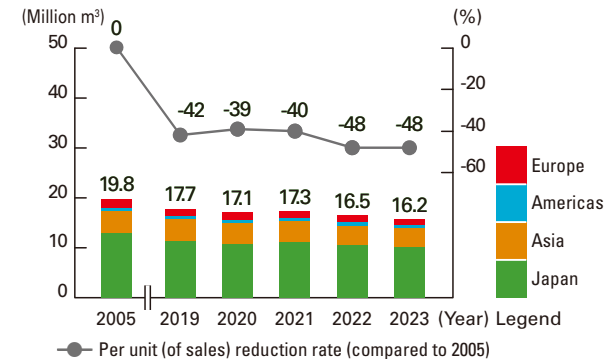
Mid- to long-term targets and 2023 results

2030 long-term targets

Item	Scope	Target for 2030
Water consumption (per unit of sales)	All Kao Group sites	45% reduction (compared to 2005)
	Across the entire product lifecycle for the Kao Group	10% reduction (compared to 2017)

At all Kao Group sites, water-saving is promoted on a daily basis in all activities, including production, research and operations. Besides providing water-saving products that help to save water across the entire product lifecycle, we also seek to spread awareness of the importance of saving water to all of our stakeholders.

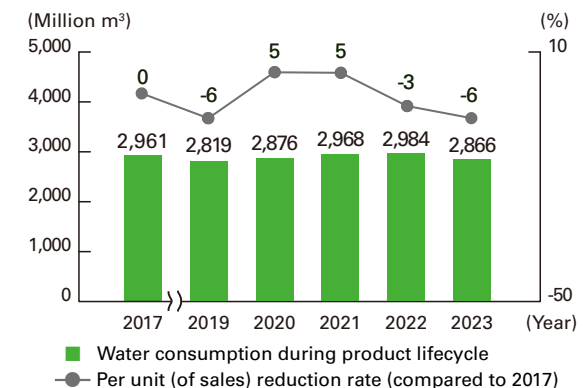
Water consumption (withdrawal) ☒ (all sites)



* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. From 2016 all non-production sites are included.

* Assurance provided for water use (withdrawal)

Water consumption trends throughout the product life cycle ☒ (Kao Group)



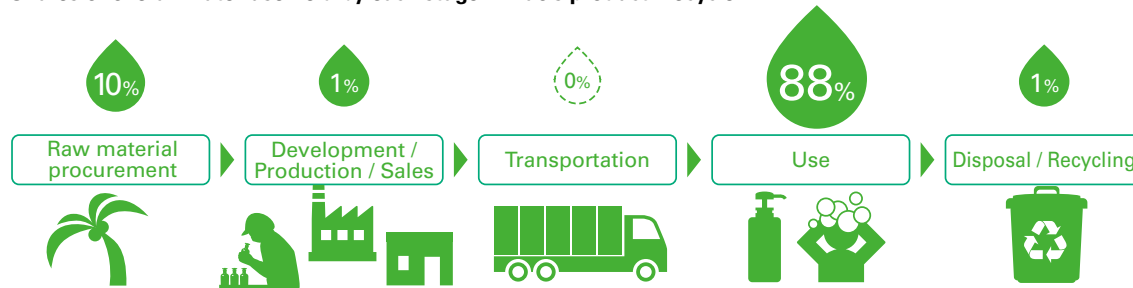
* "Water consumption throughout the product life cycle" is calculated as the combined total of the amount of lifecycle water consumption of individual products sold within and outside Japan (excluding use during production and distribution) multiplied by their annual sales quantity and the amount from the group's production and distribution processes. This amount includes water used for procurement in regard to chemical products but does not include water used in the use and disposal of such products.

* Assurance provided for water consumption and per-unit (of sales) % reduction rate

Water Conservation

GRI 303-1, 303-2, 303-3, 303-4, 303-5, 308-2

Shares of overall water use held by each stage in Kao's product lifecycle



Water withdrawal amount by source (Million m³)*1

☒ (all sites)

	2020	2021	2022	2023
Surface water	0	0	0	0
Brackish water / seawater	0	0	0	0
Rainwater	0	0	0	0
Groundwater (renewable)	5.1	5.4	5.4	5.5
Groundwater (not renewable)	0	0	0	0
Oil-contaminated water / process water	0	0	0	0
City water	11.8	11.9	11.1	10.7
Wastewater from other organizations	0.10	0.01	0.03	0.05

*1 Boundary: All Kao Group sites

Wastewater discharge by destination (Million m³)*2

☒ (all sites)

	2020	2021	2022	2023
Rivers / lakes	2.7	2.9	2.8	3.1
Brackish water / seawater	5.7	5.7	5.0	4.9
Groundwater	0.0	0.0	0.0	0.0
Sewage system	2.8	2.9	2.7	2.5
Wastewater to other organizations	0.0	0.0	0.0	0.0
Total	11.2	11.4	10.5	10.5

*2 Boundary: All Kao Group sites

Reviews of 2023 results

Our water consumption (all sites) came to 16.2 million m³, lower than in the previous year. The per-unit (of sales) reduction rate was 48%, which was the same as that of the previous year, and we achieved a reduction of 42%, well above the 2023 target. Water consumption at production sites with water intake risks came to 2.9 million m³.

Water consumption across the entire product lifecycle (for the Kao Group as a whole) decreased by 118 million m³ from the previous year. The per-unit (of sales) % reduction in for water consumption across the entire product lifecycle was 6 percentage points lower than in 2017.

Due to products being replaced by water-saving products, including single-rinse laundry detergents, the quantity of water used within a product lifecycle has been reduced. Unit water consumption has also decreased due to the impact of increased sales of price pass-through from higher raw material prices.

The challenge is to reduce water consumption during the use stage. We are working to further expand our water-saving products.

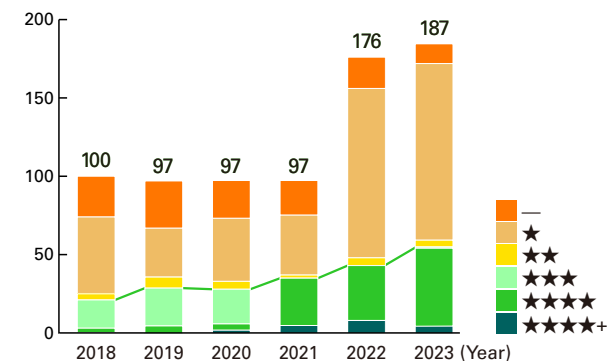
Main initiatives

Efforts in raw materials procurement

We began participating in the CDP Supply Chain Program in 2015 and we encourage suppliers in high water-risk sectors to work on improving their water management standards. More specifically, we ask suppliers to fill out the CDP questionnaire survey. We use our unique methods to evaluate suppliers' water management status, and we provide feedback on the evaluation results.

The 2023 survey results showed that the number of suppliers obtaining an evaluation of at least three stars had increased by 12 compared to the previous year, indicating that the overall supplier activity level had risen. On the other hand, the number of companies with a one-star rating increased 5 companies with the addition of 11 newly surveyed companies. We will continue to promote engagement in order to achieve a rating of three stars or higher.

Supplier activity level (Water)



Water Conservation

GRI 303-1, 303-2

Initiatives in production

Examples of 3R activities

Company name	Content
Kao Chemical Corporation Shanghai	Reduces its water consumption for the manufacturing of some products by reusing water from the reaction processes of other products
Kao Vietnam Co., Ltd.	Introduced a spray technique for washing and sanitizing tanks, resulting in reducing its use of water and steam
Kao Industrial (Thailand)	Returns overflow water to cool equipment to a pool for water to cool equipment to help eliminate unnecessary water consumption
Quimi-Kao, S.A. de C.V. (Mexico)	Concluded an agreement with the local community to receive treated water from the community's water purification plant. Reverse osmosis is employed to use sewerage effectively, and Quimi-Kao further purifies the treated water it has purchased and releases water left over from production into a river through the community's facility, thus contributing to local water recycling.

Water risk surveys for production sites

It is reported that changes in the amount of rainfall and the rise in sea levels caused by climate change are not the same around the world, differing between regions. According to the RCP 8.5 scenario, future average annual rainfall will increase in high latitudes and Pacific Ocean equatorial regions, and will decrease in arid mid-latitudes and subtropical regions during the period from 2080 to 2100. According to that scenario, the global average sea level rise will be 0.71 m during that period, with a range from 0.51 m to 0.92 m, a substantial difference.

Accordingly, we assessed water risks at worksites, plants and distribution sites, including mid- to long-term water risks.

For the initial screening, we determined site conditions (primarily confirming nearby rivers, coastlines, elevations and so on from the perspective of flooding and storm surges), performed checks using existing

tools (Aqueduct, hazard maps, etc.) and checked past examples (floods and other natural disasters in the past). Next, we used climate models to compare heavy rain, light rain and storm surge risks with the current climate (1951–2011) at sites identified in the initial screening.

The results indicated that light rain will occur at all sites at about the same frequency as under the current climate, and that heavy rain and storm surges will occur more frequently at some sites, and that flooding damage will be at about the same levels that we assumed until now.

There are several sites where a high level of drought risk is anticipated. We have been implementing quantitative evaluations of water resource risk in the drainage basins where these sites are located, using a methodology based on the CBWT^{*1} method. The results confirmed that the evaluation method used was effective. We are continuing our sequential quantitative evaluation and have identified several plants that are at higher risk. Going forward, besides expanding the scope of evaluation to include more sites, we will be evaluating preventive measures to prevent latent risks from being actualized, and evaluating countermeasures that can be adopted if risks are actualized.

^{*1} Context-Based Water Targets: Guidance for setting water-related targets in consideration of watershed conditions

Efforts during use

As water consumption in the product use stage accounts for around 90% of water consumption across the entire lifecycle, we are providing water-saving products and implementing consumer communication in regard to how to use these products properly.

In 2009 in Japan, we launched *Attack Neo* laundry detergent, which enables washing to be completed

properly with only one rinse cycle. The year 2019 saw the launch of *Attack ZERO*, which combines superb cleaning power and odor removal capability with zero detergent residues. Our products for front-load washers, which use less water, can also be used with just one rinse cycle. For *Attack ZERO Perfect Stick*, a laundry detergent in the shape of a stick, we made it possible to reduce the number of rinsing to one time, even though it is a powder detergent. Kao offers this laundry detergent in Japan, Taiwan and Hong Kong.

Through our Essential Research focused on foam, we have also succeeded in reducing the amount of water used when rinsing with other product categories too. In 2010 we launched *Merit Shampoo*, which uses 20% less water for rinsing than conventional products, followed in 2014 by *CuCute* dishwashing detergent, which also reduces the amount of water needed for rinsing by 20%, and in 2015 by *Magiclean Bathroom* cleaning liquid, which uses 10% less water for rinsing.

We also communicate ways to save water to consumers using a variety of approaches. For example, we have developed ecology shampoo techniques to use less water when shampooing hair, and we communicate these to consumers. Communicating ways to conserve water while offering water-saving products truly embodies “eco together,” the slogan of the Kao Environmental Statement.

Implementing education and activities based on “eco together”

Employees

- We hold guided tours of the Kao Eco-Lab Museum for our employees. (We have been conducting online tours for employees to prevent the spread of the COVID-19 pandemic.)

Water Conservation

GRI 303-1

Customers

- We exhibit on water conservation at the Kao Eco-Lab Museum.

Business partners

- We hold the Kao Vender Summit for important suppliers.
- We asked suppliers to complete the CDP questionnaire survey.

Local communities

- Many plants prepare annual environmental reports and communicate with local residents.

National and local governments

- We conduct a water conservation campaign in China.
- We participated in the Water Project conducted by the Ministry of the Environment of Japan.

Participation in the Nationwide Cleanliness and Water-saving Initiatives water conservation campaign for ten consecutive years

P82

Sustainable Lifestyle Promotion > *Yoki-Monozukuri* in plan and action and proposing activities and collaboration with stakeholders > China's Cleanliness and Water-saving Campaign

Employees' opinions

Using the rain, a sustainable water source in nature, to attain the Kirei Lifestyle

Stephanie Herlambang

Foundation Promotion, ESG Division,
Kao Corporation



In everyday life, rinsing is generally required at the end of a washing process. For that reason, to clean something, the water for rinsing must also be clean. Since I was little, I have often seen people washing clothes with dirty water from a river or lake in Jakarta, my hometown, and I always wondered if the clothes would become clean by washing with such dirty water.

Indonesia is located near the equator and is endowed with abundant water resources, but ironically lacks clean water. Due to such a water issue, many people are making some sacrifices in their lives in Indonesia. For example, some of them need to buy expensive water for daily life, go far to get water, or put up with the lack of clean water despite the health hazards.

To address this issue, I am thinking of collecting and purifying the rain, which is a sustainable water source in nature, and delivering clean water to people who are facing serious water problems. In doing so, I believe that people's washing environment and overall QOL will improve, and I hope that everyone will be able to make the Kirei Lifestyle a reality.

Water Conservation

Stakeholder engagement

Takashi Namiki

Leader of the Fresh Water Group,
WWF Japan



Kao focuses on efforts in the product use stage, which accounts for the most water consumption with products, and is promoting water conservation from the aspect of product development. Moreover, Kao pays attention to water withdrawal in watershed areas where water stress is high based on the fact that the impact on the water resource varies for the same water withdrawal from region to region, which I really appreciate.

What I expect from Kao in the future is to gather the results of the studies and examinations, which have already been conducted based on the understanding that water is a regional resource, and reflect them in the water conservation target.

In so doing, there are two points I want Kao to consider. One is to include raw material procurement areas in the scope of the study, and the other is to avoid focusing only on drought.

With regard to the first point, it is important to understand the extent of the water risk, including in production regions (both within and outside Japan) of specific crops and other plants used as raw materials of products. It is then important to survey the water

risk and incorporate clearly prioritized efforts into the strategy for achieving Kao's water conservation goal. Ensuring traceability will be difficult when including raw material procurement areas both within and outside Japan. However, I want Kao to proceed with its risk investigation and reflect the results in the water conservation strategy.

As for the second point, people tend to focus on drought when talking about water risks, but I want Kao to pay attention to other risks, too. For example, the contamination level becomes relatively high in regions that often suffer from droughts, meaning that such areas tend to become severely polluted. When developing a goal, I think it is also important to focus on the multifaceted nature of water risks and reflect it in the goal.

I also expect Kao to promote its efforts in the field, including the management of water resources, measures for pollution control, and freshwater ecological system conservation, by considering the perspective of watershed areas. To produce the healthy water needed for business, all we need is to connect water, from upstream to downstream, as well as the natural environment. Kao should choose sites that it will take care of from the entire watershed area that nurtures the gift of nature, and work together with companies, governments, scientists, NGOs, and local communities to solve various water risks.

Such collective action in watershed areas with a variety of stakeholders is growing, especially among

Western companies, and it is becoming an important element for water conservation, which also contributes to the conservation of valuable natural environment in watershed areas.

I look forward to seeing Kao carry out its mission in watershed areas that are important for Kao, Kao products, and nature.

Air & Water Pollution Prevention

We will protect human health and the natural environment by preventing substances from being released into the water and air through the manufacture and use of our products.

Social issues

Air pollution, water pollution, and soil contamination can have a significant negative impact on human health, on agricultural crops and other plants, and on ecological systems.

Atmospheric pollutants such as nitrogen oxides (NOx), sulfur oxides (SOx), particulate matter (PM) and volatile organic compounds (VOCs) are known to increase the prevalence of pulmonary diseases such as asthma. Most atmospheric pollutants derive from the burning of fossil fuels or the usage of organic solvents. Worldwide, around 8.8 million people die prematurely each year because of atmospheric pollution. In Europe alone, the figure is believed to be over 790,000 (according to a study by the University of Mainz in Germany). At the same time, in recent years there has been a trend for indoor spaces to be made as airtight as possible in an effort to make homes more energy-efficient. As a result, chemical substances in indoor spaces remain in those spaces for long periods of time, and their concentration levels rise. A report (by Yokohama National University in Japan) suggests that this can have a negative impact on human health.

The vast majority of living organisms, including human beings, cannot live without water. Humans also need access to sanitary water in order to maintain lives of cleanliness. The main causes of water pollution are various substances contained in wastewater from plants and household sewage.

Negative impacts on human health resulting from soil contamination include the effects of both direct contact with polluted soil by touching it or eating it and indirect contact by using groundwater that has been polluted with harmful substances that have leached out

from polluted soil. Significant characteristics of soil contamination include the fact that, once soil contamination starts to occur, harmful substances can accumulate in the soil over a long period, and the fact that people are less likely to be aware of soil contamination than they are of air pollution and water pollution.

Policies

To create a Kirei life for all, besides conducting our business activities in a way that does not impose negative impacts, we also aim to collaborate with stakeholders to address pollution that has already had negative effects, and to restore things to a sustainable state.

We utilize a wide range of chemical substances in our products, from home-use products to industrial products, and we continue to implement activities to minimize the negative impacts of chemical substances at every stage, from development to post-use disposal.

Specifically, our efforts are guided by the following policies.

- Basic Principle and Basic Policies on Environment and Safety

We undertake to offer products with a lower environmental impact by assessing environment and safety aspects throughout the entire lifecycle of the products, from manufacture through disposal, when developing products and technologies.

- Kao Group Responsible Care Policy

We declare that we will strive to develop technologies for products that consumers and customers can use with peace of mind, as well as endeavor to provide

products that have a low environmental impact, and that we shall strive to continue to reduce the environmental impact of our business activities by disposing of wastewater and waste gas appropriately.

- Environmental Statement

We hereby declare our commitment: Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but at the usage stage as well. From raw materials procurement to final disposal, we want to engage in 'eco together' with various stakeholders throughout the product lifecycle.



Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

Kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>

Air & Water Pollution Prevention

Strategy

Risks and opportunities

Risks

Item		Content
Risks	Transitional risk	Policies, laws and regulations <p>Various policies and legal restrictions on air and water will be enacted, and management costs may increase to comply with them. Investing in better facilities and developing new technologies to comply with policies and regulations will mean higher equipment and operating costs, which could negatively impact our profitability.</p> <p>Additionally, the delayed production schedule could negatively impact sales if national and local governments are urged to pass restrictions on operations due to the state of air pollution in areas where our plants are located and the state of water pollution from plant wastewater discharged in public water.</p> <p>Examples of possible policy or regulatory restrictions</p> <ul style="list-style-type: none">• Air pollutant regulations• Regulations on substances depleting the ozone layer• Plant wastewater regulation• Regulation of use of chemical substances in products• Product labeling programs for environmental performance or chemical substance
		Technology <p>Increasing research and development expenses to address the risks posed to air and water quality will mean higher operating costs, which could negatively impact our profitability. Furthermore, there is a risk that sales growth will not be achieved in the event of failure of technological development.</p>
		Markets <p>When regulations on air pollutants are tightened on a national or regional level, demand for chemical products that contain few or no substances causing air pollution (such as organic solvents) increases, whereas sales for conventional chemical products are at risk of decline.</p> <p>When regulations on water pollutants are tightened on a national or regional level, demand for professional-use products that contain few or no substances causing water pollution (such as alkali) increases, whereas sales for conventional professional-use products are at risk of decline.</p> <p>Sales could be negatively impacted if technological capabilities for products in development are not on par with market demands.</p>
		Reputation <p>Our brand owner's reputation is at risk of decline due to the so-called fragrance pollution from scents in fabric softeners and others.</p>
	Physical risk	Acute <p>Our plants may suspend operations and be unable to continue manufacturing products due to air pollution from forest fires or water pollution from oil tanker accidents. Similar conditions at suppliers' plants could make it impossible for us to procure raw materials, leading to the risk of not being able to continue manufacturing products. There is also a risk that supply chains, from suppliers to our plants, and from our plants to our customers, could be interrupted. These risks would negatively impact sales as we would no longer be able to supply our products to the market, and if such risks actually materialized, would require special measures at additional cost, thus reducing our profits.</p> <p>In addition, if large-scale air and water pollution significantly restrict the lives of consumers, consumption might fall, which would negatively impact sales.</p>
		Chronic <p>There is a risk that production may be unable to increase at the rate required for future growth due to our plants or supplier's plants being located in areas where air and water pollution are likely to become more severe.</p>

Opportunities

Opportunities	Resource efficiency	Optimizing logistics and reducing the empty running distances for trucks will curtail emissions of air pollutants and lower transportation costs, which would lead to improved profits.
	Products, services	PM, a type of air pollutant, not only has health consequences but, in terms of beauty, it can also cause dull skin. Coal-fired power generation is expected to decline, decreasing the amount of PM in the atmosphere in the medium to long term with the objective of reducing greenhouse gas emissions. However, it is expected to take some time for PM to disappear from all regions around the world, which presents an opportunity for products that respond to PM in the Health & Beauty Care business and the Hygiene & Living Care business.
	Markets	In the industrial sector, there are opportunities for chemical products that reduce organic solvents and dust causing air pollution at <i>Genba</i> . Many of our products are discharged into the water environment after use. Surfactants powerful enough to reduce the usage of surfactants and alkali-free professional-use detergents offer an environmental value that improves water environments.
	Resilience	The manifestation of air pollution caused by PM presents increased sales opportunities by attracting attention to consumer products that respond to PM. Strengthened regulations on organic solvents and dust at <i>Genba</i> present an opportunity to expand demand for chemical products that comply with such restrictions.
		Ongoing measures for air pollution and wastewater pollution at plants help increase our resilience to issues with air and water quality in terms of product manufacturing. In addition, the resilience of our businesses needs to be improved with activities suggesting new products by predicting consumer trends based on consumer feedback from the last 60 years or more and a database built over more than 40 years.

Air & Water Pollution Prevention GRI 303-2

Strategy

We are implementing activities to prevent air and water pollution at our manufacturing sites. In the event that environmental pollution from any of our sites is detected, we may be forced to halt production activities, so activities that prevent environmental pollution are essential for business continuation. It is also important to develop products that do not lead to environmental pollution when used.

We are working to prevent air pollution and water pollution in the areas near Kao's production plants by reducing emissions of atmospheric pollutants such as NOx, SOx and volatile organic compounds (VOC) from our plants and reducing organic matter and other substances in wastewater discharged from our plants, by complying faithfully with the relevant laws and regulations in each country and region in which we operate, and by setting reference values that are even more rigorous than those required by law to strictly manage pollutants.

In relation to air pollution, our Chemicals Business offers various products for dealing with these issues in order to help maintain the health of working people around the world.

To ensure the groundwater used by locals is not polluted, we periodically survey the soil conditions at each plant for water pollution.

Additionally, we propose various products to help prevent water pollution in all our business units for household, professional-use and chemical products.

Social impact

Disclosing VOC and COD emissions pertaining to our business activities, and engaging in an ongoing dialogue

about this, will improve communication with the residents around our plants and lead to reduced reputational risks concerning these emissions throughout society.

Contributions to the SDGs



Business impact

Disclosing VOC and COD emissions pertaining to our business activities will improve the transparency of occupational safety activities and anti-pollution measures, as well as corporate credibility.

In addition, increased loyalty and higher product sales will follow once stakeholders recognize our initiatives to prevent environmental pollution and understand their value.

The fact that Kao products are likely to be needed to maintain cleanliness in areas where environmental pollution and hygienic conditions are a challenge will also contribute to increased sales.

Governance

Framework

Risk management in relation to climate change issues 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.

The Responsible Care Promotion Committee, which manages policy / regulatory regime and technology risks, and the Risk & Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The Responsible Care Promotion Committee meets twice a year to report on and discuss compliance with laws and regulations, the status of CO₂ reduction and other matters. It also sets targets for the following year.

P25 Our ESG Vision and Strategy > Governance

P301 Responsible Care Activities > Governance

Education and promotion

We recognize the importance of giving our employees who handle chemical substances a variety of opportunities to obtain knowledge about the impact our business activities and products may have on the quality of air and water, and to voluntarily and actively engage in pollution prevention activities. We have created many opportunities for employee education accordingly.

Employees are responsible for air and water pollution prevention activities at the plant, as well as research and development of low-VOC and highly biodegradable products. Strengthening employees' air and water quality awareness helps to enhance the

Air & Water Pollution Prevention GRI 303-2, 303-4, 305-7

overall level of our activities in this area. Furthermore, employees are also consumers, and in their role as consumers it is important that they take steps to prevent air and water pollution.

Specifically, we conduct environmental education including air and water pollution prevention for all employees as part of our Responsible Care (RC) activities. We also provide education encompassing the importance of legal compliance pertaining to air and water pollution to all employees working at plants and research institutes that have obtained ISO 14001 or RC 14001 certification.

Collaboration with stakeholders

We recognize that, to help consumers realize the Kirei Lifestyle, we must deepen mutual understanding with a wide range of stakeholders and collaborate with them.

As the substances generated by our production activities that lead to air and water pollution affect local communities, clear and open communication with them is crucial. Many of our plants compile an annual environmental report, and communicate with local residents.

The emission of substances linked to air and water pollution pertaining to our business activities is regulated by government agencies. We have established our own voluntary management criteria, which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants. Additionally, we continue to conduct water quality surveys not as a single company but as an industry group.

Logistics initiatives are also required to help make improvements in air pollution. As such, we are taking

part in programs established by the Cabinet Office in collaboration with other companies in this industry.

Consumer behavior also needs to change in order to attain the Kirei Lifestyle. We provide opportunities for consumers to think about the Kirei Lifestyle through visits to museums or plants on the subject of the water that all of them use daily. For example, the Eco-Lab Museum has displays on household sewage and wastewater treatment.

Risk management

Regarding the process of assessing risks and opportunities, the Risk Management and RC Promotion examine risks and opportunities anticipated at Kao and conduct risk and opportunity assessments based on feedback from outside experts and staff in internal departments that are undertaking initiatives. These are approved by the Internal Control Committee and ESG Managing Committee, respectively.

Integration into corporate risks

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and review measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

Metrics and targets

Mid- to long-term targets and 2023 results

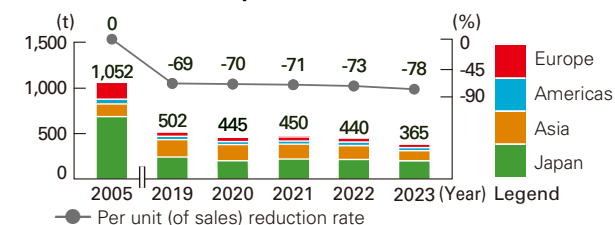
2025 long-term targets

Item	Scope	Targets for 2025
% of plants which disclose VOC and COD emissions	All Kao Group sites	100% disclosure

2023 results

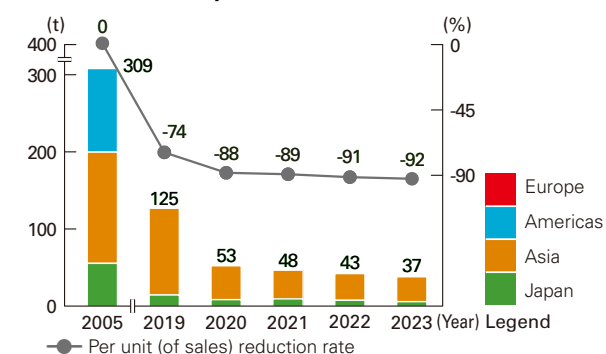
* Per unit of sales was calculated based on Japanese GAAP in FY2005, and based on International Financial Reporting Standards (IFRS) from FY2017 onwards.

NOx emissions ☒ (all production sites)



* Assurance provided for NOx emissions

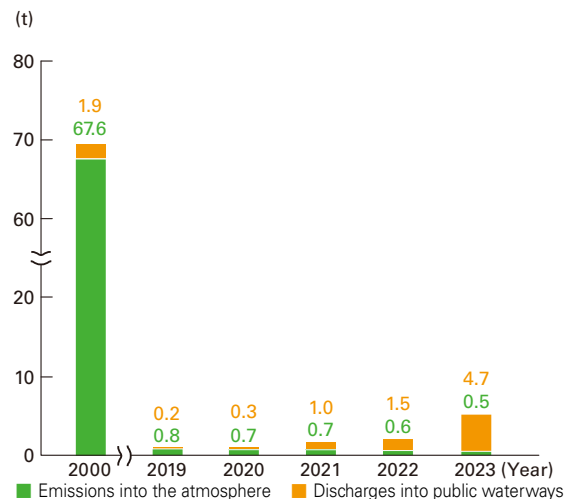
SOx emissions (all production sites)



Air & Water Pollution Prevention

GRI 303-2, 303-4, 305-7

Total emissions of chemical substances subject to the PRTR system



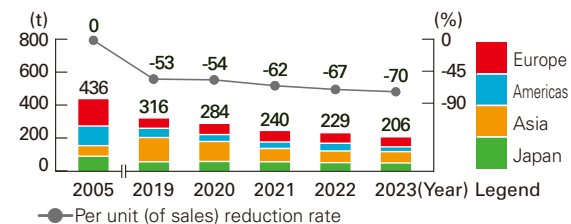
Emissions of volatile organic compounds (VOCs)

Although we have no facilities subject to the VOC emission regulations provided in the Air Pollution Control Law, we work to voluntarily cut VOC emissions.

For the 100 VOC substances defined in the notice issued by the Director General of the Environmental Management Bureau, Ministry of the Environment, we set voluntary targets on the annual atmospheric emissions from each plant for each substance (5 tons or less in 2005, 3 tons or less in 2009, 1 ton or less in 2010), conducted emission reduction activities and accomplished our targets. We are managing VOC emissions with the current target of maintaining our activities.

Plants of the Kao Group in Japan handled 30 types of VOCs in quantities over 1 ton in 2023, with total emissions into the atmosphere of 5.0 tons ☒.

COD pollution load ☒ (all production sites)



* The amount of COD pollution load for wastewater entering sewage systems takes into account the removal rate from sewage systems.

* Assurance provided for COD pollution load

Compliance with environmental legislation

In 2021, there was a failure to install sufficient gas detection equipment at Kao Huludao Casting Materials Co., Ltd. (fine of 542,000 yen), a failure to report the designated manager (fine of 1,444,000 yen) at the same company, and an exceedance of hydrogen sulfide limits at Kao USA Inc. (fine of 1,192,000 yen).

There were no deviations from environmental laws and regulations in 2023.

Compliance status with environmental laws and regulations

Classification	Unit	2020	2021	2022	2023
Number of deviations*1	Cases	4	3	0	0
Of which, number of leaks	Cases	1	0	0	0
Total fines*2	1,000 yen	607	3,178	-	-
Of which, number of leaks	1,000 yen	460	0	-	-

*1 All incidents detected by authorities during the reporting period

*2 Fines paid during the reporting period

Main initiatives

Initiatives to prevent air pollution

Efforts at plants

Compliance with laws and regulations

The volume and density of pollutants emitted into the atmosphere are regulated by government agencies. We have established our own voluntary management criteria, which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

Using cleaner fossil fuels

As the burning of fossil fuels is accompanied by the emission of NOx, SOx, PM, etc., we use natural gas, which is a clean fossil fuel, at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

Reducing emissions of chemical substances subject to PRTR

We began activities in this area by setting a voluntary target for annual emissions of one ton or less for each substance from each plant in FY2000. We achieved this target in FY2002. Since then, we have continued to achieve this voluntary target, excluding leaks of chlorofluorocarbon and similar emissions.

Since the chemical substances subject to the PRTR Law were changed in April 2023, we have not been able to compile data on the volume of chemical substances handled, emissions, etc. for the full year of 2023. During the nine-month period from April to December, there were 130 target chemicals handled in quantities of one ton or more, with a total discharge to the atmosphere and public waters of 5.3 tons. In addition, we are voluntarily monitoring and controlling releases and transfers (in the same way as would be done for chemical substances subject to PRTR) of chemical

Air & Water Pollution Prevention GRI 303-2

substances that the Japan Chemical Industry Association has specified as being subject to voluntary surveys.

Reducing emissions of VOCs

Our production plants outside Japan include some plants where it has not been possible to monitor VOC emissions or where the emissions are relatively high. We are working to monitor and reduce VOC emissions at these plants.

Initiatives taken in relation to logistics

Smart Logistics in partnership with Lion Corporation

Participating in the Strategic Innovation Promotion Program (SIP) promoted by the Cabinet Office, we started two-way transportation and retail between Kao and Lion Corporation in October 2020. This new initiative will achieve shorter empty running distances for the trucks by comparison with conventional transportation and retail methods, and is expected to result in a 45% reduction in atmospheric pollutants emissions for both companies combined.

Initiatives taken in relation to our products

LUNAJET water-based pigment inkjet ink

Using the pigment nano-dispersion technology that we had previously developed, we successfully developed *LUNAJET*, the world's first water-based pigment inkjet ink, featuring a VOC-free design^{*1} which ensures that only very small quantities of VOCs are emitted during printing operations, thereby helping to prevent air pollution and also making a major contribution toward improving the working environment of printing workers. We also confirmed that this water-based pigment inkjet ink technology can be applied to water-based gravure-printing ink.

^{*1} VOC-free design: "VOC-free" is defined as emitting less than 700 ppmC (in carbon conversion terms) of VOC during the printing process.

VOC: General term for organic compounds that are volatile and become gaseous in the atmosphere. In Japan, VOC emissions are regulated by the revised Air Pollution Control Law.

Visco Top UT thickener for concrete spraying construction

We developed and then launched full-scale sales for *Visco Top UT* thickener, which significantly decreases dust generated when spraying concrete for mountain tunnel construction. *Visco Top UT* is able to substantially reduce the amount of dust generated even when using a powder accelerator, which tends to stimulate dust dispersion. With only half as much thickener as would be needed with a conventional dust reducer, the dust concentration level can be reduced to 2 mg/m³ or less (as recommended by the new dust guidelines that came into effect in April 2021). This is registered in NETIS^{*2}, the new technology provision system (Number: KT-200035-A) and is anticipated to be utilized in the various tunnel construction commissioned by national and local governments.

^{*2} NETIS: Database system operated with the objective of the Ministry of Land, Infrastructure, Transport and Tourism sharing and providing information on new technologies

Initiatives to prevent water pollution

Initiatives taken in relation to product development

In product development, we take into consideration the impact that wastewater after product use may have on the water environment. More specifically, we have investigated the biodegradability of raw materials that may be discharged into the environment and their impacts on common aquatic organisms using river water

and activated sludge used at wastewater treatment plants. Through this investigation, we are actively promoting the development and use of raw materials with reduced environmental impact. We also plan to use AI and other technologies to investigate chemical substances that are highly environmentally conscious.

Efforts at plants

Compliance with wastewater-related laws and regulations

The volume and/or density of pollutants discharged into rivers, the ocean and sewage systems are regulated by government agencies. We have installed wastewater treatment facilities at many of our plants, which are maintained at a high level and properly treat plant wastewater before being discharged outside the plant. We have established our own voluntary management criteria, which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

Surveys of groundwater and soil contamination

In light of our past history of chemical substance use, every year we voluntarily measure the level of substances regulated by environmental standards in the groundwater within plant premises.

Initiatives relating to wastewater after product use

We are focusing on understanding the actual situation in relation to wastewater discharge after product use and we are conducting our own field surveys on an ongoing basis, such as environmental monitoring of river water to get an idea of the ecological risks of chemical substances.

To respond to globalization, we collaborate with experts to verify the effectiveness of mathematical

Air & Water Pollution Prevention

models and develop new models for monitoring environments outside Japan and predictions of chemical substance concentration in rivers, aiming to ensure our business activities are environmentally conscious of the local environment. Recently in Japan, we have been analyzing in detail the impact of chemical substances on the ecosystem using data gathered from ecological monitoring and the river environment.

We are also participating in environmental monitoring that has been undertaken by the Japan Soap and Detergent Association (JSDA) since 1998. Currently, we assess the environmental risks posed to the ecological system targeting four major surfactants in municipal rivers (measured four times a year at seven sites in four rivers). The results of the surveys conducted so far show that these surfactants have consistently low risks to aquatic organisms.

Initiatives taken in relation to our products

Visco Top high-performance specialty thickener

When undertaking civil engineering work near water (for example, on riverbanks or on the coast), it is vitally important that measures are taken to protect the water from being contaminated. In the case of bridge pier



Without the addition of
Visco Top



With the addition of
Visco Top

construction for long bridges or suspension bridges that cross ocean straits, because the piers are actually built in the river water or seawater, special underwater concrete that has high viscosity and is resistant to washout is used. Furthermore, when construction is undertaken near underground watercourses, care must be taken not to contaminate the groundwater. In this kind of water-related environment, thickening agents must be added to inorganic materials such as grouting materials and concrete to enhance water-immiscible properties.

We have developed *Visco Top*, a high-performance specialty thickener that provides unprecedented viscosity for grouting materials and concrete, and makes it possible to undertake construction work without polluting the riverine or ocean environment. *Visco Top* has also been used in the removal of high-concentration contaminated water from trenches at the Fukushima Daiichi Nuclear Power Plant.

Smash alkali-free professional-use detergent

Alkali detergent used for hard-to-remove kitchen stains must adjust (neutralize) its pH when the cleaning liquid is discharged to prevent water pollution, while mild cleansers without alkali generally do not have sufficient cleaning effects.

Smash, the newly debuted kitchen oil stain detergent, works safely with a neutral formula that has the same cleaning power as an alkali detergent, and contributes to preventing water pollution with its gentle ingredients



Smash kitchen oil stain detergent

Air & Water Pollution Prevention

Employees' opinions

Actions for the reduction of Air pollution in KCSA

Veronica Estevez

Engineering & Maintenance
Engineering
Kao Corporation S.A. (Spain) (KCSA)



KCSA has several facilities in its chemical plants where the reduction and control of pollution are very important to achieve our goals of improving society, economy and the environment. Different projects have been carried out in from 2019 to 2023 to reduce air pollution in several processes.

- Reduction of VOCs: In the Olesa factory, to make the first step in starting reduction and control, there was a need to carry out a detailed study of all emissions sources while adjusting operation conditions to make improvements to depressurizing, vacuuming and condensation. Nevertheless, to reach the very low limits required by the government (20 ppm) it is

necessary to complement all these actions with special emissions treatment systems, using Regenerative Oxidation Plants or Thermal Oxidation plants featuring heat recovery systems with continuous monitoring for the government. With these facilities, we were able to reach values below 15 ppm.

- With a regenerative plant installed in 2019, we have reduced emissions of Aroma Plants (MDJ-1, Boisambrene and Ambroxan) by 99.3% and average emission values have been around 14 mgC/Nm³. This year, with the construction of the MDJ-2 Plant, H₂ and VOC emissions are connected to a new Thermal Oxidation plant with a steam boiler to recover heat from combustion gases. Through this, we have achieved a reduction of 99.99%, with emission values below 1 mgC/Nm³.
- Reduction of solid particles: At our factory in Santiga, the manufacturing of toner for printers generates solid particles of very small size, which results in a larger amount of generated dust, as well as greater internal and external air pollution. To reduce external

emissions from 240 mg/Nm³, it has been necessary to modify gas transport facilities to decrease gas velocity, as well as to improve filtration operation and cleaning. In addition, high efficiency filters have been installed at the outlets of existing filters. After executing all these improvements, we have achieved an emission value of 2.6 mg/Nm³, marking a reduction of 99%.

Several measures have been taken in order to improve the air conditions inside our Toner Factory and the health of our workers. We have been able to reduce internal emissions by modifying our filling stations with systems that perform better in the filling process and automatizing material recovery with automatic recirculation systems.

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Stakeholder engagement



Kenji Furukawa

Professor Emeritus,
Kumamoto University

Assessments of and expectations for Kao's initiatives on prevention of air and water pollution

Kao considers environmental conservation and human safety in its corporate activities, and is actively working to realize a society capable of sustainable development through providing products that have a small environmental impact. These efforts have led to high praise from the CDP, an environmental NGO, and Kao has established itself as a global frontrunner in terms of environmental consciousness. The following comments on Kao's efforts to prevent air and water pollution are based on its publicly available Sustainability Report and collection of environmental impact data.

1. Initiatives to prevent air pollution

Kao is working to reduce CO₂ emissions from its own business sites, aiming for carbon zero by 2040 and carbon negative by 2050. It is noteworthy that CO₂ emissions from domestic plants have decreased in many plants compared to last year. However, CO₂

emissions from plants depend on changes in production volume, production processes, and production items, so I would like to see a statement on this point. SO_x and NO_x emissions from the combustion of fossil fuels used are steady at the current level, perhaps due to limitations in the performance of exhaust-gas treatment equipment. In particular, the majority of NO_x emissions come from the Wakayama Plant and are in urgent need of reduction. I would like to see measures to diversify the fuels used in plants, including the use of solar power generation at plants using available spaces such as vacant lots, parking lots, and building walls, and the use of clean fuels such as green hydrogen and ammonia.

With regard to reducing CO₂, the CDP also calls for Scope 3 (downstream) reductions. Since Kao has concluded a logistics agreement with Lion and has begun pioneering efforts (smart logistics) aimed at improving truck transportation productivity and reducing CO₂ emissions, I look forward to the fruits of these efforts.

Kao voluntarily discloses emissions of volatile organic compounds (VOCs) from its domestic plants and dioxin emissions from waste incineration, which is commendable.

Kao operates 30 plants outside Japan. While the company is endeavoring to grasp the CO₂, SO_x, NO_x, and VOC emissions from these plants, there are still some plants that have yet to pin down their emissions. I hope that Kao will make diligent efforts to understand the situation and take proactive steps to reduce them.

2. Initiatives to prevent water pollution

COD emissions from Kao's wastewater treatment facilities at its domestic plants discharged into public waters are properly treated to low levels, with the exception of Kashima and Wakayama Plants and Kao Paper Manufacturing Fuji Co., Ltd. The Kashima and Wakayama Plants and Kao Paper Manufacturing Fuji Co., Ltd. use large amounts of water, so it is inevitable that their COD loadings are high, but the COD loadings at the Kawasaki and Odawara Plants, which also use large volumes of water, are not that high. Therefore, Kao needs to review COD emissions from the Kashima and Wakayama Plants, as well as at Kao Paper Manufacturing Fuji Co., Ltd., including the re-examination of wastewater treatment methods.

Both water use and COD emissions at plants outside Japan are either maintained at current levels or on a declining trend, but I would like Kao to pursue water conservation at plants with high water use.

3. Sludge volume reduction

Surplus sludge generated from wastewater treatment is mainly incinerated at Kao. However, incinerator operation not only requires auxiliary fuel, but also proper exhaust gas treatment.

If the amount of surplus sludge generated from wastewater treatment can be reduced, the cost of surplus sludge treatment (dewatering and incineration costs) can be significantly reduced. Kao plans to maintain a stable low BOD-SS load and thereby reduce surplus sludge generated by immobilizing activated sludge, which plays a major role in wastewater treatment, on carriers. Kao has

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completed a study of wastewater suitable for the treatment of activated sludge, with the aim of establishing a food chain in activated sludge that can support even *Tubifex*. I hope that a cost-effectiveness study will be conducted soon and that a wastewater treatment method that can reduce surplus sludge will be introduced as soon as possible.

4. Expectations for Kao

Summer 2023 was the hottest summer in recorded history. With the achievement of the “pursuit of efforts to limit the increase in global average temperature to 1.5 degrees Celsius” adopted at COP26 in extreme jeopardy, companies are required to promote decarbonization management more than ever before. As evidenced by the EU’s plan to introduce an international carbon tax starting in 2026, there is an urgent need for companies with global operations to carry out initiatives for decarbonization. Kao, which is highly regarded worldwide for its environmentally conscious corporate management, is expected to set an example for decarbonized management. I want Kao to promote sustainable ESG-driven management, which is a departure from ROE-driven management, more than ever before. Nevertheless, corporate management cannot stand still if products do not sell. I expect Kao to promote product development and marketing based on demographic composition and market needs, leading to sustainable ESG-driven management through the development of reliable products.

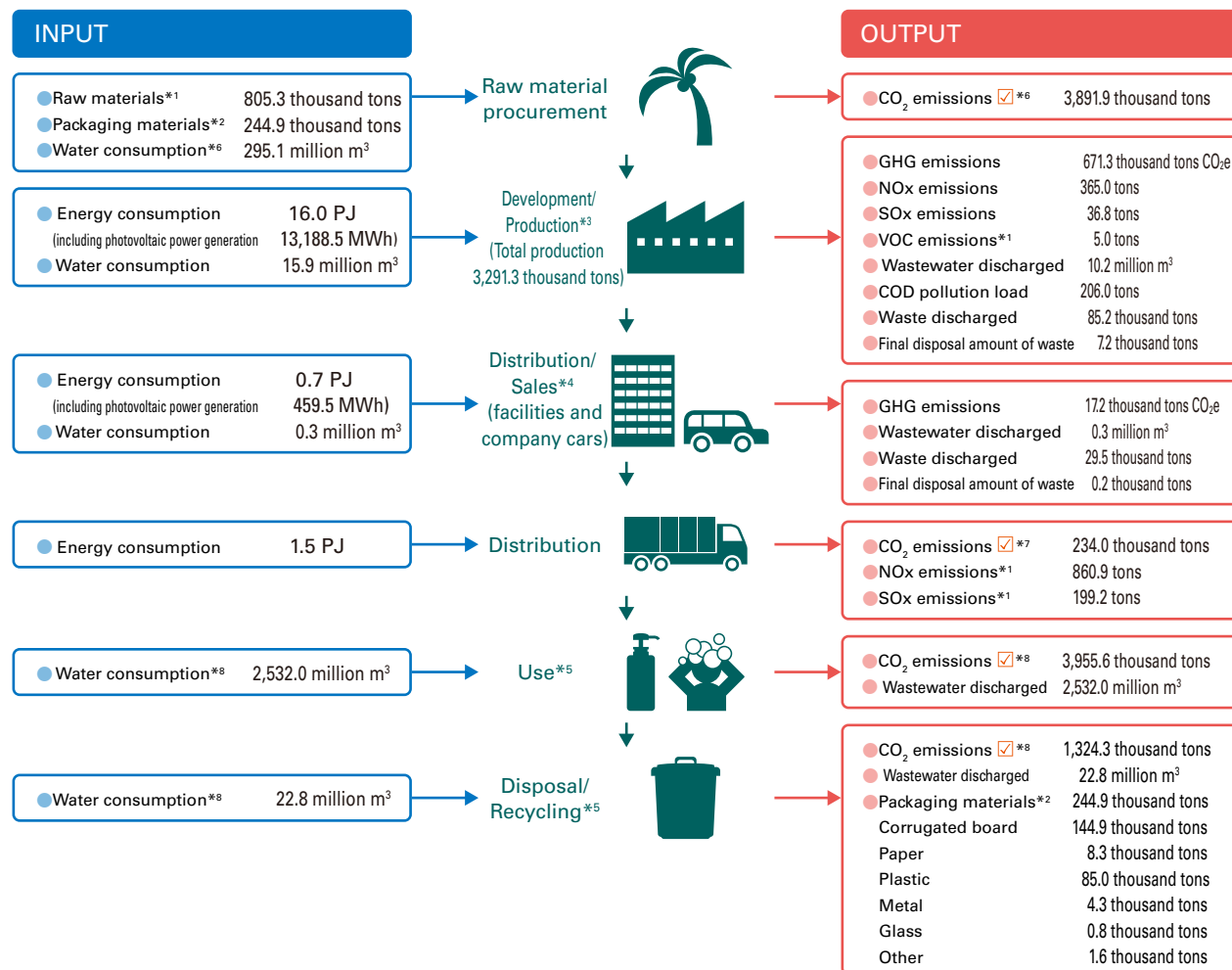
Our ESG Vision and Strategy	Realization of the Kao Way	Making My Everyday More Beautiful	Making Thoughtful Choices for Society	Making the World Healthier & Cleaner	Walking the Right Path	Our Foundations	Appendix
Our Priorities -Kirei Lifestyle Plan-							

Product Lifecycle and Environmental Impact

GRI 301-1, 302-1, 303-3, 303-4, 303-5, 305-1, 305-2, 305-3, 305-7

Kao is pursuing efficient resource utilization across the product lifecycle, as well as technologies to achieve further savings of natural resources and energy conservation.

2023 business operations and environmental impact



Scope of calculations

- *1 Kao Group in Japan
- *2 For consumer products excluding cosmetics and human health care. Calculated by multiplying the amount of packaging used per product by annual sales in FY2023
- *3 All production sites
- *4 All non-production sites (including Training Centers, company dormitories, etc.)
- *5 Consumer products
- *6 Calculated by multiplying the per-unit CO₂ emissions and water usage in the raw materials production stage (excluding Kao Group manufacturing processes) by the annual sales number of consumer and industrial products in FY2023
- *7 The scope is consumer products and industrial products. Figures for Japan are calculated based on the Energy Conservation Act. Figures for outside Japan are calculated multiplying the per-unit CO₂ emissions during transport (calculated based on figures for Japan) by the quantity sold in each country and the estimated domestic transport distance in each country.
- *8 Calculated by multiplying the per-unit CO₂ emissions and water usage during use or per-unit CO₂ emissions and water usage during disposal by the annual sales number of consumer products

Product Lifecycle and Environmental Impact GRI 417-1

INPUT

● Raw materials

The amount of raw materials directly used to manufacture products (excluding packaging materials and fuel)

● Packaging materials

Total amount of packaging materials (including cardboard) used for products sold

● Energy consumption [product development/production]

Total amount of energy consumed at production sites (Scope of solar photovoltaic power generation is limited to onsite power generation)

● Energy consumption [distribution/sales (facilities and company cars)]

The amount of energy consumed at non-production sites and by vehicles (used for sales activities) (Scope of solar photovoltaic power generation is limited to on-site power generation)

● Energy consumption [transportation]

The amount of energy consumed during transportation of consumer products (from plants to distribution bases), industrial products, raw materials, etc.

● Water consumption

Industrial water, municipal water, groundwater, rainwater used

OUTPUT

● GHG emissions

Total amount of greenhouse gas emissions from sites (seven GHGs defined in the Kyoto Protocol) (in CO₂ equivalent, Scope 1+2)

● CO₂ emissions

The amount of CO₂ emitted from manufacturing raw materials, consuming energy and decomposition of ingredients

● NOx emissions

Total amount of NOx emissions from smoke-and soot-emitting facilities and transportation

● SOx emissions

Total amount of SOx emissions from smoke- and soot-emitting facilities and transportation

● VOC emissions

Total amount of volatile organic compounds (VOCs) emitted into the atmosphere from production sites

● Wastewater discharged

The amount of wastewater discharged at production sites and consumer product use stages

● COD pollution load

The amount of COD pollution load in wastewater

● Waste discharged and final disposal amount of waste

Of the waste generated from sites, the amount that is sold or consigned as waste or recyclable materials to waste treatment companies, and the amount of waste to landfill

● Packaging materials

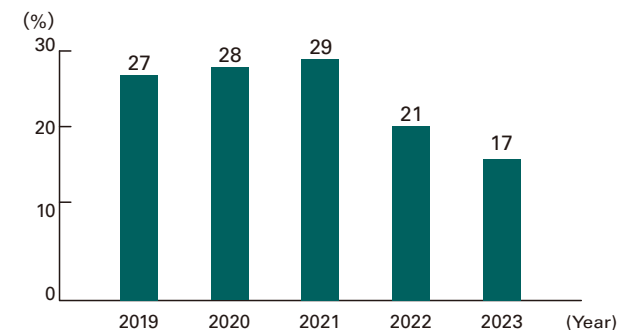
Total amount of packaging materials (including cardboard) used for products sold

“Eco together” logo certified products

We carry out certification that allows products with lower environmental impact that have passed our rigorous original certification standards to display the “eco together” logo.

In 2023, the sales ratio of products (consumer products in Japan) displaying the “eco together” logo was 17%, which represented a decrease compared to the previous year.

Percentage of total sales held by “eco together” logo certified products (consumer products in Japan)



“Eco together” logo certification criteria
<https://www.kao.com/jp/sustainability/klp/policy/eco-products-policy/>

List of “eco together” logo-certified products
<https://www.kao.com/jp/sustainability/klp/policy/eco-products-policy/eco-together-products/>

Environmental Accounting

To efficiently and effectively promote its environmental activities and with the aim of enhancing corporate value, Kao quantifies the costs and results of environmental conservation activities in numerical terms.

2023 environmental accounting report

- ① 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.
- ② Boundary: the Kao Group in Japan*¹ and major subsidiaries outside Japan*²
- ③ Concerns the period from January 1, 2023 to December 31, 2023

P163 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., e'quipe, Ltd., Kao Professional Services Co., Ltd., Kao Salon Japan CO., LTD., Molton Brown Japan Ltd., Kao Paper Manufacturing Fuji, Kao Business Associe Co., Ltd., Kao Logistics Co., Ltd., Shohi Seikatsu Kenkyusho Inc., Kao Peony Co., Ltd., and Kao Cosmetic Products Odawara Co., Ltd.
- *2 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	Japan		Asia, the Americas, Europe	
			Investment	Cost* ³	Investment	Cost* ³
(1) Business area costs			668	4,529	1,392	7,487
Breakdown	(i) Pollution prevention	Air pollution prevention, water contamination prevention	114	1,884	730	1,771
	(ii) Global environmental conservation	Energy conservation	345	580	574	1,296
	(iii) Resource circulation	Resource conservation, waste processing and disposal	209	2,065	88	4,420
(2) Upstream/downstream costs		Plant and equipment for eco-conscious products, packaging recycling	1,698	2,679	0	1,924
(3) Administration costs		Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites	0	1,279	7	302
(4) R&D costs		Eco-conscious R&D	1,780	7,724	15	719
(5) Social activity costs		Nature and environmental conservation and tree-planting activities outside worksites, donations	2	92	0	42
(6) Environmental remediation costs			0	0	0	61
Total			4,148	16,301	1,415	10,536

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

(Unit: millions of yen)

Categories		Key activities	Japan		Asia, the Americas, Europe	
			Investment	Cost* ³	Investment	Cost* ³
(i)	Cost related to global warming measures	Energy conservation	345	580	569	568
(ii)	Cost related to ozone layer protection measures	Switch to CFC alternatives	0	0	4	692
(iii)	Cost related to air quality conservation measures	Air pollution prevention, dust pollution prevention, malodor prevention	37	449	293	521
(iv)	Cost related to noise and vibration measures	Noise prevention	0	6	44	51
(v)	Cost related to environmental conservation measures for aquatic, ground, and geologic environments	Water contamination prevention	77	1,429	391	1,186
(vi)	Cost related to waste and recycling measures	Resource conservation, industrial waste reductions, recycling	1,907	4,743	88	4,566
(vii)	Cost related to measures to reduce chemical risks and emissions	R&D on products and production	1,780	7,724	15	716
(viii)	Cost related to nature and environmental conservation	Nature and environmental conservation and tree-planting activities outside worksites, donations	2	91	4	135
(ix)	Other costs	Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites	0	1,279	7	2,099
Total			4,148	16,301	1,415	10,536

Economic effect associated with environmental conservation activities*⁴

(Unit: millions of yen)

Details of benefits		Japan	Asia, the Americas, Europe
		Amount	Amount
Revenue	Sales value of valuable resources and fixed assets	276	347
Cost reductions*⁵	Reduction in costs through energy conservation	138	434
	Reduction in costs through resource conservation	1,866	2,691
	Reduction in operation costs (maintenance costs, etc. of eco-conscious equipment)	46	2,664
Total		2,326	6,136

*3 Cost includes depreciation costs.

*4 For economic effects, 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.

*5 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.

Walking the Right Path

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P168	Effective corporate governance	We sample corporate issues raised with the reporting and consultation desk, and, in particular, select potential critical compliance violations and subjects that require attention, promoting activities to identify the causes and prevent recurrences.	Compliance risk reduction	P173
		To ensure the safe and trustworthy operation of the Hotline, we fully ensure that all measures stipulated (including the protection of whistleblowers) in the Rules for Operating Compliance Hotlines are taken and regularly make information about the Hotline and its activities known.	Improvement for compliance report and consultation	P176
		In addition to increasing sensitivity to concerns in workplaces that have fallen behind changes in society, we work to create a harassment-free workplace where people can work energetically by making sure that each individual can speak up when they notice such concerns.	Harassment prevention	P176
		We participate in this external evaluation program every year as a benchmark to keep our activities aligned with the changing society.	Inclusion in the World's Most Ethical Companies®	P178
P180	Full transparency	We have launched and are promoting a project for organizing and integrating internal information related to ESG. In the short term, we aim to respond quickly and precisely to laws and regulations and external inquiries. We plan to more proactively utilize data to prepare for various types of information disclosure and for ESG-driven <i>Yoki-Monozukuri</i> and other purposes.	Launch and promotion of the Kao ESG Data Platform project	P186
		We disclosed the names of fragrance ingredients in bath additives and eye masks distributed in the Americas under the <i>My Kirei</i> brand and fabric softeners launched under the <i>Curél</i> brand in Japan. We also updated the names of fragrance ingredients for improved products, etc. The KPI for the disclosure rate is now 22%.	Disclosure of fragrance ingredient names	P187
P189	Respecting human rights	We hold cross-departmental discussions in the Human Rights and DE&I Steering Committee with the aim of achieving zero human rights violations.	Activities of the Human Rights and DE&I Steering Committee	P192
		The Human Rights and DE&I Steering Committee periodically reviews potential human rights risks in the Kao Group.	Human rights due diligence (Human Rights Risk Workshop)	P199
		We are promoting the implementation of a grievance mechanism for non-Japanese workers and technical interns of on-site subcontractors.	Implementation of a grievance mechanism for foreign workers employed by on-site subcontractors at the plant	P200
		We surveyed employees' awareness of human rights in order to utilize the results in creating a workplace that is more DE&I-oriented and where human rights are more respected at our manufacturing sites.	Conducting an awareness survey on human rights at manufacturing sites	P200

Our Priorities—Kirei Lifestyle Plan

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P204	Human capital development	We bring out the dedication to take on challenges of each and every employee and enhance the strength of the organization.	Harnessing motivated personnel	P211
		We are enhancing the vitality of the organization by promoting the delegation of authority and sustainably developing next-generation leaders.	De-matrixed organizational management	P214
		We recognize diverse challenges, conduct appropriate evaluations, and reflect them in compensation in a timely manner.	Creating an environment that emphasizes challenges and results	P215
P225	Inclusive & diverse workplaces	We formulated and announced the Kao Group's DE&I Policy, which commits to the aim of realizing a society in which all people can thrive authentically.	Formulation of and activities to disseminate the DE&I Policy	P230
		With the aim of achieving the mid- to long-term targets, we promoted the expansion of opportunities and the scope of trainees for training for female employees, as well as the expansion of the program designed to support for balancing work and childcare.	Women's empowerment	P231
		We continued to implement awareness-raising initiatives to deepen understanding about DE&I and made psychological safety training mandatory for managers.	Fostering an inclusive organizational culture	P240
P246	Employee wellbeing & safety: Wellbeing	We have designated the World Health Day as the Kao Group Health Day, and delivered messages to employees, their families and the public. We have established the Health Day Consortium and are working with like-minded companies.	Kao Group Health Day (April 7)	P247
		We have updated the Health and Productivity Management Map and are promoting occupational health and health care activities to maximize the power and potential of employees.	Health and Productivity Management Map	P248
P269	Employee wellbeing & safety: Safety	We have strengthened activities for occupational safety and health in the Sales Division.	Eradication of occupational accidents	P271
		We have enhanced training.	Emergency response	P270
		We promoted the carrying out of risk assessment of chemical substances and measures based on the results.	Risk assessment of chemical substances	P273
P275	Responsible chemicals management	We had dialogues with industries and administrative bodies both within and outside Japan for the adoption of the Global Framework on Chemicals and led the initiative to promote awareness of the framework in Japan following its adoption.	Global Framework on Chemicals (GFC)	P275
		We monitored information on the regulatory reform based on EU CSS, and influenced administrators of both within and outside Japan for rational legislation to minimize impact on our business.	EU Chemicals Strategy for Sustainability (EU CSS)	P275
		We identified and clarified risks and opportunities of chemical management with regard to biodiversity upon adoption of the Kunming-Montreal Global Biodiversity Framework.	Visualizing the level of contribution to the conservation and restoration of biodiversity	P276
		Kao promoted risk communication activities aimed at ensuring safety and a sense of trust by local communities through symbiotic relationships between Kao plants and communities.	Risk communication with local communities	P282

Effective Corporate Governance

Kao is constantly reviewing its highly transparent corporate governance practices in order to become Kao, a company with a global existence value. As an integral part of these efforts and the foundation of our corporate activities, we act in accordance with the law and ethics, and conduct our business activities with integrity while responding to changes in society. This policy is positioned as the first item—walking the right path—of the “VALUES What we believe in” of the Kao Way, our management philosophy, as the teachings of our founder, and we will continue to steadily carry out our business and environmental, social, and governance (ESG) strategies in accordance with this policy. In this chapter, we will introduce our activities to practice walking the right path, which is the foundation of our corporate culture supporting corporate governance.

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Corporate Governance

Social issues

The COVID-19 pandemic has made it common for companies to adopt a new way of working that combines working from home and in the office, otherwise known as hybrid work, and working attitudes and aspirations are becoming more individualized and diversified than ever before.

In this fluid situation, we consider it important for the advancement of society to create a framework that enables us to anticipate and respond to change in a timely and appropriate manner and, while preparing for risks, to realize employee-friendly, efficient, highly productive workplaces where all employees are treated equally. As such, we will continue to implement initiatives aimed at preventing harassment of any kind.

Policies

Walking the right path, the foundation of our corporate culture

We promote day-to-day activities based on the recognition that walking the right path, which has been handed down from our founder, will enhance the effectiveness of corporate governance. In addition to our corporate governance initiatives, we consider it essential that each and every employee supports our corporate activities.

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Corporate Governance

Policies

Kao has set forth walking the right path as the first item of its “VALUES What we believe in” in the Kao Way, and has positioned this walking the right path as the starting point for compliance and a guiding principle for maintaining support and trust from all stakeholders.

We have set the following three points as goals for our activities, and are promoting activities throughout the Kao Group (on a global basis) in order to practice the above-mentioned walking the right path each and every day.

1. (1) Ensuring early detection and resolution of legal and ethical violations, and (2) ascertaining company issues, etc., through hotline responses.
2. Continuous growth and promotion of change through educational and self-awareness-raising activities to promote an understanding of the BCG among employees.
3. Keeping the Kao Business Conduct Guidelines (BCG) and rules related to compliance fresh.



Compliance / Integrity

<https://www.kao.com/global/en/corporate/policies/compliance/>

To ensure that these activities are more thorough and effective, we promote activities focused on mitigating serious compliance risks, while at the same time implementing activities aimed at creating an open workplace where any irregularities discovered are immediately reported to the management and appropriate action is taken promptly.

We will also continue to provide education, including messages from top management, to ensure that each and every employee sees compliance as a personal matter, is aware of the actions specified in the BCG and other regulations, acts with an awareness of compliance risk prevention in their work, and creates a comfortable workplace where they can work with consideration for others.

Strategy

Risks and opportunities

Risks

Delays in response to environmental changes can lead to a risk of a company losing its competitiveness. We also believe that failure to leverage diversity also entails the risk of delayed awareness of change.

In the short term, harassment (power harassment and sexual harassment) may arise due to inability to break away from past values and long working hours that are incompatible with diverse working styles; in the medium and long term, the risk of not being able to demonstrate competitiveness ahead of its time by being hesitant to take on new business challenges, even though it sees the needs of social change; and in the long term, we may see human rights and employment risks caused by an inability to respect diverse employees and supply chains.

Effective Corporate Governance GRI 2-25, 2-26, 205-2

Opportunities

Since our founding, we have promoted corporate activities based on walking the right path (acting in accordance with laws and ethics, and conducting fair and honest business activities), which is one of our core values. As a result, we have received high ratings from society for sustainability and compliance. This leads to increasing trust on the part of consumers, shareholders and other stakeholders in our products and our company, and also makes it easier for us to hire and retain talented personnel.

In addition, by shifting the concept of compliance and having each and every employee gain the perspective and attitude to take appropriate actions in light of the objectives, we will have an advantage as we launch new businesses and initiatives in a world of change, leading to new challenges.

Strategy

As a strategy for 2030, we will be sensitive to issues that arise in response to changes in the world and society by receiving reports and consultations from employees, identifying risks as early as possible, extracting issues that could become problems for the company, investigating their causes, and taking flexible measures to prevent their recurrence.

To achieve this, we will work on the following:

- (1) We will establish a global legal compliance framework and strive to ensure that each division and region is responsible for the proper conduct of business.
- (2) In the event of a problem, we will promote the operation of an initial reporting framework that promptly reports the problem to head office. We will

also improve our framework for receiving reports and consultations from employees and outside the company so that we can listen to what they have to say and understand the issues facing the organization.

- (3) In the area of training, we will consider and implement effective training to reduce compliance risks by enhancing management dialogue and raising the awareness of each individual employee.

Social impact

- To provide products and services through improved *Yoki-Monozukuri*, including a focus on the environmental perspective, by preventing misconduct and achieving higher-quality results.
- To help bring about clean and enriched lifestyles through providing the above products and services, as well as to help realize the SDGs, such as environmental conservation.
- To maintain and enhance the trust placed on us by our stakeholders, starting with our stockholders and society.

Contributions to the SDGs



Business impact

- To prevent losses due to fraud and decreased confidence in Kao's products.
- To prevent the spread and prolonged impact of misconduct and minimize damage through early detection and appropriate response.
- To achieve more efficient and higher-quality results and to retain, recruit, and optimize outstanding human capital by creating a workplace where employees can thrive.

Governance

Framework

Under the supervision of the Board of Directors, the Internal Control Committee manages risks related to effective corporate governance, and the ESG Managing Committee manages opportunities. These committees are both headed by the President & CEO.

Risk management related to effective corporate governance is handled by the Compliance Committee (which meets quarterly), composed of the heads of each division, and its secretariat meeting (which meets monthly), which prepares policies, annual plans and specific activities to implement these plans, and directs the heads of each division and subsidiary to carry out these activities. As one of the committees reporting to the Internal Control Committee, the Compliance Committee receives an annual evaluation of its activities from the Board of Directors, which leads to actions to improve. The framework for dealing with compliance hotlines involves a shared group compliance hotline, the Compliance Committee, which receives hotline reports, investigation by the Compliance Committee or the people responsible for promoting compliance at

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subsidiaries, and the necessary corrective measures taken to resolve matters.

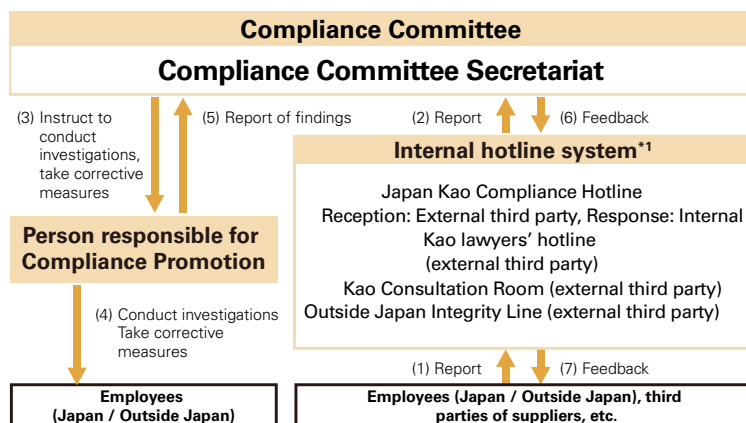
We have also put in place a framework for encouraging individual units at the worksite level to report compliance violations and suspected compliance violations, thereby contributing to the early resolution of

issues by clarifying the rules governing the initial reporting of compliance violations and suspected compliance violations.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to effective corporate governance. 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.

Compliance hotline response system



*1 Internal hotline system

• Within Japan: Internal hotline

→ During business hours

External hotline

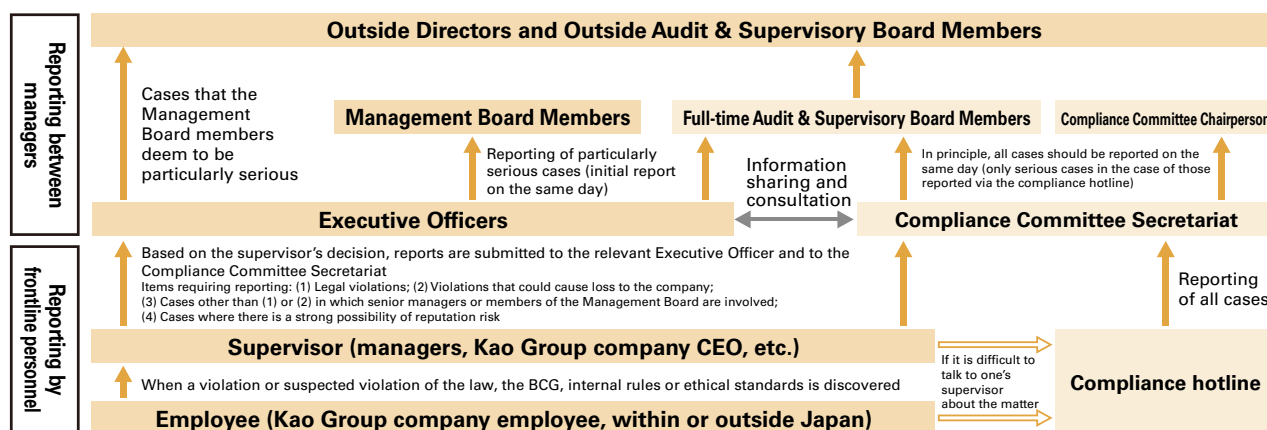
→ 12:00 am to 9:00 pm (weekdays)

→ 9:00 am to 5:00 pm (Saturdays, Sundays and national holidays except year-end and New-Year holidays)

We accept inquiries via our website and from mobile devices 24 hours a day

• Outside Japan: External contractors accept hotline calls from all countries in which we operate 24 hours a day, every day

Rules for initial reporting of violations



PDCA (Plan, Do, Check, and Act) cycle to continuously improve compliance

Compliance promotion activities are implemented using the PDCA (Plan, Do, Check, and Act) cycle shown below. The Compliance Committee creates the policy and annual plan, and the Compliance Committee Secretariat breaks it down into specific activities that are then implemented. The activities carried out are evaluated, issues are identified and improvements are summarized to formulate plans for the following year and beyond.

Plan / Do

We have established the Compliance Committee, which is chaired by a Managing Executive Officer and is comprised of representatives of relevant divisions and affiliated companies.

This committee meets every three months to review the following activities and devise promotional measures to mitigate serious compliance risks and ensure we are walking the right path.

1. Establish a policy of activities to ensure we are walking the right path.
2. Decide to establish or revise internal rules related to compliance, such as the Kao Business Conduct Guidelines (BCG).
3. Establish an annual plan for global education and awareness-raising activities to promote and practice walking the right path.
4. Confirm the operation and response status of the Compliance Reporting and Consultation Hotline.

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We also propose necessary amendments to compliance-related rules and regulations and prepare an annual activities report to the Board of Directors through the Internal Control Committee.

The Compliance Committee has a secretariat with the Compliance Department at its center. At the monthly secretariat meeting, the suitability of responses to all reports made to the global compliance hotlines to be shared before the meeting takes place and then checked and reviewed. In addition, based on the decisions made by the Committee, plans for specific activities are formulated in conjunction with

promotions for them. After the Compliance Committee holds a meeting, they also draft and implement plans for specific activities and promote activities in accordance with Compliance Committee decisions in the following month.

Check

Internal evaluations

- Opinions from the Board of Directors

The Board of Directors receives an annual activity report in the form of a report on the activities of the Internal Control Committee.

The Board of Directors also monitors and evaluates these activities. This evaluation and feedback are used for improvement through the PDCA (Plan, Do, Check, and Act) cycle.

- Issues identified from compliance hotlines

At the monthly secretariat meeting, themes that may represent emerging issues for the company are identified based on the trend of incidents during the relevant period, and any necessary action is taken, including framework changes, internal education and awareness promotion, and so on.

- Issues identified from risk surveys

Kao conducts an annual compliance awareness survey, in addition to a company-wide risk survey that includes compliance risks such as corruption and bribery. We identify risk areas and specific risk scenarios based on the scores from each organization and free-form text responses, and take the necessary actions in cooperation with relevant divisions.

- Compliance awareness survey

The Compliance Committee conducts annual surveys of Group companies globally regarding the openness of each organization, etc. Based on the organizational culture trends we identify from these surveys, we create opportunities to hear more about specific workplace situations, and take any action required.

- New initiatives aimed at invigorating and reforming the corporate ethos

As part of the Objectives and Key Results (OKRs) introduced in 2021 as an employee motivation measure, all employees express their personal vision of what they want to be. Then, through repeated dialogue with their superiors and peers, they set goals and move swiftly toward them.

Within the Objectives and Key Results (OKRs), we can also set targets for activities designed to help employees realize their vision of what each organization should be. Through this process of goal setting and regular dialogue, which has replaced conventional opinion surveys, we promote solving issues and improving the corporate ethos within each organization and strengthen the bonds between employees.

External evaluations

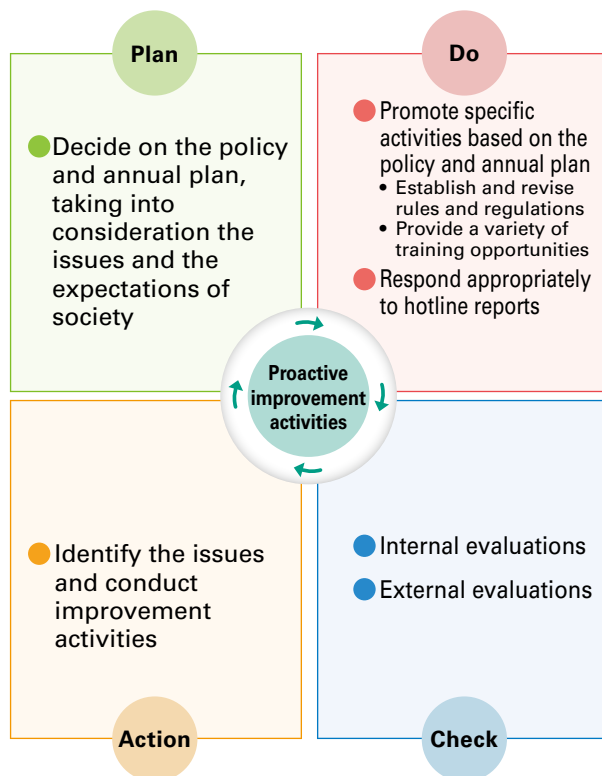
- Feedback from third-party organizations, external evaluation organizations, etc.

By responding to Socially Responsible Investment (SRI) questionnaires that incorporate societal expectations, and by sharing information with other companies, we will incorporate items on which we have not yet taken action into next year's activities as appropriate.

Education and promotion

What Kao Aims to Be by 2030 includes creating workplaces with an open atmosphere in which each employee is fully aware of the need to prevent compliance violations, and in which any compliance violations that are discovered are immediately reported and promptly dealt with. The result will be employee-friendly workplaces where employees care for others.

To achieve this, each employee must be aware of the consequences of violating compliance, such as



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incurring damage to and loss of trust in Kao. In addition, managers must be aware of compliance risks that may arise in their own work areas and take measures to reduce them. Furthermore, in order to create a workplace where everyone can work with peace of mind, employees must be aware of the importance of accepting the diversity of co-workers and of speaking and acting with consideration for others. With this in mind, we carry out education as appropriate based on the training system outlined as follows. Through this education, we provide opportunities for employees to enhance their awareness, which in turn can help them to recognize compliance as something that is directly relevant to them personally. We also urge employees to make effective use of the compliance hotlines that we provide when they are unsure of the best course of action to take.

Kao Group employees take compliance training designed to learn their role when those roles change significantly, including when they join the company,

when they are promoted to managerial positions, and when they assume responsibility for subsidiaries outside Japan.

We also provide all employees with regular opportunities to review compliance, as well as training from their leader in their division, BCG refresher tests and compliance awareness surveys to raise awareness on an ongoing basis. In addition, the Chairperson of the Compliance Committee and the person responsible for the division send out an annual compliance message to communicate the importance of speaking and acting thoughtfully, as well as maintaining an open organizational culture and so on. In response to outbreak cases, we disseminate information on topics that should be communicated to all employees in a timely manner, using cartoons to help employees develop a sense of urgency and awareness of the issues.

Education related to laws and ordinances is planned and conducted by designated managing divisions.

Collaboration with stakeholders

The BCG makes it clear that it encourages its business partners to understand, empathize with, and act on the BCG.

We believe that there is a serious risk that compliance violations by business partners can lead to quality issues and loss of trust in Kao products, and so we are implementing initiatives that prioritize focusing on suppliers of raw materials, contract manufacturers, and business partners engaged in product manufacturing on the Kao Group premises.

In particular, because business partners' failure to safeguard employees' human rights, leading to dissatisfaction, is a major factor in compliance violations, we are promoting measures to prioritize respect for human rights. The specific initiatives being implemented are outlined below.

- At the annual meeting with business partners, we explain Kao's procurement policies, including compliance, and introduce our compliance hotline.
- Identification of social needs and implementation of necessary activities through external questionnaires conducted by third parties
Each year, as we answer external surveys such as Ethisphere and S&P CSA, we recognize and understand changes in society through the questions and set activity goals for the following year in response.
- The compliance hotlines are staffed by an outside clinical psychologist and an independent attorney-at-law who is not a legal counsel and is independent of the Kao Group. While only the number of cases is reported to us on a monthly basis, each hotline understands the content and provides the necessary counseling. As they are external parties who listen directly to the voices of our employees, we have a regular opportunity, once or twice a year, to exchange

Kao Compliance Training

Region	Theme	Target group	Objectives	Frequency
Globally common	New Employee Orientation	New employees	Learn about Kao's approach to compliance and BCG	Upon joining the company (written pledge)
	Training for managers	Manager training Japan: New managers Outside Japan: Managers	Group work to build managers' awareness of compliance risk reduction	Japan: At time of promotion to manager Outside Japan: Every 3 years
	Training by division leaders	Managers / Non-manager employees	Division leaders directly communicate the message to employees to make compliance relevant to them personally	Once every 2 years (alternate each year between Japan / Outside Japan)
	BCG refresher test + compliance awareness survey	Directors, Audit & Supervisory Board Members and Executive Officers / Managers / Non-manager employees	BCG re-learning and identification of divisions with high compliance risks	Yearly
	Compliance message	Managers / Non-manager employees	Regularly reinforce the importance of compliance	Yearly
	BCG Casebook	Managers / Non-manager employees	Study the BCG using specific cases	Review after BCG revisions
	Compliance case studies	All employees	Study compliance points to keep in mind through cases at Kao and other companies	Japan: Every month Outside Japan: Twice a year (April, October)
Japan	New information dissemination	All employees (including subcontractors in factories and offices)	Learn about compliance-related points of concern through cartoons showing examples from the company and other companies, and practice with a sense of urgency	Approx. 4 times a year
	Directors, Audit & Supervisory Board Members and Officers Training Sessions	Executive officers and above	Learn about compliance risks from a management perspective	Yearly
Outside Japan	Integrity Workshop	New employees	Learn the content of the BCG in a group discussion format, with examples related to each of the points	Once within 3 years of joining the company

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views with them on the concerns they have about our organizational culture in response to the content of the employee consultations.

Risk management

With regard to the risk and opportunity assessment process, the Legal examines possible risks and opportunities at Kao and conducts risk and opportunity assessments based on the opinions of personnel in charge of each division implementing internal initiatives and external experts, which are then approved by the Internal Control Committee and the ESG Managing Committee, respectively.

The compliance risk identification and assessment process is as follows:

• Grasping business issues from compliance hotline cases (including reports through the management line)

- (1) Report monthly at the Compliance Committee Secretariat meeting;
- (2) Establish themes that require attention and monitor causes and measures to prevent the recurrence of serious compliance violations;
- (3) Exchange issues at the quarterly meetings of the Compliance Committee;
- (4) Share the situation at the Managing Executive Officers meeting in the month following the committee meeting;
- (5) Determine the applicability of serious compliance violations during the fiscal year.

• Compliance awareness survey for understanding organizational culture

• In the risk identification process for K27, which is conducted by the Risk and Crisis Management

Division, risk items are presented from the perspective of compliance activities, and the compliance risks submitted by each division are identified.

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

1. Contribute to *Yoki-Monozukuri* by committing to thoroughly instill walking the right path and prevent incidents from occurring.
2. Minimize damage by creating an open workplace that enables early reporting and appropriate response to misconduct.
3. Maximize the utilization of human capital by ensuring that we speak and act with consideration for the position of others and by creating a workplace that is equal and easy to work in for all employees.

2030 long-term targets

- Establish and maintain our legal compliance framework within and outside Japan to ensure consistent *Yoki-Monozukuri*.
- Conduct activities with a focus on high-risk areas to effectively prevent serious compliance violations.
- Clarify reporting rules to encourage early reporting of misconduct and appropriate responses, and ensure that these rules are widely known and thoroughly understood.
- Establish harassment prevention policies and other necessary internal rules to create a comfortable workplace, and ensure that all employees are aware of and comply with such policies and rules.

2023 results

1. Compliance risk mitigation activities

Legal compliance structural reorganization

We have clarified the lead division responsible for promoting compliance with the approximately 250 laws and ordinances that apply to our business. In 2023, we took appropriate actions to reduce significant compliance risks, with several themes identified as key issues, that were led by each of the lead divisions.

Thorough analysis of the causes of potential serious compliance violations and measures to prevent recurrence

Of the compliance violations that have occurred, those that are deemed to meet the criteria for malignancy and impact are identified as serious potential compliance violations. We then investigate each case in depth, examine the causes of the occurrence, summarize the case, confirm measures to prevent recurrence, and work as an organization to improve the issue.

2. Educational activities to promote and establish compliance awareness

- We have conducted compliance training for newly appointed managers in Japan to discuss compliance risks that can arise when objectives and key results (OKRs) management methods are ineffective.
- We have conducted BCG refresher tests and awareness surveys outside Japan.
- Since April, we have disseminated compliance messages, including a message from the Chairperson of the Committee, and since July, messages from the heads of each functional division and the President & CEO of global Group companies, as well as the provision of other information.

Effective Corporate Governance

- We have distributed compliance case studies monthly in Japan and twice a year outside Japan via the company intranet to promote understanding through specific case studies.

P176 Compliance message

3. Development of the compliance promotion framework

With the following measures, we have put in place a system designed to reduce risk by detecting compliance-related problems at an early stage and appropriately resolving them.

- Serious potential compliance violation matters were reported to the Board of Directors and other relevant bodies every quarter through reports from the Compliance Committee, the Executive Officer Committee, the Audit & Supervisory Board members, and the Internal Control Committee, and responses to prevent recurrence were verified and evaluated for appropriateness.
- We comply with the Rules for Operating Compliance Hotlines to build trust in the compliance hotlines and enable employees to use them with peace of mind. After the enforcement of the revised Whistleblower Protection Act in June 2022, we continued to ensure our commitment to fully protect the confidentiality of whistleblowers and informants, and not to seek out or retaliate against them.

P176 Compliance hotline operational status and 2023 regulatory violations

4. Evaluation activities

- Conducted a global awareness survey on the level of penetration of compliance activities and workplace culture.

- Identified issues and planned improvement activities through information exchange with other companies and responses to external surveys.

5. External evaluation

The company was named one of the World's Most Ethical Companies® for its activities also in FY2023.

P178 Eighteen consecutive years on the World's Most Ethical Companies® 2024 list

Reviews of 2023 results

Issues and response measures concerning mid- to long-term targets

1. Contribute to *Yoki-Monozukuri* by committing to thoroughly instill walking the right path and prevent incidents from occurring.

In addition to the promotion of legal compliance activities aimed at reducing serious compliance violations, we are promoting activities to make compliance a personal matter. We do this by identifying issues in the organization, starting with reporting and consultation, and then having the division where the incident occurred conduct an in-depth investigation into the cause of the incident, summarize the incident, and confirm measures to prevent its recurrence. Going forward, we will identify issues and continue responding to them.

2. Minimize damage by creating an open workplace that enables early reporting and appropriate response to misconduct.

We believe that if each employee is fully aware of compliance issues, they will recognize and stop before they engage in inappropriate behavior. In order to create

such an environment, we have worked on information provision and implemented communication activities from the employees' perspective. In addition, the hours of availability for reporting and consultation services have been extended.

3. Maximize the utilization of human capital by ensuring that we speak and act with consideration for the position of others and by creating a workplace that is equal and easy to work in for all employees.

With respect to power harassment and other forms of harassment, we make targeted efforts to prevent recurrence. Specifically, as described in 1. above, reporting and consultation are used as a starting point to identify issues within the organization, and the division where the incident occurred conducts in-depth investigations to determine the cause of the incident, and then devises and implements measures that can be implemented on-site. In the area of awareness-raising and education, we are also making efforts to realize a comfortable workplace at each site by devising interactive training programs for the issues recognized at each site, rather than providing general, abstract content.

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Main initiatives

The BCG serves as our code of conduct for practicing the Kao Way, our corporate philosophy. The content is reviewed annually based on societal demands and the company's own situation, and was last revised in April 2019.

To disseminate BCG's content, we have created the BCG Casebook, a collection of BCG-related case studies in a Q&A format in Japanese, English, and 17 other languages, and share it with related companies.

The BCG explicitly states that it prohibits bribery regardless of the affiliation of the other party, and prohibits facilitation payments, which are small payments made to individual government officials. The BCG and the Donation Guidelines also prohibit political contributions. We have also implemented "Kao Anti-Bribery Guidelines," including those for Group companies outside Japan. Specifically, the Guidelines make it mandatory to set standards for providing entertainment / gifts and for the amount of money received and to report them in advance, as well as semiannual summaries of the implementation status, which are posted on the intranet and shared with frontline divisions. They specify measures to prevent bribery, such as assessing bribery risks when selecting business partners and renewing contracts. In 2023, there were no violations related to corruption or bribery within the Kao Group.

Our marketing and advertising activities include fair content and appropriate statements based on facts, avoid exaggerated statements concerning our impact on society and the environment, and take into consideration a wide range of people, including those who could be considered socially vulnerable. We also ensure that information relating to competitors and competing products is not provided to consumers.

In addition, with respect to harassment, we state that we will not tolerate any harassment of employees or other business associates. Such harassment includes language or conduct that undermines or insults human rights and personalities.

In addition to the above, Kao has introduced the "Kao Guidelines for Avoiding Conflicts of Interest" for Group companies globally. The Guidelines stipulate that permission or notification must be obtained in cases where a person is personally involved in competitive or trading activities with Kao Group companies, invests in companies that engage in such activities, borrows money from or lends to Kao Group companies, or has a close relative involved in such activities. There were no conflict of interest violations in 2023.

In October 2021, the Money Laundering Policy was introduced in the Kao Group to clarify its anti-money laundering stance. There were no violations on this matter in 2023.

In FY2023, based on the development of the DE&I policies by the Human Rights and DE&I Steering Committee, descriptions were added as a reference regulation of the BCG.

Annual confirmation

Once a year, we reiterate the Kao Guidelines for Avoiding Conflicts of Interest and the Kao Anti-Bribery Guidelines to the executives and employees, and check the status of notification of applicable matters to the Compliance Committee Secretariat.

In addition, we investigate the function of the Anti-bribery (anti-corruption) Checklist used when selecting new cross-border distributors and new intermediaries or renewing contracts with existing ones.

Expenditures to trade associations and political organizations

Through our participation in committees, working groups, etc., of trade associations, we convey opinions that could influence the enactment and revision of laws to the government. Apart from membership fees to these trade associations, we have confirmed that we have not made any contributions to political campaigns, political organizations, lobbying activities, trade associations, tax-exempt organizations or other groups that play a role in influencing political campaigns, public policy or legislation.

Expenditures to trade associations and political organizations

Unit: million yen

	2021	2022	2023
Trade associations	485	436	535
Lobbying activities	0	0	0
Political contributions	0	0	0
Total	485	436	535

Expenditures to major trade associations

Unit: million yen

	Expenditures
Japan Soap and Detergent Association (JSDA)	49
Der Verband der Chemischen Industrie	49
Personal Care Products Council	30

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BCG refresher test and compliance awareness survey

We conduct a BCG refresher test and compliance awareness survey for all global employees to provide regular opportunities to reflect on compliance and raise awareness on an ongoing basis. The test and survey had been conducted every other year in Japan and other regions, but starting in 2023, we decided to conduct the test and survey globally to provide employees with an annual opportunity to review their understanding of the program. The implementation rate was 92.8%.

The BCG refresher test consists of seven questions in total, and the questions review the basic BCG concepts.

In addition, 16 questions were asked in the compliance awareness survey, and in Japan, free response sections were also added to gather employee opinions on the questions and to confirm the background of the responses. By talking to organizations with low average values for workplace culture, we confirmed the correlation with engagement surveys and reporting and consultation conducted by the human capital development division, as well as the background and the response to these issues in the organization. Through comparisons with past responses, we were also able to confirm that the overall situation for each organization is improving.

In regions other than Japan, there has been no significant change compared to the previous year's scores, but we will continue to confirm that necessary measures are being taken by ascertaining the background and current status of the scores globally through dialogues with on-site personnel.

Four-panel cartoon posters to raise awareness

In FY2023, we began activities to convey a sense of crisis through four-panel comics on topics that have occurred within the company or outside the company that we want to share with our employees. Three posters were displayed, covering topics such as product management and sexual harassment.



Compliance message

To encourage employees to view compliance activities as directly relevant to them, top management sends out compliance messages to promote compliance activities globally.

In 2023, the Chairperson of the Compliance Committee's message was, "See something wrong? Speak up!" With this message, we promoted activities to achieve a vibrant workplace culture by increasing our sensitivity to signs of discomfort in workplaces that are not adapting to changes in society and by raising our voices after noticing something is wrong.

In addition, the message from the Chairperson of the Compliance Committee was posted on the intranet

and on posters, compliance messages and other communications were sent out by the Heads of Global Functional Divisions and each Regional Head and each President & CEO of companies.



Compliance case studies

In Japan, we basically prepare a case study once a month and publish it on the company intranet. The themes are based on reports received at the Compliance hotlines and actual cases that have occurred at the company or other companies, and are incorporated into case studies in a timely manner to share problems and issues and to provide an opportunity for employees to view events and risks as their own personal matters.

Outside of Japan, English-language versions of global case studies are conducted twice a year (April and October) at Group companies.

Compliance hotline operational status and 2023 regulatory violations

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area.

P170 Compliance hotline response system

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In operating the hotlines, after confirming the caller’s wishes, companies take steps to respect the individual’s privacy and strive to the maximum extent possible to ensure that callers suffer no retaliation or disadvantage as a result of their good-faith consultation. In addition, when conducting an investigation of the persons concerned, in principle, we obtain the consent of the informant or person making a consultation first, and when conducting an interview with the subject, we obtain the interviewer’s signature on a written pledge that they will not search out or cause a disadvantage to the informant before conducting the interview. Anonymous inquiries are accepted, but callers are encouraged to identify themselves to facilitate a proper investigation.

In addition, as noted above, we have clarified the rules for initial reporting of compliance violations and suspected compliance violations and established a framework for receiving reports from individual units at the *Genba* level.

In 2023, we provided training for new callers and consultation responders on points to keep in mind when responding.

In 2023, there were 647 reports made to the hotlines (including group companies outside Japan). Although the number of cases has increased from the previous year, we recognize that this is due to factors such as increased familiarity with the compliance hotline and increased employee awareness. The breakdown of the contents of reports and consultations is as follows (inquiries, opinions, and violations of other companies in human resources, accounting, and compliance procedures are not included): approximately 23% are related to harassment such as power harassment; approximately 43% are related to communication problems in the workplace, working conditions, and work, etc.; and approximately 26% are related to violations of laws and ordinances. Together,

these three categories accounted for approximately 92% of the reports. Violations of laws and regulations include many that are discovered during internal control inspections.

No particular trends were observed in the organizations, worksites or occupations to which callers belonged.

Under walking the right path in the Kirei Lifestyle Plan (KLP) announced in April 2019, we set an indicator of zero serious compliance violations.

These serious compliance violations refer to compliance violations that have a significant impact on management and significantly damage corporate value. Based on the egregiousness of the violations (materiality / significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the impact of the violations both internally and externally, we will seek opinions at the Compliance Committee Secretariat Meeting, Compliance Committee and Audit & Supervisory Board Members Hearings, make decisions based on deliberations at the Management Board, and report the results to the Executive Officers Committee and the Board of Directors.

For the judgment, all cases reported by the compliance hotlines and management lines are reviewed at a weekly meeting to identify issues that should be recognized as concerns for the Company. Based on the discussions at the weekly meeting and at the monthly Compliance Committee Secretariat meeting, the Committee identifies matters that may recur or become widespread throughout the Company as requiring particular attention while obtaining third-party assessments and recommendations from an outside attorney-at-law who attends the meeting as an advisor. We also identify potential serious compliance violations among violations of laws and ordinances. The department where an incident occurred will investigate

its cause and background, as well as measures to prevent recurrence, and present a summary report at the Compliance Committee meeting. After a process of receiving evaluations and recommendations from each committee member with respect to the report, a final verdict is made on compliance violations that have a significant impact on management and significantly damage corporate value. There were 647 compliance reports and consultations in 2023. Of these, 322 were investigated due to material concerns relating to noncompliance, while 179 cases were subject to some form of corrective action or recurrence prevention, including review of business processes, organizational awareness-raising, and verbal warnings to the individual involved. These matters were discussed and reviewed at meetings of the Compliance Committee Secretariat, the Compliance Committee, and the Management Board, and no serious compliance violations as outlined above were found.

In addition, there were 14 cases of some form of harassment, such as power harassment and sexual harassment, which resulted in some form of disciplinary action, and there were 30 other cases globally in which misconduct, such as embezzlement and theft on the job, resulted in disciplinary dismissal or being asked to resign.

Regarding compliance violations, we strive to prevent such violations by verifying the appropriateness of measures to prevent recurrence prepared by the division or department where the violation occurred at the Compliance Committee Secretariat Meeting or at the Compliance Committee Meeting. In addition, we are also committed to preventing the recurrence of such violations by making employees aware of the violations through such means as posting posters with four-frame cartoons of matters requiring attention within the company.

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

Effective Corporate Governance

Eighteen consecutive years on the World's Most Ethical Companies® 2024 list

In March 2024, Kao was recognized as one of the World's Most Ethical Companies® 2024 by the U.S.-based think tank, the Ethisphere Institute. We have been selected for 18 consecutive years since the award's inception in 2007. We are the only Japanese company, and the only consumer goods and chemicals manufacturer in the world, to have been selected for 18 consecutive years.

This award is based on the following five factors: (1) efforts in corporate ethics and compliance; (2) environmental and social impact; (3) culture of ethics; (4) governance; and (5) third-party management.

This recognition reflects the fact that the spirit of walking the right path passed down from our founder continues to be implemented by all Kao Group members in our day-to-day operations through the practice of The Kao Way and the BCG.

Kao continues to incorporate activities that need to be strengthened into the following year's activities based on the evaluation in the Benchmark Score Report received from the award-winning company after receiving the award.

Sharing our insights on compliance with outside groups

To help develop future corporate legal talent, the Head of Legal gives lectures at universities and university law schools on corporate legal affairs and corporate governance. In 2023, lectures on general corporate law were given to law students at two universities (in April and May) and lectures on corporate law and compliance

were given to two university law schools in October and November.

In November, we participated as a panelist in a roundtable on compliance promotion activities organized by Japanese companies and shared our initiatives.

Employees' opinions

Compliance promotion initiatives in the Kao Professional Services



Isao Kobayashi

Human Capital Development, Kao
Professional Services Company,
Limited

Compliance initiatives are very important for both the company and its employees. However, it is also important to take care not to cause compliance fatigue through over-management. We believe that sharing and practicing the values of walking the right

path in the Kao Way is of utmost importance. In 2023, we held a company-wide workshop to deepen understanding of the Kao Way and apply it to daily operations.

In addition, we have established a new Working Style Support Group in 2021, which serves as a convenient consultation service and a forum for workplace communication, and have assigned Group members to all branch offices to establish activities. We believe that these ongoing grassroots activities have reduced the number of cases of noncompliance. We intend to continue our initiatives and aim for a more rewarding and secure workplace in the future. We would like to continue our initiatives and aim for a more rewarding and secure workplace in the future.

Effective Corporate Governance

Stakeholder engagement

Naotaka Kawamata

Attorney-at-Law,
Marunouchi Sogo Law Office



Kao's response to the views expressed last year

We are continuing activities to prevent serious violations from occurring by picking up issues through reporting and consultation. However, it is difficult to identify problems that are hidden because of the way each employee is accustomed to work, and it is important for each employee to become aware of such problems and speak up. In FY2023, we have been providing information in the form of educational posters with four-frame comic strips and case studies that promote awareness, aiming for content that would catch the attention of many employees at a glance. In addition, we have established a reception desk outside the company so that employees can report incidents after working hours or on holidays. As a result of these efforts, the number of reports has increased by approximately 30% compared to 2022. We will continue our initiatives to win the trust of the Compliance Committee (Secretariat), which will lead to a change in the behavior of each and every employee.

Further activities for building trust in the Compliance Committee and others

A secretariat was established at Kao as a subordinate organization of the Compliance Committee, and secretariat meetings are held once a month, with supervising members from the Compliance Department and other divisions. As an outside advisor to that secretariat meeting, I sat in on the 2021, 2022 and 2023 meetings, and contributed to the stakeholder engagement in the Sustainability Report 2023.

The 2023 stakeholder engagement showed that the root causes of organizational issues that lead to noncompliance are often hidden in the way people work in the relevant workplace. I have pointed out that after gaining trust in the Compliance Committee (Secretariat), it is necessary to encourage employees and others to speak up through reporting and other systems.

The Compliance Committee (Secretariat) has been continuously surveying employees' awareness of compliance and conducting a survey on ethics, culture, communication, etc., in the workplace. A major trend is the gradual decrease in the percentage of employees expressing concern about ethics, culture, communication, etc., in the workplace. However, there are still some workplaces where a relatively high percentage of employees have concerns about ethics, culture, and communication in the workplace.

The Compliance Committee (Secretariat) has conducted a more in-depth survey on compliance awareness, and has found a correlation with the use

of internal reporting systems at each workplace, and the percentage of employees who have concerns about ethics, culture, communication, etc., at their workplaces. In other words, when the results of using the whistle-blowing system are broken down by workplace and compared against the percentage of employees who have concerns about the ethics, culture, communication, etc., at each workplace, the results show a tendency that the workplace with the highest use of the whistle-blowing system has a higher percentage of concerned employees. This is one indication that the Compliance Committee (Secretariat) has gained the trust of employees, etc., and that employees are speaking up through reporting and other systems. The Compliance Committee (Secretariat) is expected to respond to the expectations of employees who speak up and provide support to improve work practices in the relevant workplace.

On the other hand, it is also true that some workplaces have a relatively high percentage of employees with concerns about ethics, culture, communication, etc., at their workplaces, and yet have a poor track record of using the internal whistle-blowing system. Some of the departments with a high percentage of employees who raise concerns regarding ethics, culture, communication, etc., in the workplace may be those where there are issues regarding the way work is conducted. Therefore, I expect the Compliance Committee (Secretariat) to continue working diligently to gain further trust in the company.

Full Transparency

Through product transparency, Kao aims to build stronger trust with consumers. Sharing information that consumers need in a suitable and easily understood way is important if they are to make the right choices for themselves and lead rich lives. We also actively address climate change and biodiversity, along with inquiries about various non-financial information from external stakeholders and international movement toward information disclosure. We disclose information in a timely manner through our reports, websites and various opportunities to engage with stakeholders.

Social issues

In modern society, individuals are highly motivated to obtain information that is necessary and important to them. At the same time, the development of social media has made obtaining a wide range of information easy. Ethical consumption, where products and services created with environmental and social considerations in mind are chosen and consumed, is growing on the part of consumers. Consumers are also seeking information about corporate activities with the desire to purchase not only individual products of high quality, but also products from companies they can trust.

However, information about companies and the products and services they offer is still often fragmentary, preventing consumers from making choices that are right and satisfactory for themselves.

In addition, inquiries about various non-financial information, including climate change, biodiversity, and other environmental elements, social elements such as human capital and human rights, and governance elements from external stakeholders and international movement toward information disclosure are increasingly gaining traction. As items previously considered external diseconomies are being reevaluated, especially within the environmental domain, it has become increasingly sensible to take actions that are more beneficial to both society and the planet.

Policies

Regarding transparency, we aim for activities founded on the Kao Way, Kao Business Conduct Guidelines (BCG), and Disclosure Guidelines to ensure that people can easily get the information they need to make the right choices for themselves, society, and the planet when they need it. And based on that accurate information, we can deepen our dialogue with stakeholders. We will disclose information to all stakeholders in a timely, accurate and fair manner, aiming to be a company that is trusted and supported by society.

First, we ensure transparency in all business activities within Kao and expand and upgrade activities a step ahead of the scope and level of transparency required by the times. We hope that these activities will be promoted through the voluntary efforts of employees and that individual movements blend right in and work together well with each other so that consumers’ security and safety will be ensured and a relationship of trust and empathy between companies and consumers will ensue, thereby leading to worthwhile choices for people, society, and the planet.

We will also require systemic measures to organically connect each database, which was designed individually for the primary purpose of storing and managing information, ensuring a smooth two-way flow of information with internal and external stakeholders. By further enhancing transparency, we can move beyond merely disclosing the required information to actively promoting communication and interactive

activities that will achieve the Kirei Lifestyle Plan (KLP) and lead to ESG-driven *Yoki-Monozukuri*. We also endeavor to realize the vision set forth in the Kao Way: To be closest to the individual and beyond their expectation.

Since the COVID-19 pandemic in 2020, the widespread adoption of non-contact, non-face-to-face digital technologies in many social activities has resulted in many people realizing the new value of such digital technologies. As such, people’s daily lives have changed drastically. Part of that change is how they access the information they need to guide their consumption behavior and what they actually consume. As such, businesses now place more emphasis on providing value to consumers promptly and in an appropriate way. From that perspective, the power of digital technology that enables communication that is not constrained by a specific time or place is essential. We will therefore promote Digital Transformation (DX) for our ESG activities as part of our efforts toward full transparency.

As an enterprise that acts while walking the right path, we aim to become a sustainable company together with various stakeholders, people, society and the planet by providing science-based information for products that support consumers’ enriched lifestyles and actively addressing inquiries about various non-financial information from external stakeholders and international movements toward information disclosure.

Full Transparency

Fragrance Policy

Kao's Fragrance Policy, issued in May 2020, includes information on our commitment to *Yoki-Monozukuri* and the value we seek to offer through fragrances, and examples of fragrance-related research. In addition, the following three points are listed as disclosure policies.

1. Ensure all of our fragrance formulations are fully compliant with the local regulations of the regions where they are marketed, and ensure that the latest safety data is collected.
2. Only create fragrances using ingredients that are in line with the guidelines set forth by the International Fragrance Association (IFRA).
3. Begin the process of providing information on fragrance ingredients that account for 0.01% or more of the product weight.



Fragrance Policy
<https://www.kao.com/global/en/innovation/safety-quality/fragrance-policy/>

The disclosure threshold (0.01% or more of fragrance ingredients by weight of product) is determined by reference to the SCCS opinion. This standard is consistent with the disclosure standards of peer companies in Europe and the Americas.



SCCS opinion on fragrance allergens in cosmetic products
https://ec.europa.eu/health/scientific_committees/consumer_safety/docs/sccs_o_102.pdf

Strategy

Risks and opportunities

Risks

If a company is unable to share information that is sufficient in terms of both quality and quantity, at the right time, with a quickly changing market, and with consumers, and if that information is not compatible with the company and the products it offers, then the products to be purchased, or even the company itself, may be excluded from consumers' choices. Although Kao has been working for years based on the idea that we should give high priority to providing information to consumers.

Regarding product information, we already provide information about ingredients as well as packaging and environmental impact. This means there is a lot of information we need to manage.

In addition, the movement toward transparent information disclosure by businesses is fast becoming more complex. Examples include information that must be disclosed, such as laws and regulations, information on chemicals management, questions about ESG-related information from various rating agencies, the TCFD^{*1} and the TNFD^{*2}. If we are unprepared for such movements around the world, we will not be able to meet disclosure requirements, leading to a loss in reliability as a company.

^{*1} TCFD: Task Force on Climate-related Financial Disclosures

^{*2} TNFD: Task Force on Nature-related Financial Disclosures

Opportunities

People say that the ethical market in Japan is lagging behind that of that in the West in terms of maturity. One cause is that companies in Japan have not provided much information useful for consumers to select ethical products.

"Ethical," which means behaving in a manner that is planet-, social- and community-conscious, is an important concept. And it is the concept shared by Kao's Kirei Lifestyle. If we can integrate appropriate information disclosure with "ESG-driven *Yoki-Monozukuri*" and promptly improve the environment in which consumers can make the right choices in their daily lives, Kao could be a primary driver in developing the ethical market in Japan.

In addition, by actively addressing the international movement toward information disclosure on climate change and nature, we can review our activities and strategies and turn subsequent activities into strengths, not to mention being recognized as a company committed to creating a better society and planet.

We believe if we can respond to what is happening in the world and improve transparency, hopefully, half a step ahead of our time in this way, we can improve our reliability and provide outstanding products and services based on feedback from consumers, markets, and investors on the basis of common information.

We will incorporate non-contact and non-face-to-face digital technology in today's social activities into our initiatives to reach full transparency and advance the DX promotion for our ESG activities.

Full Transparency

Strategy

Kao will promote ESG-driven *Yoki-Monozukuri* that factors in ESG perspectives and information in advance. As such, in addition to the physical performance axis we have always shown, we will deliver into public view the background and thoughts underlying our products and services. In addition, we will ensure that people can easily get the information they need to make the right choices for themselves, society, and the planet when they need it, and based on that information, we can deepen our dialogue with stakeholders.

We also develop our transparency-related activities from just responding to external demand (transmitting and answering) to a bilateral communication tool for realizing the KLP. In the response phase, we will need to promote information disclosure, ensure traceability, and develop a user-friendly, readily accessible interface. In the bilateral communication phase, on the other hand, we foresee the need to convey and share our philosophy and suggest customizability to meet consumers’ wants and offer them better lifestyles.

Although we will have to invest a lot of effort even during the response phase in this rapidly changing modern society, we see this project as a short-term, basic goal.

At the same time, we will lead our transparency-related activities to the following:

- Reduce business risks relevant to ESG and create business opportunities
- Accelerate the integration of ESG with the business
- Revitalize in-house activities such as Research and Development

It is important that improved transparency will be mainstreamed in all business activities within Kao. This means we will have more target items for promoting transparency through the voluntary efforts and new activities that will be established.

We must establish an internal infrastructure to support these activities. Now, numerous databases and related systems exist to manage and leverage information for limited needs and employees. The information collected there offers several advantages, including efficient and highly secure operations achieved through system designs tailored to specific departments or specialized members in addition to high data quality (such as specialized nature and accuracy).

On the other hand, we have recently received more and more questions about non-financial information that require us to integrate multiple pieces of information from external stakeholders for answers. At times, we have had to manually search multiple databases to collect and process data. This means that a longer time is needed to obtain answers, consequently limiting the time for activities that generate higher added value and making it challenging to keep up with ever-changing data in a timely fashion. Continuing in this manner may compromise data-based decisions in an era of significant change.

Therefore, we are conducting activities to establish an IT infrastructure that integrates a variety of information while maintaining data quality and security.

Social impact

Obtaining necessary information makes it easier for consumers to choose safe and secure products and services, and lead comfortable lives. In addition, the individual choices of consumers contribute to the SDGs without their being aware of it, and the environmental impact of these activities needs to stay within the range that our natural world can safely absorb.

And by providing innovation and new value to the world with appropriate information, we will create new markets and help realize a world that is sustainable and filled with trust.

By eliminating power asymmetries between companies and consumers with respect to the information displayed on products, we expect an increase in the number of product choice selection criteria. We believe that consumers and companies accessing the same information will contribute to ESG-driven *Yoki-Monozukuri* in plan & action and the building of a better society.

When consumers choose products that have meaning for them and are safe and reliable based on correct information, it creates opportunities for changed behavior not only for Kao, but for other companies as well. This will lead to a society where people choose sustainable lifestyles, products, and services that are friendly to the environment and biodiversity.

As information about issues that arise is shared with the public and becomes visible, new collaborations will form among the individuals, companies and organizations that are entering the market and have the means to resolve those issues.

We believe that the non-financial information disclosure framework is not yet complete but will continue to evolve. By actively disclosing information,

Full Transparency

we can serve as a reference provider for other companies and organizations involved in disclosure efforts.

Contributions to the SDGs



Business impact

When consumers have access to the information they need, and can select products that have meaning for them and are safe and reliable, this will generate opportunities for market expansion, and lead us to take action and develop the right products to meet demand.

The Kao Group's *Monozukuri* is supported by thorough, essential research based on the latest scientific knowledge, and our individual data is extremely reliable. We expect to link that data organically and to create new value and business opportunities.

In addition, some retailers have begun to request information from companies regarding the sources and origins of ingredients in products, environmental footprint and other details. They use this information to rank the products they deal with according to their own evaluation methods and standards. They are likely to refrain from handling products from companies that are unable to provide the necessary information for ranking. Product value is now determined based on whether factors such as environment, biodiversity, and human

rights are considered during *Monozukuri* in addition to conventional evaluation axes such as performance, price and design. Gaining a higher rank is expected to provide benefits, including:

- Increase in sales and income as products are positioned as excellent options for consumers
- Expansion of market share through differentiation from competitors
- Rise in brand awareness and reliability

Responding wholeheartedly to increasingly intensified, accelerated, and complex demands for disclosure, such as TCFD and TNFD, and answering questionnaire to various rating agencies will lead to improved reliability. This will allow us to provide better livelihood support products and services based on feedback from consumers, markets, and investors.

Kao regards this trend of demand for disclosure as a benchmark for judging whether we have successfully been solving social issues through our business activities. We believe that *Monozukuri* that considers factors such as environment, biodiversity, and human rights will become ingrained in our culture, and that our company will play an essential role in creating a society that co-exists with nature in the mid- to long term.

Governance

Framework

We believe that conveying Kao accurately to all stakeholders will help ensure full transparency. Each managing division promotes activities to enhance transparency.

In particular, we emphasize the transparency of information relating to products that consumers come in frequent contact with. We also have established a task force for disclosing product information in the ESG Promotion Meeting, an organization under the ESG Managing Committee, and built a system to accelerate the promotion of these activities from a global, inter-divisional perspective.

Since the establishment of the task force, we have tabulated the KPI progress in the actual performance for each year at the end of the year to report it at the ESG Managing Committee and publish it in this report.

If something needs to be addressed regarding the disclosure of fragrant ingredient names, we schedule a meeting each time to discuss the matter and address it after obtaining approval at the task force owner meeting.

For example, we revised operational guidelines after obtaining approval at the task force owner meeting when we disclosed the "Establishment of the Approach to the Cleaning Sheet Disclosure Standard" for the first time in the U.S. in 2023.

Regarding the Kao ESG Data Platform Project, we provide a progress report at the ESG Managing Committee and ESG Promotion Meeting. We have established a project organization for more detailed progress management and issue resolution, and report regularly to project owners and core leaders.

Full Transparency GRI 417-1

Each responsible division promotes other information disclosure.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

Walking the right path is included in the Kao Way and is positioned as one of the values of the Kao Way, along with *Yoki-Monozukuri* and consistent focus on innovation. The concept and activities for full transparency are based on this principle of “walking the right path.” Along with strict observance of laws and regulations, it is considered extremely important that each Kao employee acts with social integrity in accordance with ethics. This attitude is inculcated in Kao employees not only through specific training opportunities, but also through their daily work, and is practiced thoroughly in their daily life.

In addition, in accordance with the “*Genba*-driven” viewpoint set forth in the Kao Way, we learn through dialogue with stakeholders what information consumers the world over need.

Collaboration with stakeholders

Collaboration with suppliers is essential for enhancing transparency, and we work closely with industry groups to promote product information disclosure.

Moreover, we gather the latest scientific knowledge through ongoing interaction with academics.

We strive to understand the needs of society and the market, not only through direct inquiries from, and

consultations with, consumers relating to product information, but also through dialogue with distributors, NPOs, and NGOs.

Risk management

The organizer of activities related to full transparency will be a task force set up under the ESG Promotion Meeting, a subordinate organization of the ESG Managing Committee. For this reason, the progress of our activities is reported as needed, and if any problems arise while the activities are underway, they will be reported to and discussed by the superior committee.

We continue to perform monitoring even after publishing information. If new regulations or scientific findings are identified, we will promptly take appropriate action, such as revising information or disclosing additional information.

It is important to keep pace with the movement of information disclosure worldwide and make preparations in advance. Additionally, information that we do not currently possess may be requested.

In Europe, many different movements related to the EU Green Deal are gaining traction. In some cases such as TNFD, rules are made in an open innovation style. Kao actively participates in the TNFD forum, swiftly gathering information and engaging in activities to contribute to rule-making.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. And, we have set the target of making all our brands selling consumer products transparent brands by 2030. We are also looking at how to disclose information in ways that consumers find easier to understand.

It is also necessary to establish an infrastructure to handle this information. Therefore, we will build a system that enables timely information provision by leveraging the Kao ESG data platforms. Additionally, we will establish an interface for internal management through data processing and disclosure as appropriate, as short-term to mid- to long-term global activities. We mainly handle the following ESG-related information:

- Information for decision making (internal use)
- Requests from third parties (business requirements, and questions from research agencies, investors or other stakeholders)
- Duty of disclosure (laws and regulations)

Our short-term goal is to build a system at an early date to comply with laws and regulations and promptly and accurately address external inquiries.

Meanwhile, we anticipate mid- to long-term activities that continue to evolve, gradually expanding the scope of handled information, because the information we handle largely varies and international rules are still being developed for some items. We closely coordinate with various system development projects that are separately in progress in our company.

Full Transparency GRI 417-1

2023 results

Disclosure of fragrance ingredient names

In 2023, we disclosed and updated the fragrant ingredient names of new items and brands, leveraging the infrastructure that we have built to improve operational efficiency.

In 2023, we started releasing the fragrance ingredient names of a brand. We also disclosed new information on 41 SKUs and updated information on 14 SKUs of brands that had already been disclosed. As of the end of 2023, the KPI progress rate is 22%.



MyKao Mall
<https://www.kao-kirei.com/ja/>

My Kirei by Kao
<https://www.mykirei.com/>

Kao ESG Data Platform Project to establish infrastructure to handle ESG-related information

In 2023, we launched a project to organize and integrate internal ESG-related information (Kao ESG Data Platform Project). The purpose of this project is to comply with laws and regulations and promptly and accurately address external inquiries. We will use the person-hours saved through DX to expand our business and create new projects.

In this project, we prioritized ESG-related information to be handled based on criteria such as the importance and effects of systemization, determined the project scope and system design factors based on the priority order, and developed a master schedule. We also progressed with various surveys and designs for system construction after 2024, and initiated partial system development.

In a preceding AEMEA project, we completed a system to integrate packaging information. This system

enables us to swiftly tabulate data on secular changes in plastic consumption, the percentage of recycled plastics, and other relevant items to address the recent social issue of plastic packaging. We will use the system to develop more sustainable packaging.

Action for non-financial information disclosure

Regarding information disclosure for investors, the TNFD framework was formally released in September 2023. Before announcing the framework, Kao published Business Risks and Opportunities Offered by Biodiversity, a report on biodiversity using the TNFD framework, in April 2023. We also addressed TCFD, CDP, DJSI, etc.

P343 Biodiversity

Disclosure of ingredients regarded as important by society

In 2022, we achieved our disclosure goal set for 2030 to publish policies related to 18 ingredients regarded as important by society ahead of schedule. As society's concerns and challenges are impacted by the social situation and changes in people's ethics and values, we will continue the survey with the aim of disclosing policies related to 30 ingredients in total, including 12 new ingredients.

We disclosed our policies about two key ingredients in skin care (octocrylene and homosalate), which Kao is prioritizing for global expansion, at our sustainability website in September 2023.

P72 Safer Healthier Products

Reviews of 2023 results

In 2023, we disclosed and updated the fragrance ingredient names of new items and brands, leveraging the infrastructure that we have built to improve operational efficiency.

In 2023, we released fragrance ingredient names of a new brand. We also disclosed new information for 41 SKUs and updated information for 14 SKUs of brands.

We disclosed fragrance ingredient names in new categories of brands, even though fragrance ingredient names had already been disclosed for some products within those brands. We also revised guidelines to cover new types of products such as sheet-type products. We recognize the necessity of developing and revising operation guidelines in the future when the disclosure category is expanded or when new types of products are created.

In addition, we are re-acknowledging that the sensitivity of consumers to disclosure varies depending on regions and brands because we disclose information globally. Therefore, we will determine the priority order for disclosure while considering the external environment and business plan.

In addition, there has been a recent increase in demands for information, not only relating to fragrance ingredients, but also for other ingredients as well as environmental impact and the overall transparency of our supply chain, and this information must be conveyed to a wide range of stakeholders in addition to consumers. We will promote further strengthening of internal structures, database enhancement, system linkage and collaboration with internal and external partners, to achieve 100% transparent brands.

Full Transparency GRI 417-1

In addition, we initiated the Kao ESG Data Platform Project. This project aims to establish infrastructure for current and future information disclosure and proactive use of ESG-related data. We selected items with high-priority orders from ESG-related information to comply with laws and regulations and promptly and accurately address external inquiries. We have already completed systems for some regions and will redesign the systems for global deployment.

Main initiatives

Launch and promotion of the Kao ESG Data Platform Project

We launched the Kao ESG Data Platform Project to establish infrastructure with an eye to current and future information disclosure and the proactive use of ESG-related data. This project strongly encourages efforts toward full transparency. We expect the project to support “ESG-driven *Yoki-Monozukuri*” and the promotion of the KLP, thereby leading to the creation of sustainable markets and data-based decision-making (such as management, business, and technological strategies).

Our first goal is to build a system at an early date to comply with laws and regulations and promptly and accurately address external inquiries.

In the past, it was highly advantageous when ensuring data accuracy and confidentiality to establish and manage independent databases for each action and department. However, we have recently received many questions that require results obtained by integrating the data and carrying out calculations on it. For example, we have received a question that, in order to answer it, requires us to match product ingredient information with sales data in order to carry out aggregation.

In this background, we will establish a “data lake,” which is a system to relate mutual data, and build a system to rapidly and accurately extract the desired data in the Kao ESG Data Platform Project.

We have accurately ascertained the number of inquiries, the time required for responding to inquiries, and the way to work on the current tasks to identify points to be streamlined. At the same time, we have determined the priority based on the effect size in systematization to prepare for the systematization. As

information on packaging and products is particularly urgent, we worked on such information as our first action.

Many departments are involved in the operation of this project. Therefore, we hold meetings every week to check the progress of the project and a meeting to check the progress as a whole and solve issues. We also have a meeting for communicating with the AENEA team because the processes of data handling, question answering, and data-based decision making apply globally.

For governance, progress is reported at the ESG Managing Committee once a year and at the owner meetings attended by executive officers four times a year. The core leader meeting, where representatives from relative departments gather, is held approximately twice a month (28 times in total).

In 2023, we completed a system to integrate packaging information in a preceding AEMEA project. This system enables us to swiftly tabulate data on changes over time in plastic consumption, the percentage of recycled plastics, and other relevant items to address the recent social issue of plastic packages. We plan to evolve this system to globally cover packaging information within 2024. We will also use the system to develop more sustainable packages.

We anticipate mid- to long-term activities that continue to evolve, gradually expanding the scope of handled information because the information we handle varies to a great degree, and international rules are still being developed for some items. We have narrowed down the actions to be developed in the future and also launched a new working group. We closely coordinate with various system development projects that are separately in progress in our company.

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

Full Transparency GRI 417-1

Disclosure of fragrance ingredient names

In product catalogs on our website and on individual product websites, we provide information on product features and the ingredients used in products based on scientific evidence.

In 2023, we disclosed and updated the fragrance ingredient names of new items and brands, leveraging systems that we have built to improve operational efficiency (function to create a list of fragrant ingredient names and system for automatically linking it with the product catalog on the web).

We disclosed the fragrance ingredients of bath additives and eye masks in the My Kirei brand deployed in the U.S. This is an example where the disclosure is not numerically reflected in KPIs, despite disclosing information in new categories. This is because the disclosure remains limited to the same My Kirei brand, meaning the number of brands with disclosed ingredients does not increase.

We added data to the operation guidelines at the disclosure. In the past, we only disclosed the ingredients in aqueous solvent. Both the bath additives and eye masks subject to this disclosure are solid products that do not contain solvents. Therefore, we had to consider how we should handle the provision in the Fragrance Policy that stated, "Begin the process of providing information on fragrance ingredients that account for 0.01% or more of the product weight."

Concerning sheet-type products such as eye masks, some of them are dry and do not contain solvent, while others contain solution to be absorbed. We repeatedly discussed both types, determined guidelines for future operation policies at the task force owner meeting, and shared them with related parties.

An example of a new product for which ingredients were launched is the fragrance ingredients of softeners in the *Curél* brand in Japan. We also updated fragrance ingredient names in line with improvements or other changes.



MyKao Mall
<https://www.kao-kirei.com/ja/>

My Kirei by Kao > Wellness
<https://www.mykirei.com/collections/wellness>

Disclosure of the benefits and safety of chemical substances

In addition to the easily understood information disclosure for consumers and society that we have so far carried out with respect to chemical substances safety, based on our Responsible Chemicals Management Promotion Policy, we began efforts to disseminate information relating to the benefits of chemical substances.

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Responsible Chemicals Management

Disclosure of policies relating to ingredients regarded as important by society

We disclosed our policies about two key ingredients in Skin care (octocrylene and homosalate), which Kao is prioritizing for global expansion, at our sustainability website in September 2023.

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Safer Healthier Products

Supply chain transparency

We are also promoting activities to enhance the transparency of our supply chain. We strive to source our raw materials in a way that protects natural resources, the environment and human rights through supply chain traceability and dialogue with suppliers.

To raise the transparency of the supply chain, Kao periodically obtained the latest traceability information from suppliers and published the list and map of mills connected with our supply chain. As of the end of December 2022, the traceability to palm oil mills was 100%. We monitor and verify risks of illegal deforestation and development of peatlands containing a large amount of CO₂ in our supply chain by locating palm oil mills on the map and leveraging satellite monitoring information on areas within 50 km from the mills based on Global Forest Watch and NASA Earth data, peatland information from Protected Planet, supplier NDPE surveys^{*1}, and sustainability information from NGOs. We plan to complete traceability confirmation for small oil palm farms by 2025.

Full Transparency

Kao is also working on transparency regarding human rights in the supply chain. In September 2022, with respect to human rights issues in oil palm smallholders, we launched a grievance mechanism in collaboration with Caux Round Table Japan (CRT Japan Committee), a non-profit organization specializing in business and human rights. The number of farms participating in the grievance mechanism is 75 as of the end of September 2023 with 147 inquiries (between September 2022 and September 2023).

Our activities toward sustainable palm oil procurement are released on the palm dashboard at our website.

*1 No Deforestation, No Peat, No Exploitation

P100 Responsibly Sourced Raw Materials



Palm Oil Dashboard
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Employees' opinions

Enabling Transparency through Technology



Christa Brady

Director, ESG, AEMEA /
Corporate Strategy

The Kao ESG Data Platform project will fuel Kao's commitment to transparency by readily proving fundamental information regarding product, packaging and production. Linking various separate systems of record into a single "data lake" will provide insights into current material usage, enable business

intelligence to promote innovation in the reduction of waste/carbon and facilitate sharing of information with business partners, consumers and appropriate governing bodies.

Since the launch of this initiative, we have received tremendous support from every function and sector of our business. The creation of a central data lake and the ability to form connections between data in a more automated fashion will greatly increase our ability to use this information to create safer, healthier products that contribute to a more sustainable world. This important project will pave the way for increased transparency and will be built upon in future years to continue to provide transparency on elements that are important to our stakeholders.

Respecting Human Rights GRI 2-23

We support and respect international rules relating to human rights, and have developed the Kao Human Rights Policy. This policy is based on the United Nations (UN) Guiding Principles on Business and Human Rights, and we are working to achieve zero human rights violations in all our corporate activities. The Kao Human Rights Policy was first published in 2015, and is reviewed periodically. The policy targets all business activities, including M&A and new projects.

Social issues

Human rights are fundamental rights, and in a world of diverse values, it is important to build a society in which people respect one another's human rights, and where no one has to suffer from prejudice or discrimination.

Corporate activities are closely linked to the human rights of a wide range of people, including employees, business partners, consumers, and local communities. Under these circumstances, the risk of human rights violations occurring cannot be said to be zero.

The increasing globalization of business activities has highlighted the risk of forced or compulsory labor among suppliers in developing countries, so it is important for companies to emphasize respect for human rights. Within the workplace, employees' lifestyles and values are becoming more diverse, and there is a need to create a comfortable working environment free of discrimination. While there is the possibility of raising social issues through advertisements to consumers, there is also the potential for the expressions to infringe on their human rights. If advertisements spread by consumers on social networking sites contain content that violates human rights, consumers may indirectly be complicit in human rights violations.

In October 2021, the UN Human Rights Council passed a resolution recognizing that environmental issues, including climate change, are human rights issues. Subsequently in July 2022, the UN General Assembly declared that "access to a clean, healthy and sustainable environment is a universal human right." We also recognize that climate change and human rights are closely intertwined.

More than ten years have passed since the UN Guiding Principles on Business and Human Rights were approved, and there is an increasing emphasis on corporate human rights initiatives, with discussions, particularly in Europe, to legislate corporate human rights initiatives and their disclosure.

Companies have a responsibility to respect human rights. We need to identify human rights risks, implement remediation when human rights violations have emerged, and continue making an effort to mitigate the risk and prevent human rights violations from occurring.

Policies

Kao's mission is to create a Kirei life for all—providing care and enriching the lives of all people and the planet. Respect for human rights is essential to achieving this mission. Across all of our corporate activities, we aim to reduce human rights violations to zero, and to solve problems promptly when they unintentionally occur. Kao promotes respect for human rights in accordance with the Kao Human Rights Policy and other policies as follows.

• Kao Human Rights Policy

Declaration of our commitment to strive to fulfill our responsibility to respect human rights in all our corporate activities

• Kao Business Conduct Guidelines

Commitment to respect human rights and the elimination of child labor, human trafficking, and forced or compulsory labor

• Policies for Procurement

Commitment to fulfilling our social responsibility through procurement that respects human rights

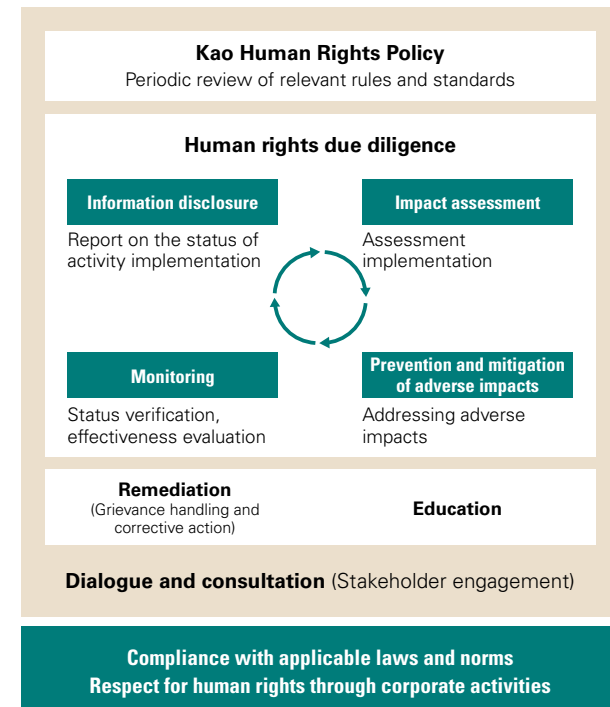
• Partnership Requirements for Suppliers

Requirements for suppliers to prohibit forced or compulsory labor, child labor, and illegal labor as human rights and labor requirements

• ESG Promotion Activities with Suppliers

Specified activities to grasp the risks associated with human rights and the environment in the supply chain, and make improvements together with suppliers

Overall picture of the initiatives outlined in the Human Rights Policy



Respecting Human Rights GRI 2-23

- “High-Risk” Supply Chain Management and Sourcing
Specified approaches for solving essential issues regarding human rights and the environment in high-risk supply chains
- Diversity, Equity, and Inclusion (DE&I) Policy
Promotion of DE&I practices with our stakeholders, starting with our employees, and including business partners and all people in society
- Support the CGF’s*1 Forced Labour Resolution and the industry’s Priority Principles.

In addition, we have established a framework for receiving hotline reports from both inside and outside the company. All reports and consultations received at the Compliance Hotline are discussed and investigated by the Compliance Committee and the Compliance Committee Secretariat, which take action as necessary.

*1 CGF: The Consumer Goods Forum



Kao Human Rights Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/humanrights-policy/>

Kao Business Conduct Guidelines
<https://www.kao.com/global/en/corporate/policies/compliance/business-conduct-guideline/>

Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>

Partnership Requirements for Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-partnership/>



ESG Promotion Activities with Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-esg/>

“High-Risk” Supply Chain Management and Sourcing
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>

Diversity, Equity and Inclusion (DE&I) Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/policy/>

Respecting human rights
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/>

Compliance Hotlines
<https://www.kao.com/global/en/corporate/policies/compliance/compliance-contact/>

Consumer Communication Center (Consumer support room)
<https://www.kao.com/jp/support/>

Strategy

Risks and opportunities

Risks

Through the implementation of risk assessments, including human rights risk workshops, we have identified the risks shown in the “Kao Group risks specified through risk assessments” chart, and the important human rights theme for Kao is the “the working environment for people who we work with.” We conduct periodic risk assessments to evaluate the status of these risks.

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Kao Group risks specified through risk assessments

Short-term:

- Risk of penalties for failure to comply with laws and regulations such as the UK Modern Slavery Act
- Risk of manufacturing products under poor working conditions that can harm workers’ health or cause quality problems
- Risk of reputation damage from advertising with inadequate human rights considerations

Medium-term:

- Risk of negative impact on purchasing behavior due to damage to Kao Group’s credibility caused by lack of consideration for human rights
- Risk of reduced employee motivation and loyalty, resulting in a negative impact on productivity and increased turnover
- Risk of increased turnover negatively affecting recruitment efforts

Long-term:

- Risk of losing the trust of society and being unable to continue as a business due to loss of human capital and failure to address social issues

Opportunities

Short-term:

- Opportunities for sales promotion through sympathetic advertising messages that take human rights into account

Medium-term:

- Opportunities to establish and maintain good relationships of trust with business partners and positively influence purchasing behavior by increasing confidence in the Kao Group
- Opportunities for Kao Group to build and maintain a strong supply chain by increasing respect for human rights among business partners

Respecting Human Rights GRI 2-23

- Opportunities to increase employees' motivation and loyalty, thereby increasing productivity and reducing turnover
- Opportunities to increase sales and human capital acquisition through improved reputation and empathy for the initiatives being implemented

Long-term:

- Opportunities for Kao Group to gain broad public sympathy for its stance and initiatives and to strengthen its initiatives to respect human rights, thereby raising awareness of human rights throughout society and contributing to the realization of a society in which no one suffers from discrimination or inequality

Strategy

Respecting human rights is an indispensable and important fundamental activity for Kao Group in realizing its Purpose and fulfilling its "Commitment to the Future" while paying due attention to social issues. In addition, respect for human rights implemented in accordance with the Kao Human Rights Policy will specifically contribute to the strategic approaches: "Become an essential company in a sustainable world" and "Maximize the power and potential of employees," as part of the Mid-term Plan 2027 (K27).

Recognizing the diversity of human rights issues, the Human Rights and DE&I Steering Committee holds interdepartmental discussions to set strategy and activity direction, promote employee awareness through awareness-raising, and drive initiatives in each department. We also aim to achieve zero human rights violations by taking advantage of the many opportunities afforded by our broad range of business areas, from our

Consumer Products Business to our Chemicals Business.

To identify human rights risks, we conduct risk assessments such as human rights workshops and other means to examine what risks exist in the Kao Group. As a KPI, we have set the risk assessment implementation rate for internal, suppliers, and contractors, and are working to improve the implementation rate. We also conduct risk surveys of suppliers and on-site subcontractors, and based on the results, carry out more detailed surveys or audits if we determine that the risks are significant.

Through this risk assessment, we identify risks and address actual or potential adverse impacts on human rights in order to achieve zero human rights violations.

By collaborating together with a wide variety of stakeholders to implement measures that strengthen respect for human rights, and by striving to prevent and mitigate human rights risk, we are able to get closer to our goal of reducing human rights violations to zero, while also helping to achieve our mission, as declared in the Kao Way: As one, we create a Kirei life for all, providing care and enrichment for the life of all people and the planet.



Our Purpose and Value Creation
<https://www.kao.com/global/en/corporate/purpose/>

Management Strategy and Mid-term Plan 2027 (K27)
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

Social impact

Expanding company measures to ensure respect for human rights helps to enhance awareness of human rights in society as a whole. Our measures are one part of this. For example, deepening understanding among

stakeholders enhances awareness of human rights in society as a whole, mitigates human rights issues such as forced labor, and can also prevent negative environmental impact by reducing indiscriminate development in developing countries. Providing products and services made with consideration for human rights reduces the chances of consumers indirectly infringing on human rights and leads to fewer human rights violations in society as a whole.

Failure by companies to respect human rights can lead to human rights violations, which in some cases can have a significant impact on society, not to mention those who suffer from such violations.

Contributions to the SDGs



Business impact

Corporate human rights initiatives are under increasing scrutiny, and when inadequate initiatives result in human rights violations, corporations are exposed to direct litigation risks and bear the financial burden of legal costs, recovery expenses and the like, or lose commercial opportunities with their business partners. There is also a greater probability of severe damage to our company image, a lower reputation among consumers, weakened employee loyalty, and loss of trustworthy relations with business partners and suppliers.

Respecting Human Rights GRI 2-23, 2-25

Continuing to identify, prevent or mitigate human rights risks in our business activities not only avoids direct economic losses but also contributes to increasing opportunities for consumers to choose our products through their support for our corporate approach, reduces procurement risks by strengthening trust with suppliers, increases opportunities for recruiting talented personnel, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

Governance

Framework

Under the supervision of the Board of Directors, risk management in relation to respect for human rights is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to respect for human rights is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to respect for human rights. 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 in management strategy, and the ESG Promotion Meeting executes the strategies.

In addition, the Human Rights and DE&I Steering Committee (which meets approximately once a month), under Board-level ownership, also formulates strategy and plans its implementation, and is working to ensure reliable and rapid execution. The committee will also establish three working groups (employees, business partners, and community) to set goals and implement initiatives in each working group and related departments. Whenever there is a need to coordinate efforts to prevent or mitigate adverse human rights impacts with the missions and business objectives of individual business divisions, the Human Rights and DE&I Steering Committee discusses the issue with the goal of pursuing activities without omitting any.

As human rights issues are so multifaceted, various different units are implementing individual initiatives in this area, depending on the specific stakeholders concerned and the individual topics. Regarding initiatives that relate to our employees, Corporate Strategy plays a central role in implementing initiatives relating to workplace safety and security, while Human Capital Strategy plays a key role in initiatives related to building inclusive and diverse workplaces. Procurement’s main responsibility is supplier-related initiatives. The Consumer Products Business is responsible for human rights considerations in advertising expressions that are most relevant to consumers. In addition, we have set up compliance hotlines to receive reports and requests for consultation from both within and outside our company to facilitate prompt remediation of human rights violations.

The Executive Officer in charge of the ESG Division has overall responsibility for our human rights initiatives.

The ESG gathers information on the overall human rights initiatives and reports once a year to the ESG Managing Committee, which is supervised by the Board of Directors, and the ESG Promotion Meeting.

With regard to the risk assessment process, the Human Rights and DE&I Steering Committee examines possible risks assumed by Kao across departments and conducts risk assessments based on the opinions of external experts. The chart “Kao Group risks specified through risk assessments” has been updated to reflect the content of the discussions held at this meeting.

* The members of the Human Rights and DE&I Steering Committee are drawn from the Human Capital, Legal, Business, Procurement, Supply Chain Management (SCM) and ESG divisions. They meet approximately once a month.

P25	Our ESG Vision and Strategy > Governance
P194	Kao Group risks specified through risk assessments
P225	Inclusive & Diverse Workplaces
P100	Responsibly sourced raw materials

Education and promotion

To reduce human rights violations to zero, we must prevent and mitigate human rights risks in every aspect of our corporate activities. Moreover, it is important to ensure that every employee has an in-depth understanding of human rights issues, and implements measures to foster respect for human rights. To this end, we disseminate information and provide education and training in line with the Kao Human Rights Policy, share information on human rights at each meeting, and globally deploy the human rights and DE&I editions of the “Kirei Lifestyle Plan Lecture,” an e-learning program for learning essential knowledge to promote the Kirei Lifestyle Plan. We also provide education and training

Respecting Human Rights

GRI 2-23, 2-24, 2-25

on specific themes, such as compliance, responsible procurement of raw materials, workplace safety and security, and DE&I, at various opportunities. As a point of contact with the people who work with us, we also regularly educate the people in charge of human rights risk surveys at group companies and plants, as well as employees involved in creating advertisements. The purpose is to prevent and mitigate the risk of human rights violations for each stakeholder group. The Human Rights and DE&I Steering Committee will discuss more effective program development to further deepen employee understanding and promote human rights considerations in each employee's work.

Education for all executives and employees

ESG Managing Committee members

ESG Promotion Meeting members

Human Rights and DE&I Steering Committee members

Risk and Crisis Management Promotion Council members

Asia ESG Leaders Meeting members

Human rights risk assessment respondent (touchpoint for people we work with)

Objectives

Previous result feedback and request for completing the SAQ

Method

Briefings and reference material

Contents

Basic content, social trends, cases and points to note

Frequency

Once a year

Marketing and advertising respondent (consumer touchpoint)

Objectives

Enhanced awareness of respect for human rights in advertising content

Method

Briefings and reference material

Contents

Basic content, social trends, cases and points to note

Frequency

At least once a year
Anytime consultation

Awareness-raising with respect to specific themes

BCG, Diversity, Equity & Inclusion, responsibly sourced raw materials, advertising expressions, human rights in general, etc.
Information provision using the company's intranet, e-learning, training, etc.

Lecture (ad hoc base)

P195 Mid- to long-term targets and 2023 results

Collaboration with stakeholders

We implement initiatives that promote respect for human rights in all of our corporate activities. The Kao Human Rights Policy states, "We consult with the relevant stakeholders on responses to potential and actual impacts on human rights." We recognize the importance of continuing to raise the level of our activities through dialogue with our employees, suppliers, consumers, local communities and a wide range of other relevant stakeholders with regard to our human rights initiatives.

In dialogue with stakeholders, it is important to hear from parties affected by human rights violations. In addition to those directly involved, we engage in sincere dialogue with experts, NGOs and others who can speak on behalf of those affected by human rights violations. We also utilize a variety of opportunities and methods to ensure that our employees, suppliers, consumers, shareholders, business partners, local communities and government agencies understand our policies and ethical standards.

Employees

Each year, we strive to grasp *Genba* issues and employee awareness through employee roundtables and employee engagement surveys.

Suppliers

We introduce our activities and engage in an exchange of views at vendor summits and other meetings.

On-site subcontractors

We engage in dialogue at safety council meetings and other forums.

Local communities

We issue plant site reports to introduce plant activities and gain the understanding of local communities. We also create opportunities for local residents to provide input.

Experts

We have a dialogue with experts, who advise us on our overall activities.

P216 Human Capital Development > Create equitable opportunities for all employees

Risk management

We conduct human rights risk workshops and human rights risk surveys as risk assessments to manage human rights risks.

Due to the diversity of human rights issues, they can affect a wide range of stakeholders. We examine and summarize the human rights risks that exist for each of our stakeholders.

Respecting Human Rights

GRI 2-24, 2-25

Kao Group risks specified through risk assessments

	Research and Development	Procurement	Manufacturing / Sales	Marketing	Logistics	Disposal
Impacted stakeholders	All people	<ul style="list-style-type: none"> Human rights violations caused by climate change (threats to lives, destruction of living environment, loss of livelihood, involuntary migration, loss of employment, deterioration of working environment, etc. due to disasters caused by extreme weather events) “Just Transition”^{*1} is not being conducted Adverse human rights impacts of business practices that do not meet internationally recognized human rights standards 				
	People who we work with (Kao regular and contracted employees, temporary workers, subcontracted employees, affiliate employees and supplier employees) (includes women and migrant workers)	<ul style="list-style-type: none"> Forced or compulsory labor Long working hours Human trafficking Child labor Poor working conditions Restriction of freedom of association and collective bargaining Inadequate wages (non-payment, wages below the living wage, wage disparity and unequal remuneration for equal work.) Discrimination (age, origin, nationality, foreign and migrant workers, race, discrimination against women, gender, members of the LGBTQ+ community, disability and illness, pregnancy / nursing) Any form of harassment Lack of DE&I consideration Invasion of privacy^{*2} Deterioration of working environment due to abuse of a superior position Complicity in or facilitation of human rights abuses by business partners 				
		<ul style="list-style-type: none"> Poor working environment or living environment, forced or compulsory labor or child labor on oil palm farms and in palm mills 	<ul style="list-style-type: none"> Damage to physical and mental health caused by being in a poor living environment 		<ul style="list-style-type: none"> Long working hours and overwork due to labor shortages and the resulting health hazards 	
	Job applicant	<ul style="list-style-type: none"> Discrimination in recruitment^{*2} 				
	Consumers and customers (including women, children, and the elderly)	<ul style="list-style-type: none"> Adverse impact on health or safety due to product design issues Lack of research ethics in product design^{*2} 		<ul style="list-style-type: none"> Invasion of customers’ privacy^{*2} Adverse impact on consumers due to misperception caused by inappropriate advertising, promotion, packaging and labeling (children, senior citizens or women) Unintentional discrimination through the use of digital and AI technologies Misunderstanding due to misrepresentations Health hazards and adverse impacts on daily life caused by the misuse of products 		
	Local communities and indigenous people	<ul style="list-style-type: none"> Health hazards due to leakage of hazardous substances (including those caused by natural disasters of unexpected magnitude) 				
		<ul style="list-style-type: none"> Harm caused to indigenous inhabitants’ culture, traditions, or livelihoods due to construction of plants, etc. Damage caused to ecological systems or local communities due to the construction and/or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, and waste gas discharge) Persecution of human rights defenders and environmental activists 				

*1 A concept that aims for a transition to a sustainable society in a fair and equitable manner without leaving behind workers in related industrial sectors or regions where industries are located, when solving environmental problems or implementing measures

*2 Including discrimination due to the utilization of digital and AI technologies

These risks are reviewed through annual human rights risk workshops. In FY2023, the risks were reviewed based on discussions among employees from various divisions, including members of the Human Rights and DE&I Steering Committee, and a table was compiled based on the opinions of experts.

Based on this process, we identified “the working environment for people who we work with as the important human rights theme for Kao,” with priority

given to “producers and farmers from whom Kao procures raw materials” and “foreign workers in the supply chain including Kao group companies” as high-risk areas.

At the same time, we conduct risk surveys of employees, suppliers, and contractors to prevent and mitigate adverse effects.

In addition, since Kao publishes a large number of advertisements, we have internal mechanisms in place, such as ensuring that many pairs of eyes check each advertisement, to reduce the risk of human rights violations in advertising expressions.

In order to deepen our understanding of human rights issues even in normal times, we also create opportunities to hold dialogues with NPOs and experts and share them internally.

Respecting Human Rights GRI 2-24, 2-25

We also have an internal crisis management framework in place to respond quickly if a human rights violation is identified. A compliance hotline framework is in place for internal and external reporting of compliance violations and other human rights risks that have come to light, and a corporate risk management system is followed for quality issues and risks that also may affect reputations. For example, if the company believes that its reputation will be adversely affected by criticism of its advertising statements, the company will follow a predetermined procedure, report the matter internally, set up a countermeasure team according to the state of emergency, and respond promptly and appropriately.

We are operating a relief system for the following subjects by collecting direct feedback from rights holders in the supply chain.

- Laborers in independent oil palm smallholders
- Foreign workers employed by a subcontractor in Kao plants

P40 Our ESG Vision and Strategy > Risk management

are managed within the corporate risk management framework, including responses to NPOs, consumer groups, and foundations (EMF, etc.), reputational responses, and actions that damage the Kao brand in the supply chain.

P295 Risk and Crisis Management > Governance > Framework

P297 Risk and Crisis Management > Governance > Education and promotion > Risk surveys

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

In all of our corporate activities, we aim to reduce human rights violations to zero and to resolve issues speedily if human rights violations do emerge unintentionally. To this end, we use human rights due diligence and awareness-raising activities to deepen stakeholders' understanding of human rights and continue to identify, prevent, and mitigate human rights risks in Kao's corporate activities.

We conduct human rights risk workshops and human rights risk surveys as assessments for understanding human rights risks. Our target for carrying out human rights risk surveys at each internal Kao Group company and plant is always 100%. We believe that respect for human rights requires constant and ongoing commitment. Meanwhile, the goal for suppliers is 100% by 2025, and for contractors is 100% by 2030. Currently, we are starting by asking for cooperation in the survey, and as of 2023, the implementation rate is 81% and 19%, respectively. We

plan to continue to strengthen our efforts and further increase the implementation rate each year.

2023 results

Human rights policy development and periodic review

The Kao Human Rights Policy was established in 2015 and has been reviewed periodically, with some wording revised this year.

Human rights due diligence Impact assessment

At the Human Rights and DE&I Steering Committee, we hold workshops on human rights risks to discuss important human rights themes for Kao and conduct human rights risk surveys with respect to employees, suppliers, and contractors with the use of Sedex^{*1}. Especially for high-risk targets, we take a deeper dive into the data and make active efforts.

^{*1} Sedex: Supplier Ethical Data Exchange.

A large-scale global platform for the sharing and verification of information relating to labor standards, health and safety, environmental protection, and business practices, aimed at promoting the adoption and maintenance of ethical business practices in global supply chains

Human rights risk workshop

The Human Rights and DE&I Steering Committee conducted a human rights risk workshop to examine what human rights risks exist for each stakeholder across the divisions. Risks raised by participants were evaluated in terms of severity and likelihood of occurrence in accordance with the Guiding Principles on Business and Human Rights. As a result, we identified "the working environment for people who we work with" as the important human rights theme for Kao, with priority given to "producers and farmers from

Integration into corporate risks

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and review measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate. Risks related to respecting human rights

Respecting Human Rights GRI 2-25

whom Kao procures raw materials” and “foreign workers in the supply chain including Kao group companies” as high-risk areas. We will address these issues on a priority basis. In addition, based on the risks raised by the participants, we updated the “Kao Group risks specified through risk assessments” chart mentioned above.

P194 Kao Group risks specified through risk assessments

Human rights risk surveys

- Internal
- We conducted a survey of Kao Group companies (52 companies) using the Sedex Self-Assessment Questionnaire (target company response rate: 100%).
- We conducted a survey of all Kao Group production sites (39 plants) using the Sedex Self-Evaluation Questionnaire (response rate of target plants: 100%).
- Suppliers
- We are requesting all of our direct global suppliers to join Sedex, reply to its questions, and grant us data access privileges.
- By the end of 2023, 81% of global transactions (by purchase value: 97%) were conducted with Sedex member companies (including alternative programs and Kao SAQ).
- Of the 1,339 sites that had been granted access privileges and replied to Sedex’s new Self-Assessment Questionnaire as of December 2023, 25% received an S ranking, and 38% received an A ranking in the overall evaluation of Sedex’s supplier risk assessment.

P100 Responsibly Sourced Raw Materials

● Contractors

As for contractors, we started performing risk surveys using Sedex for on-site subcontractors at production sites in 2021, and in 2023 we started surveys for manufacturing sites outside Japan. The implementation rate of risk assessment was 19%.

Audit (Social responsibility audit)

SMETA^{*1} audits are conducted on high-risk suppliers that have been identified as high-risk through Sedex or Kao’s SAQ assessment results, or through on-site assessments conducted by Kao representatives. In FY2023, the audits were conducted on 30 companies, and for those that were identified in the audits, we requested submission of corrective action plans and confirmed completion of the corrective actions.

^{*1} SMETA audits (Sedex Members Ethical Trade Audit)
Third-party social responsibility audits in areas such as labor, health and safety, and other areas

P100 Responsibly Sourced Raw Materials

Prevention and mitigation of adverse impacts

Assessment and audit results are fed back to relevant parties to be linked to improvements, along with employee education, frameworks for reviewing advertising expressions, supplier monitoring.

In 2012, new clauses relating to concerns for the environment and for human rights were added to the master agreement that we sign with suppliers. In principle, this master agreement is used when signing contracts with new suppliers or renewing existing contracts.

P200 Education and promotion

P201 Framework for reviewing advertising expressions from a human rights perspective

P100 Responsibly Sourced Raw Materials

Monitoring

- We conducted a human rights awareness survey with respect to our employees who communicate with on-site subcontractors at manufacturing sites.
- No cases of forced labor, child labor, or other adverse impacts on human rights were found during the human rights risk assessment in 2022, confirming that there were no verified risks.
- In the compliance awareness survey, We confirmed whether all employees trusted the compliance hotlines in the compliance awareness survey.

Respecting Human Rights GRI 2-25

Information disclosure

- Information about our initiatives is shared with consumers using our website, etc.
- In 2015, the “Act to make provision about slavery, servitude and forced or compulsory labour and about human trafficking, including provision for the protection of victims; to make provision for an Independent Anti-slavery Commissioner; and for connected purposes” (the Modern Slavery Act 2015) was enacted and came into effect in the U.K. A statement noting the measures taken by the group in relation to the act has been posted on our website.
- We submitted a statement from Kao Australia Pty. Limited to the Australian government in response to the Modern Slavery Act 2018 (Commonwealth), which was enacted in Australia in 2018.
- We have released a “Palm Dashboard” that summarizes our efforts related to palm oil, which we regard as the most important natural resource, and introduces the progress in traceability and the voices received through the Grievance Mechanism.



Palm Oil Dashboard
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Remediation

- We have established a contact point for compliance reporting and consultation from employees, suppliers, contractors, and consumers. We responded to 639 reports and consultations throughout the year, including those related to harassment, communication problems in the workplace, labor conditions, and work.
- We started operating a grievance mechanism for independent oil palm smallholders in Indonesia in September 2022. As of the end of December 2023, we had received 213 inquiries in total, including 13 questions about human rights. We successfully closed

99% of the inquiries and are continuing to handle two of them.

- A grievance mechanism for foreign workers employed by on-site subcontractors at each plant has been introduced and is now operating at three companies.

P100 Responsibly Sourced Raw Materials

P168 Effective Corporate Governance

Education

Internal

- The Human Rights Policy has been translated into 17 languages and shared internally.
- Through training on the Kao Business Conduct Guidelines (BCG), compliance training, and the dissemination of compliance case studies, we raised awareness of the concept of respect for human rights and the need for dialogue in the workplace.
- We have posted material that addresses human rights, Diversity, Equity, & Inclusion topics on the company intranet to raise awareness among employees.
- We continued the Human Rights section of the Kirei Lifestyle Plan Lecture.
- In conjunction with World Human Rights Day, the ESG Trends Newsletter disseminated a message from the executive officers who are owners of the Human Rights/DE&I Steering Committee to all global employees.
- We conducted lectures by experts on human rights matters when creating advertisements in the Consumer Products Business.
- We have continued to provide LGBTQ+ learning opportunities and ALLY*¹ recruitment as part of our efforts to promote active participation by diverse employees and to foster understanding of diverse types of customers.

- We have implemented initiatives to deepen understanding of racial discrimination issues and diversity.
- Our ESG staff participated in the Business and Human Rights Academy training, which is organized by the United Nations Development Programme (UNDP) with the support of the Japanese government.

*1 ALLY: A person who understands and supports LGBTQ+

P100 Responsibly Sourced Raw Materials

P168 Effective Corporate Governance

P225 Inclusive & Diverse Workplaces

Suppliers

- At vendor summits, we conducted awareness-raising activities with respect to human rights risks.

P100 Responsibly Sourced Raw Materials

Contractors

- We explained current trends in human rights and Kao's approach at a meeting of on-site subcontractors at each production site.

Dialogue and consultation

- We participated in individual guidance sessions with experts conducted by UNDP and held discussions with three experts.
- We participated in a roundtable session on business and human rights conducted by UNDP for CEOs/ relevant executives and other management level personnel, and exchanged opinions with experts and other participating companies.

Respecting Human Rights GRI 2-25, 2-28

- In support of the promotion of human rights due diligence in procurement activities, we joined the Japanese Cosmetics & Personal Care Products Industry Buyer Members Sedex Working Team, which was established by the cosmetics and personal care business, which is participating in Sedex.
- We exchanged information with experts from other companies, NPOs, international organizations, and government agencies through participation in the Global Compact Network Japan, the Social Sustainability Working Group in the Japan Sustainability Local Group of the Consumer Goods Forum (CGF), and the Japan Cosmetic Industry Association's human right-related subcommittee.



Kao joins the Sedex Working Team of Cosmetics & Personal Care Business Buyer Members
<https://www.kao.com/global/en/newsroom/news/release/2023/20231120-001/>

Reviews of 2023 results

Through our corporate activities, we aim to reduce human rights violations to zero, and to resolve the issues speedily if human rights violations do emerge unintentionally. We believe that the situation of human rights violations can be determined from human rights risk surveys and feedback from society to the company, and we conduct risk surveys and operate a grievance mechanism. Our goal is to achieve a 100% response rate for human rights due diligence for the Kao Group, suppliers, and contractors by 2030. In 2023, the survey implementation rate was 100% for the Kao Group, 81% for suppliers, and 19% for contractors.

The investigation did not reveal any risks that led to serious human rights violation risks, such as forced labor or child labor in the Kao Group. Therefore, there

are no cases of sites making improvements or conducting remediation procedures. In terms of suppliers, the implementation rate has greatly improved due to the progress of surveys of suppliers outside Japan in cooperation with representatives from group companies outside Japan who serve as contact points. We will continue to share the Kao Group's ideas on our Partnership Requirements for Suppliers and ESG Promotion Activities with Suppliers with suppliers and ask for their cooperation, with the aim of obtaining a 100% assessment implementation rate. Although there were no serious violations of human rights in 2023, approximately 37% of suppliers had low assessment results, and we will be seeking improvements from these suppliers. There were no serious violations of human rights at contractors as well. The implementation rate of the assessment increased due to opportunities for giving direct explanations to each company and progress made in the assessment at some worksites outside Japan. However, the target of 24% was not reached. In 2024, we will continue to make efforts and progress with investigations to ensure continued understanding and cooperation.

We operate a grievance mechanism for foreign workers of on-site subcontractors at manufacturing sites and for independent oil palm smallholders. Operations of the mechanism for foreign workers started at three companies in Japan in FY2023. We believe this is due to understanding and empathy toward the importance of our efforts for business and human rights as well as that of the setup of the grievance mechanism, through direct communication with target companies. On the other hand, regarding the grievance mechanism for independent oil palm smallholders, we received 213 inquiries in total, including 13 questions about human rights, as of the

end of December 2023. We successfully closed 99% of the inquiries and are continuing to handle two of them. After 2024, we will not only try to identify, prevent, and mitigate human rights risks by conducting assessments but will also advance our efforts to promptly respond to inquiries on adverse effects on human rights that have been collected through the Compliance Hotline and grievance mechanism.

Respecting Human Rights GRI 2-25, 414-1

Main initiatives

Human rights due diligence process

We strive to identify, prevent and mitigate adverse human rights impacts by conducting risk assessments of various items (including internal, supplier, contractor and new business transactions, such as mergers and acquisitions (M&A)). We then review the results and identify risks.

Human rights risk workshop

We conducted a workshop for the Human Rights and DE&I Steering Committee. Twenty-six participants from 13 divisions were divided into groups to discuss human rights risks in Kao's overall corporate activities. The discussions are reflected in the above-mentioned revision of "Kao Group Risks Specified Through Risk Assessments." In 2023, we newly added "human rights violation due to climate change," "long working hours," "oppression of human rights advocates and environmental activists," and "human rights risks from digital and AI technologies" to the chart. The 81 human rights risks raised by participants were evaluated in terms of "severity" and "likelihood of occurrence," and prioritized based on comments from UNDP experts and consultants on the results. As a result, we identified "the working environment for people who we work with" as the important human rights theme for Kao, with priority given to "producers and farmers from whom Kao procures raw materials" and "foreign workers in the supply chain including Kao group companies" as high-risk areas.



Human rights risk workshops

P194 Kao Group risks specified through risk assessments

Conducting human rights risk surveys Internal

Each year, Sedex, a global business ethics information-sharing platform, is used to conduct risk assessments for Kao sites around the world.

In 2023, we achieved a 100% response rate with 39 plants and 52 subsidiaries. The results obtained did not show any serious human rights violation risks such as forced labor or child labor at either our plants or our group companies.

Suppliers

Suppliers have been required to perform self-assessments of their conformity with our Partnership Requirements for Suppliers, which we then monitor. Since joining Sedex in 2014, we have held presentations to explain Sedex to suppliers, and we continue to request that suppliers join Sedex, respond to Sedex

questionnaires, and set up data access rights. By the end of 2023, 81% of global transactions (by purchase value: 97%) were conducted with Sedex member companies (including alternative programs*¹ and Kao SAQ).

*¹ EcoVadis and other survey programs used as alternatives to Sedex

P100 Responsibly Sourced Raw Materials

Contractors

As for contractors, we have been conducting a risk survey by Sedex since 2021 for on-site subcontractors at our manufacturing sites. In 2023, in order to gain a better understanding of Kao's approach and to gain a better grasp of the real voices through communication with on-site subcontractors, we explained the purpose of the survey directly at seven plants in Japan. We have also begun surveying on-site subcontractors at manufacturing sites outside Japan, and the risk assessment implementation rate is now 19%.

New clauses relating to concern for the environment and human rights added to standard contracts with suppliers

In 2012, new clauses relating to concerns for the environment and for human rights were added to the master agreement that we sign with suppliers. In principle, this master agreement is used when signing contracts with new suppliers or renewing existing contracts.

Respecting Human Rights GRI 2-25, 414-2

Performing human rights risk surveys at production sites

To ensure the human rights of employees of on-site subcontractors are respected and that the work environment is DE&I-friendly, we conducted an awareness survey for employees that communicate daily with on-site subcontractors. From now on, we will analyze the results and use the analyses for our subsequent activities.

Remediation

Operations of the grievance mechanism for independent oil palm smallholders in Indonesia

We started operating a grievance mechanism for independent oil palm smallholders in Indonesia in September 2022. As of the end of 2023, we received 213 inquiries including 13 questions about human rights, such as forced or compulsory labor, child labor, and land disputes, from 212 farms. We have closed 99% of those inquiries and are continuing to handle two inquiries.

P100

Responsibly Sourced Raw Materials

Started introducing the grievance mechanism for foreign workers employed by on-site subcontractors at the plant

Through engagement with experts, we recognized that foreign workers tend to be in a vulnerable position, and therefore we need to keep a close eye on such foreign workers and prevent and mitigate adverse effects. In 2023, we commenced operations of a grievance mechanism for foreign workers who have been employed by on-site subcontractors at three companies.

Education and promotion

Raising awareness of the importance of respecting human rights using the BCG (Global)

We implement educational activities to deepen employees’ understanding of the BCG, which sets out our approach to ensuring respect for human rights among employees in all of our group companies. We conducted compliance training for new employees and new managers, and harassment prevention training at the request of divisions. We also shared other compliance case studies on the intranet to promote dialogue based on recent cases and to increase tolerance of diversity. In addition, we performed BCG confirmation testing at Kao group companies outside Japan. We have also promoted activities to create a more workplace-friendly culture by having the chairperson of the Compliance Committee and other responsible persons within and outside Japan send an annual compliance message to the entire Group, including subsidiaries outside Japan, to cultivate the ability to recognize when something is not right in the workplace and to praise the courage to speak up against it.

P168

Effective Corporate Governance

Raising awareness of the importance of respecting human rights through the company intranet (Global)

To stimulate employee interest, we share information on human rights issues through intranet posts and e-mail newsletters.

In addition to continuing to disseminate the human rights section of the “Kirei Lifestyle Plan Lecture,” an

ESG e-learning course released in 2021, and creating and disseminating a new DE&I section, we sent out messages from the president and board members in conjunction with the disclosure of the DE&I policy to inform employees of the policy along with the concept of human rights and DE&I.

Also this year, a portal site operated by the Human Rights and DE&I Steering Committee was launched to consolidate awareness-raising tools and other information to strengthen accessibility for employees.

Raising awareness of human rights in accordance with the characteristics of the business (Japan)

We have human rights awareness programs in place in each of our divisions in relation to their respective operations. The Consumer Products Business held a lecture on advertising expression and gender on December 10, World Human Rights Day, as part of marketing education. There were 424 participants, and they commented that they thought it was difficult to create advertisements that did not cause any offense to anyone, but that it was important to be aware that there are people in various environments and with diverse ways of thinking.

Education on and the instillation of DE&I, an important element in respect for human rights, is presented in “Inclusive & Diverse Workplaces.”

P225

Inclusive & Diverse Workplaces

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	Our Priorities -Kirei Lifestyle Plan-
Our Foundations	
Appendix	

Respecting Human Rights GRI 2-25

Dialogue and consultation

Dialogue with UNDP experts

In order to obtain objective opinions on Kao’s Business and Human Rights initiatives, we participated in an individual guidance session organized by UNDP. We explained Kao’s initiatives to three experts working in the field of business and human rights within and outside Japan, and exchanged views with them.

We received advice about the “Kao Group risks specified through risk assessments” chart in light of social trends, and we updated the content, such as adding new risks. Furthermore, as we received suggestions that would lead to enhanced effectiveness of, for example, the method used for human rights risk surveys, we will leverage this information in our future activities.

Framework for reviewing advertising expressions from a human rights perspective

We have a framework in place to ensure that expressions used in advertising, packaging, promotional materials, etc., are reviewed from multiple perspectives to ensure full consideration of human rights. First, the person in charge of advertisement communication and their supervisor will check whether the content is free of anything that could be considered an infringement of human rights, and at the same time share the information with our internal creative division (i.e. Advertising Communication). In addition, the Human Rights Meister*¹ within Advertising Communication also reviews the content, and the ESG division is consulted with regarding issues that are difficult to assess and

checks such issues. A process to address any issue is in place.

In 2023, we have updated the collection of case studies and deployed an app that can be used by those in charge of carrying out primary checks for self-checks, and posted the information on the intranet and disseminated it at meeting bodies to make it available to most employees.

Through the self-checks and consultation process, we make appropriate changes to advertising content and strive to perform quality control on advertising so that it is free from content that violates consumers’ human rights. Furthermore, we make sure to enhance advertisements to ensure human rights are taken into account to earn consumer sympathy and support and to exert a positive influence on society.

*1 Human Rights Meister
These are personnel who strive to enhance human rights literacy within Advertising Communication, and to lead the division’s efforts in this area.

Our ESG Vision and Strategy	
Realization of the Kao Way	
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Appendix	

Respecting Human Rights

Employees' opinions

Employee Engagement and Awareness Training on Human Rights



Suttipong Limsila

Head of Corporate Strategy
Kao Industrial (Thailand) Co., Ltd.

Kao Human Rights Policy

Kao is committed to fulfilling its responsibility to respect human rights, which are the fundamental rights of all human beings, that align with Kao's ESG Strategy, "Kirei Lifestyle Plan," particularly for action with respect to the concept of "Walking the right path." We ensure that this policy is reflected in necessary procedures so as to become established across all of our value chain including internal and external stakeholders, such as consumers and business partners.

Education

Human rights are one of the fundamental aspects of business operations. It is the responsibility of all businesses to respect the human rights of their employees and stakeholders within the organization. This helps to build credibility not only for the entire business but also among stakeholders. Ignorance of human rights in

business operations can lead to employee oppression, forced labor, or exploitation and lawsuits that damage the organization's reputation.

To prevent and mitigate human rights risks, it is important to raise awareness among management as well as all employees and suppliers through the Vendor Summit by deeply understanding human rights risks across the value chain.

In 2023, Kao Industrial Thailand has provided education, with a total of three sessions on April 18, September 7 and September 8 for a total of 109 people with all function heads and employees across the value chain. The objectives of these sessions were to help all participants understand the human rights due diligence (HRDD) framework, the relationship between HRDD and SMETA audits and how they apply to Kao, as well as learning how to develop a strategy and action plan for human rights due diligence.

Following these sessions, participants applied what they had gained in the education's contents through three group activities with different aspects that required thinking about activities and making strategies and countermeasures.

1. Addressing Child Labor in the Supply Chain
2. Promoting Gender Equality in the Workplace
3. Managing Human Rights Risks in a New Market

We will continue providing education to all employees including newcomers through onboarding programs and so forth to ensure that we will maintain compliance with human rights

across the value chain through human rights due diligence. In addition, we will organize second-party audits with key suppliers in 2024 to find gaps for improvement, and raise the bar year after year from now on.



Human rights training held at Kao Industrial (Thailand)

Respecting Human Rights

Stakeholder engagement

Akiko Sato

Business and Human Rights
Liaison Officer, United Nations
Development Programme (UNDP)



The fact that Kao assesses the negative impact of its business activities on each of its stakeholders (rights holders who are subject to human rights) throughout the supply chain and value chain, and continuously works to address them, is in line with the Guiding Principles and embodies the commitments made in the Human Rights Policy.

In future, I would like to see Kao further promote its current efforts while proactively addressing situations that affect the entire global community, such as climate change and conflict,

through the lens of Business and Human Rights. Events that have a significant impact on the viability of a business itself, in other words, also imply a significant negative impact on human rights. When discussing management policies, it is important to always return to the fact that the Guiding Principles call for companies to fulfill their responsibility to respect human rights by focusing on human rights risks. I look forward to seeing impactful initiatives and the establishment of mechanisms for such initiatives, especially for vulnerable people and communities, such as support for oil palm smallholders. The grievance (remedy) mechanism, a mechanism to detect voices on human rights issues, can be used not only for ease of use and effective remediation from the perspective of the parties concerned, but also to promote a corporate culture and behavioral change in which human rights are a common principle. Approaching the root causes is also necessary from the perspective of preventing human rights violations.

This series of initiatives will improve various issues in society while also enhancing the value of Kao based on the trust of its stakeholders. Even if it is difficult for Kao to solve problems on its own, I encourage Kao to continue collaborating with a wide range of actors to achieve solid change. Issues deeply rooted in the social structure, such as gender, DE&I, poverty, or discrimination, may at first glance seem distantly related to the company, but business activities and superficial efforts based on the current structure will result in the unintentional reproduction of existing inequalities.

Human rights initiatives can lead to someone's happiness. I hope that Kao will continue to move forward with meaningful dialogue to create a society in which everyone can live their lives in their own way, and that Kao will broadly involve society through implementing its own "unique" activities.

Kao's response to the views expressed last year

In last year's stakeholder engagement (Hiroshi Ishida, Executive Director, CRT-Japan), expectations for Kao included dialogue with rights holders and increased management involvement. In response to this, in 2023, in order to increase the number of contacts with on-site subcontractors, we have started activities to listen to their opinions by explaining Kao's approach to respect for human rights at face-to-face meetings and requesting their cooperation in risk assessments, and by operating a grievance mechanism for foreign workers employed by subcontractors. We will continue to strengthen our relationship-building efforts.

We also continued discussions at the Human Rights DE&I Steering Committee, in which executive officers also participate, and discussed the roadmap of activities for each stakeholder and other issues.

The top message on DE&I was discussed by this Steering Committee and formulated in 2023. A resulting message from the executive officer who is responsible for the Steering Committee on the occasion of World Human Rights Day was disseminated to employees, and the active involvement of management enhanced the company's internal dissemination of human rights and DE&I.

Human Capital Development GRI 404-2

Employees are our most important asset. To realize our Mid-term Plan (K27), we are promoting “*Global Sharp Top*” human capital/organizational management through a well-motivated human capital investment. We create an environment and culture in which individuals and companies can grow together by enabling each of our diverse employees to realize their unlimited potential and maximizing their vitality as an organization.

Social issues

The economy is regaining strength after overcoming the threat of the COVID-19 pandemic. At the same time, as we are faced with a variety of risks and variables, there is a need for the ability to change, to promote innovation while responding flexibly to change, and to build businesses that generate stable revenues.

Furthermore, values regarding individual careers and work styles are diversifying more than ever before, and in society overall, the mobility of human capital is becoming even more prevalent.

In the midst of this, we continue to maximize each employee’s power and potential and make maximum use of our diverse personnel so that we will contribute to the creation of innovation and the realization of a sustainable society.

Policies

The Kao Way places importance on valuing people. We believe that Kao’s greatest strength is its employees, and that our human resources are the source of our company. We believe that bringing together diverse human resources to pursue individual growth by maximizing their abilities and individuality, as well as nurturing future human resources, will lead to growth as an organization and become the company’s collective strength. That is the environment and culture we aim to create.

The following are our three policies for human capital development:

From equality to equity
We provide opportunities for all employees to challenge themselves.

From the relative to the absolute
We recognize, evaluate, and reward the challenges undertaken by each person.

From the uniform and formal to the diverse and having initiative
We foster unlimited individual features, characteristics, and motivation.

Strategy

Risks and opportunities

Risks

If our organizational culture, work-style reform, and career, skills, and health development are insufficient for allowing diverse human resources to advance, there will be a decline in employee vitality and an outflow of human resources in the short term. In the medium to long term, we may be unable to retain or acquire outstanding human capital, which would pose a problem for implementing plans to realize our Vision for 2030.

Opportunities

By conducting business in a way that enables each member of our diverse workforce to constantly tackle challenges and grow in a healthy and enthusiastic

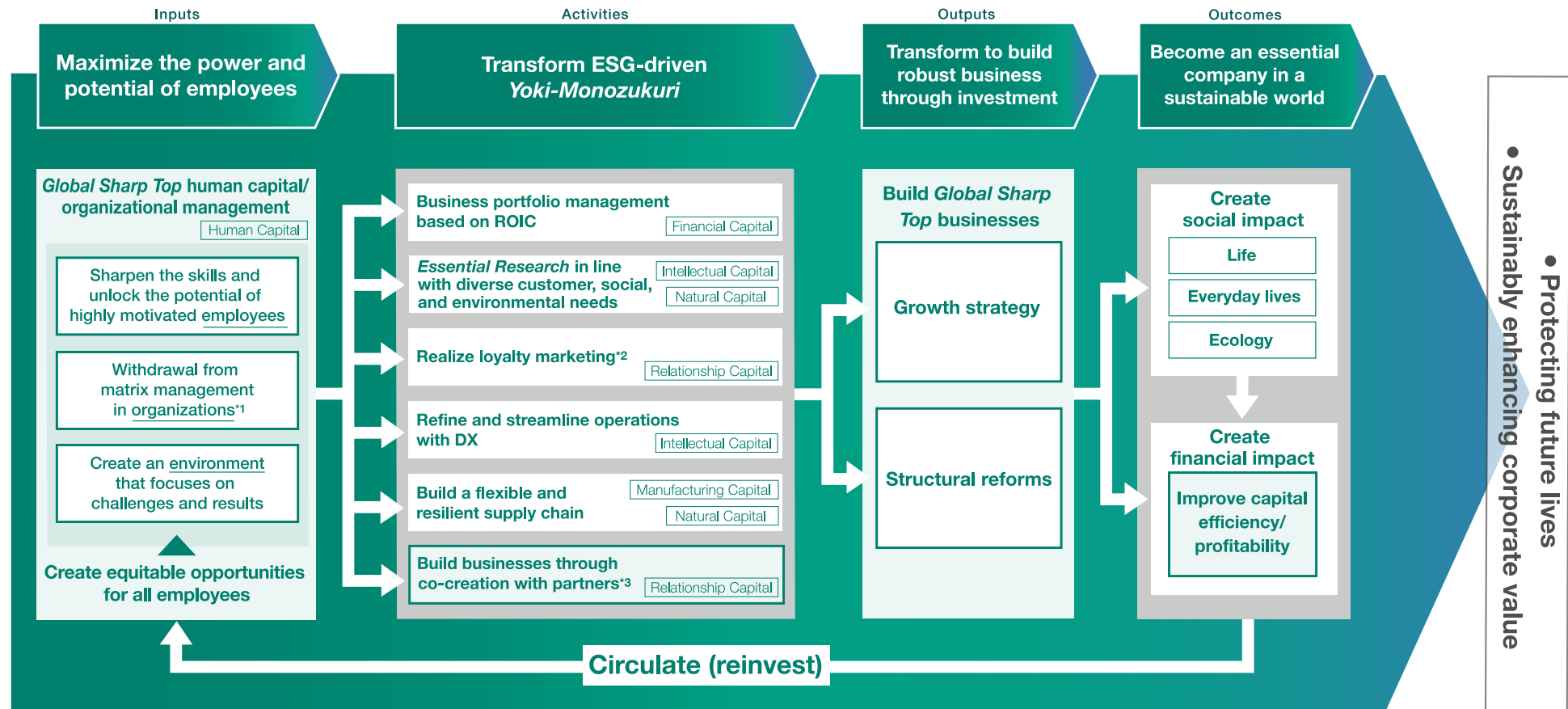
manner and by encouraging collaboration across various positions premised on maintaining positive labor-management relations, we can expect to increase employee vitality and promote innovation in the short term. In the medium to long term, we will contribute toward the sustainable enhancement of corporate value and protect future lives.

Strategy

Under the “*Global Sharp Top*” strategy, we will further evolve *Yoki-Monozukuri* and transform ourselves into a business that becomes stronger through investment. Furthermore, in order to become a company that is vital to a sustainable world, we are investing in more forward-looking and aggressive human resources, with dialogue as the core of our Human Capital, which is the driving force behind our efforts. We have established a human capital strategy of sharpening the skills and unlocking the potential of highly motivated personnel, withdrawing from matrix management in organizations, creating an environment that focuses on challenges and results, and creating equitable opportunities for all employees as the foundation of our human capital strategy, and are working to maximize the power and potential of employees by realizing *Global Sharp Top* human capital/organizational management.

Human Capital Development GRI 404-2

A value creation cycle toward enhancing corporate value



^{*1} Achieve prompt decision making ^{*2} Deliver optimal value to each and every consumer ^{*3} Faster maximization of technology assets, one area of Kao's strengths
^{*} Capitals: Capitals to be effectively applied by human capital, which has been enhanced by human capital strategies

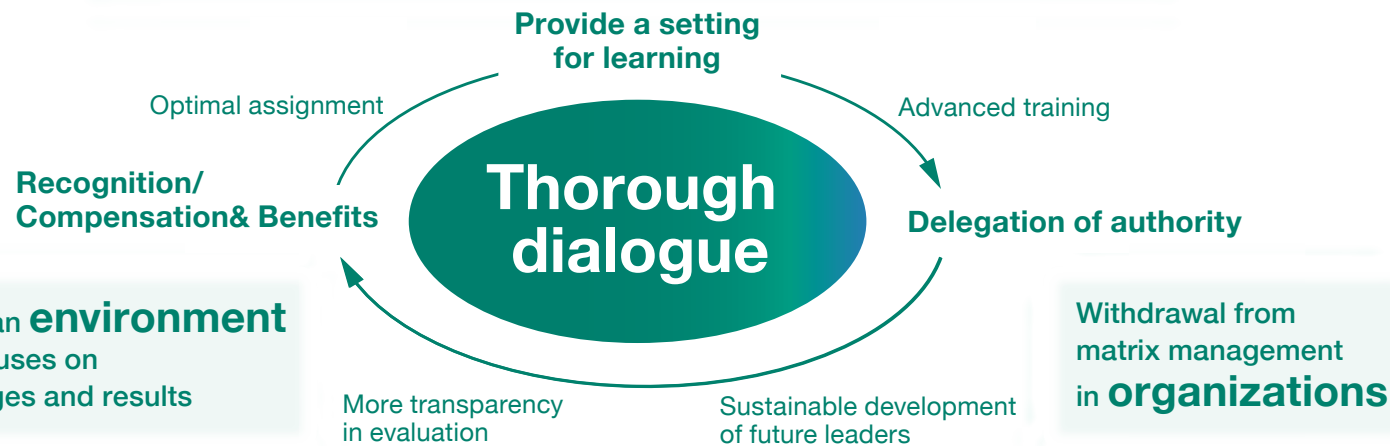
Human Capital Development GRI 404-2

Human capital strategy toward K27

Maximize the power and potential of employees

Global Sharp Top human capital/organizational management

Sharpen the skills and unlock the potential of highly motivated **employees**



DE&I

OKR

Well-being

Create equitable opportunities for all employees



Management Strategy and Mid-term Plan 2027 (K27)
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

Human Capital Development GRI 404-2

Social impact

- By sharpening motivated employees, we can create an attractive organization that attracts diverse human capital and contributes to job security.
- By withdrawing from matrix management in organizations, we are able to provide good products and services that meet the needs of the world in a timely manner and to contribute to the realization of a sustainable world.
- By creating an environment that focuses on challenge and results, we will produce human capital capable of making a broad contribution to society beyond the boundaries of the company. We contribute to solving social issues by proactively dispatching human capital to external organizations such as government agencies and industry associations.

Contributions to the SDGs



Business impact

We will contribute to the transformation of ESG-driven *Yoki-Monozukuri*.

- Business portfolio management based on ROIC
- Essential research that captures diverse customer, social, and environmental needs
- Realization of loyalty marketing that delivers optimal value to each and every consumer
- DX for advancement of business and efficiency

- Building a flexible and resilient supply chain
- Accelerating technology assets, one of our strengths, to the maximum and achieving co-creation with partners

Governance

Framework

The Board of Directors discusses policies related to human capital development and makes decisions in accordance with the standards for supplementary proposals. We discuss and deliberate the various issues and initiatives and share our progress at the monthly Human Capital Development Committee, whose members consist of top executives. In concrete terms, the committee discusses and deliberates on essential organizations to be newly established and reorganization, the appointment and dismissal of key positions, plans for workforce and personnel costs, and the establishment, modification, and elimination of essential human capital development initiatives. After implementing these changes, the committee conducts a review, which leads to further improvements.

In addition, to promote activities within the group in accordance with the Guidelines for Human Capital Development, we have introduced a framework that is shared and utilized globally. For example, we make use of human capital information via a global human capital management and development through Objectives and Key Results (OKRs). We have established job grades, evaluation, training system, and reward policies that are shared globally. We pursue these activities under the Senior Vice President of Human Capital Strategy in collaboration with the human capital development functions of each group company, both within and outside Japan.

We have set up human capital development functions within major functions in Japan while also establishing on-site career coordinators who oversee the nurturing of each employee and provide assistance with career development.

The Human Capital Development Meeting, which is made up of the people responsible for human capital development in major functions and group companies in Japan, meets monthly, while people responsible for human capital development outside of Japan meet on an annual basis to share information on and discuss policies relating to human capital development throughout the group and the status of activities at each group company.

P25

Our ESG Vision and Strategy > Governance

Education and promotion

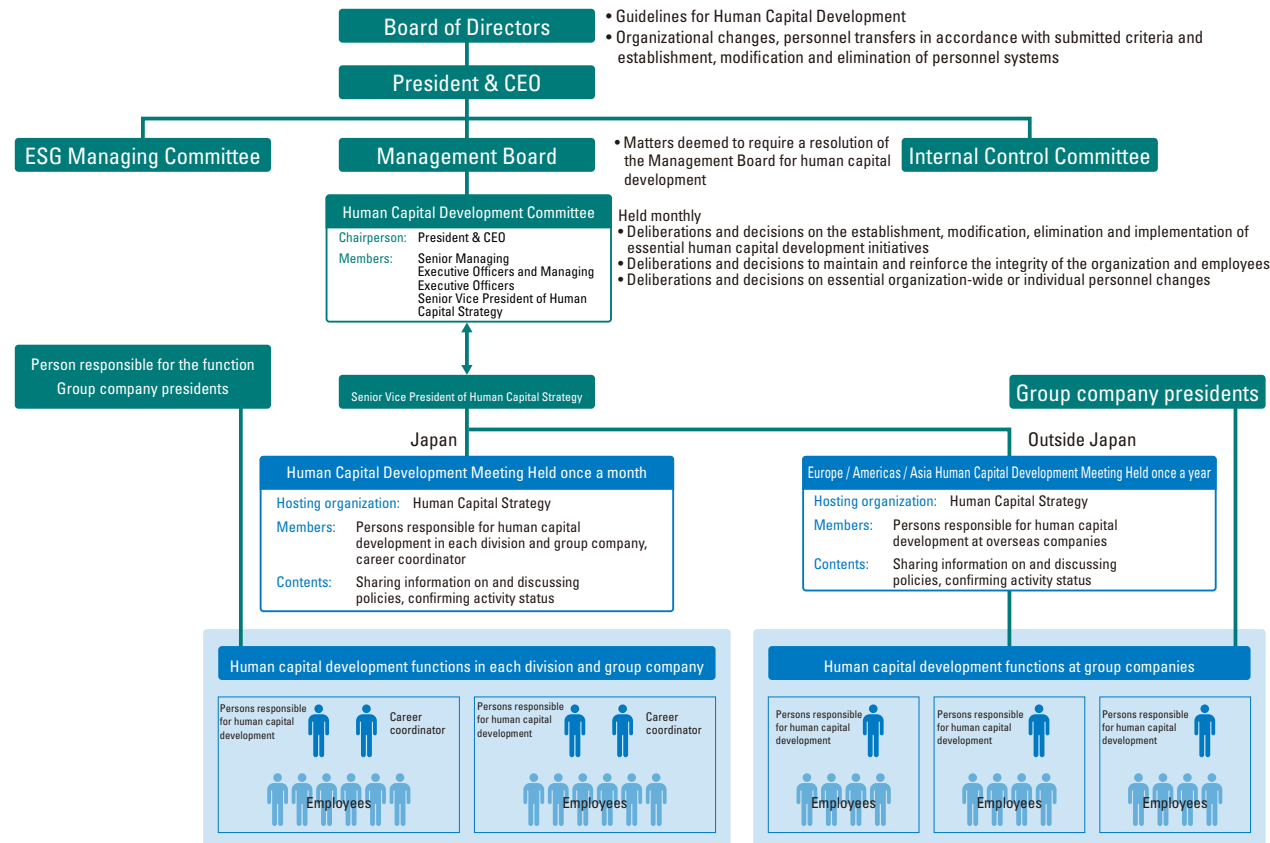
Through our internal intranet, we provide an environment where our employees can review our various policies and initiatives on human capital development at any time. We are also working to ensure that these policies and initiatives are disseminated as widely as possible by sharing them in various ways, including training for employees who have just been appointed to managerial positions and training designed to cultivate global leaders.

In addition, we strive to foster understanding between senior management and employees by facilitating opportunities for mutual dialogue, such as *KURUMAZA*, with the objective of developing a sense of unity throughout the group.

We continuously promote these activities and widely share with our employees the direction the company is going and the issues we are facing.

Human Capital Development GRI 2-28, 404-2

Human capital development structures



Collaboration with stakeholders

Internal surveys and questionnaires

By conducting engagement surveys, questionnaires, and employee awareness studies on human capital development, we have established an understanding of the genuine concerns and opinions of employees, which then feeds into ongoing measures to improve

human capital development policies and the workplace environment as well as improve our employees' motivation to work.

Creating opportunities for communication

Platforms for regular dialogue with employees include Employee Welfare Committees at each office and branch, Employee-Management Dialogue Meetings at

every group company, and the Kao Forum for the group as a whole.

The Kao Forum is held in both Japan and Europe, with employee representatives from Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., and Kao Transport & Logistics Co., Ltd. participating in the Kao Forum in Japan.

Meetings of the Employee Welfare Committee are conducted monthly, and the Employee-Management Dialogue Meetings and Kao Forum are conducted twice a year in principle. Continuous mutual information sharing of the content of the discussions and information shared at each meeting is implemented for all employees through employee representatives and Employee Welfare Committees.

Dialogue with unions

We share company policies with the local union of Kao Corporation's Wakayama Plant and Sakata Plant and the trade union of Kao Group companies and promote understanding through labor-management consultations, thereby reflecting the views of employees in management initiatives.

* Within the group as a whole, the percentage of employees who are union members is 32%.

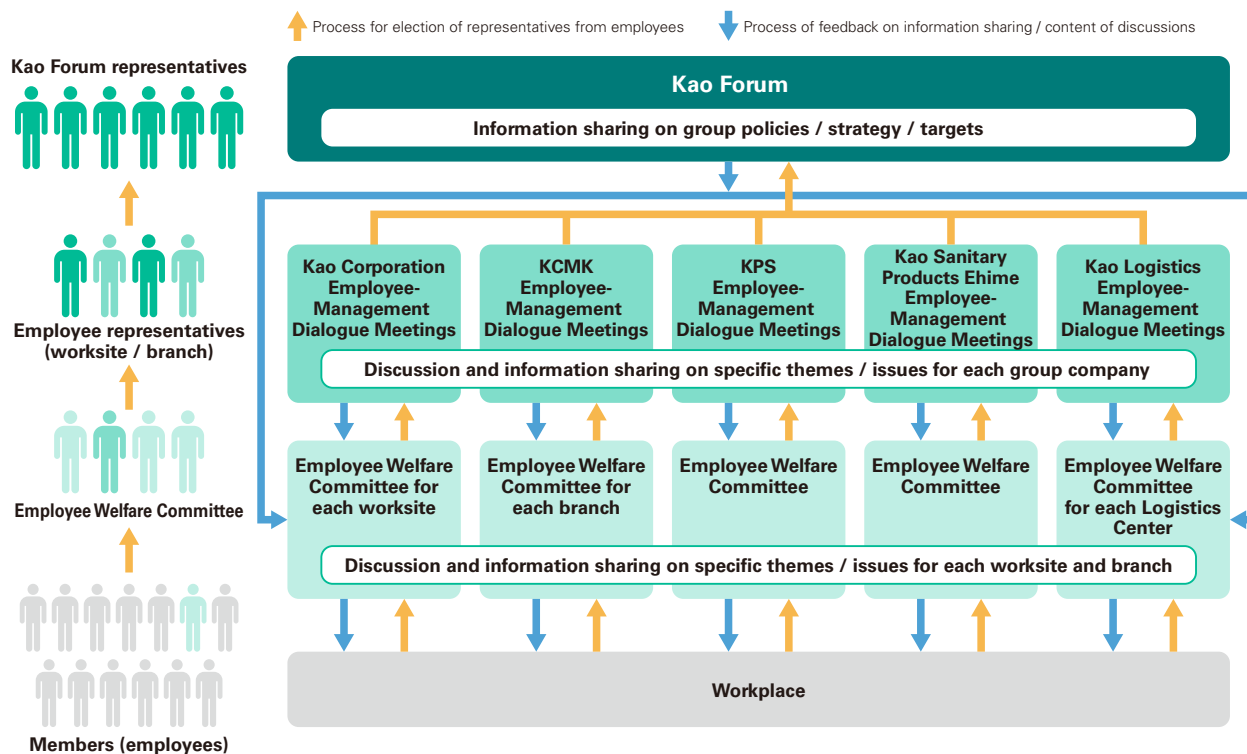
* This figure excludes Kao Group member companies that do not track the number of employees who are union members. Due to reasons of information protection and freedom of association within the countries/regions where they operate, some employers do not have the right to confirm union membership.

Interaction with external organizations

We recommend policy to government agencies via our participation as a member of the subcommittees of Keidanren (Japan Business Federation). We are also active in the chemical industry association and external employment-related organizations where we present case studies via external lectures, etc.

Human Capital Development GRI 404-2

Employee dialogue framework Effective



issues that need to be addressed are identified at the Human Capital Development Meeting in which the supervisor of the Human Capital Strategy function and the supervisors of human capital development at each function and company participate. Discussions on response measures and measures with major, company-wide impact are discussed by the Human Capital Development Committee, which consists of senior management, before any of them are implemented.

These activities are not limited to short-term risks, but also include checking for signs of deterioration and taking necessary measures from the perspective of maintaining and acquiring outstanding human capital over the medium to long term.

P40 Our ESG Vision and Strategy > Risk management

Risk management

Regarding risks related to human capital development, necessary measures are taken while keeping an eye on negative signs, not only from a short-term perspective, but also for acquiring and maintaining qualified human resources over medium to long terms.

Trends are founded on various legal revisions and changes in social trends, and identified through statistical data from elements such as workforce

planning, recruiting, voluntary/involuntary employee departure, diversity, rewards / personnel costs / productivity, employment, and well-being. Additionally, the Human Capital Strategy Division makes comprehensive deliberations by listening to employees through Employee-Management Dialogue Meetings and engagement surveys along with other information such as the opinions of outside experts.

The risks found through these activities are confirmed by the Internal Control Committee, while

Human Capital Development GRI 404-2

Metrics and targets

Mid- to long-term targets and 2023 results

Metrics and targets for realizing the human capital strategy

	KPI	2023	Target 2027
Maximize the power and potential of employees	Employee engagement: Total score in Kao Engagement Survey	63 ^{*1}	75
	Response rate to employee engagement survey	90%	100%

Human capital strategy	Actions	KPI	2023	Target 2027
Sharpen the skills and unlock the potential of highly motivated employees	<ul style="list-style-type: none"> Advanced training Optimal assignment 	Challenge-oriented human capital	58% ^{*2, *3}	60% ^{*2, *3}
		Investment in employee training	1.53 times (vs. 2020)	2.5 times (vs. 2020)
		DX Human Capital	7 times ^{*2} (vs. 2020)	15 times ^{*2} (vs. 2020)
		0★1Kao proposal fulfillment rate	38%	50%
		Number of assignees through internal recruitment	4 times ^{*2} (vs. 2020)	20 times ^{*2} (vs. 2020)
		Number of human capital who work for external organizations/companies	171 people	250 people
		Number of rotations across functions	529 cases ^{*2}	500 cases ^{*2}
Withdrawal from matrix management in organizations	<ul style="list-style-type: none"> Delegation of authority Sustainable development of future leaders 	Score in Kao Engagement Survey Category: Degree of promotion of Scrum-type operation	57 ^{*1}	70
		Number of internal filling plan for critical positions	2.4 times	7 times
		Ratio of mid-career recruitment to total recruitment	1.8 times ^{*2} (vs. 2020)	3 times ^{*2} (vs. 2020)
Create an environment that focuses on challenges and results	<ul style="list-style-type: none"> More transparency in evaluation Recognition/Compensation & Benefits 	Score in Kao Engagement Survey Category: Fair evaluation	60 ^{*1}	70
		Score in Kao Engagement Survey Category: Organizational culture that encourages challenge	61 ^{*1}	70

Create equitable opportunities for all employees	<ul style="list-style-type: none"> Thorough dialogue OKR DE&I Well-being 	Score in Kao Engagement Survey Category: Workplace satisfaction	61 ^{*1}	70
		Score in Kao Engagement Survey Category: Dialogue	63 ^{*1}	70
		Score in Kao Engagement Survey Category: Psychological safety	62 ^{*1}	70
		OKR implementation rate	72%	80%
		Score in Kao Engagement Survey Category: Work style satisfaction	60 ^{*1}	65
		% of female managers	31.1% (% of female employees: 53.1%)	80% of “% of female employees”
		Score in Kao Engagement Survey Category: Inclusive organizational culture	62 ^{*1}	70
		Score in Kao Engagement Survey Category: Vitality	59 ^{*1}	70
		Ratio of employees who have lost long-term work days	2.56% ^{*4}	1.30% ^{*2}
		Average number of lost long-term work days	195 days ^{*4}	120 days ^{*2}

Note: Counted in Kao Group unless otherwise noted.

Note: Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees

*1 The number of respondents includes some non-regular employees of Kao Group, 27,460 people.

*2 Only Kao Group in Japan

*3 Employee awareness survey

*4 Excluding Inogami Co., Ltd. from Kao Group in Japan

Human Capital Development GRI 404-2

Reviews of 2023 results

The year 2023 marked an important turning point, as we embarked on a transformation of our human capital structure. In addition to steadily implementing measures that we have been pursuing since the beginning of the year, we have begun to invest further in our human capital, with an emphasis on creating an environment in which our diverse employees can immerse themselves in their work with a sense of satisfaction and fairness. The transformation is proceeding from four perspectives, and we expect to see further results in the next fiscal year and beyond.

Compensation: Fair and equitable roles and compensation

Evaluation: Expanding transparency and fairness

Transfer: Matching career plans with company needs

Training: Expanding opportunities for self-learning and coexistence

In 2023, we continued to promote dialogue based on the use of OKRs, as in the previous year. The implementation of *KURUMAZA* in each division and the Dialogue Festival initiatives have helped to invigorate communication between managers and members, and among members as a group. After the COVID-19 pandemic, flexible work styles have been progressively developed tailored to the characteristics of the particular work. We believe that our efforts have had a positive effect in relation to the communication challenges of remote work. In terms of communication between the company and its employees, we have conducted a new Kao Engagement Survey. The new platform has significantly reduced the time required to analyze the results and develop action plans based on them. Comparisons with benchmarks have also become

easier, allowing us to evaluate our own situation more objectively. To complement this survey, we also conducted employee engagement surveys with the aim of accurately identifying the needs of our employees. This allowed us to verify the effectiveness of each measure and to use the results to formulate specific measures for human capital structure reform.

In terms of DX promotion, we launched a training program for all employees to expand DX human capital, as well as to improve and reskill the knowledge and skills of the entire company. This activity will be further expanded beyond 2024. We also launched a portal site that consolidates previously dispersed human capital development-related information from the user's perspective, contributing as a model case for the development of a company-wide next-generation intranet.

Main initiatives

Sharpen the skills and unlock the potential of highly motivated personnel

Advanced training

We strengthen the development of personnel who have a high level of expertise and creativity as a source of innovation and who can maximize the potential of the Kao Group through understanding diversity, collaboration, and cooperation based on the Kao Way.

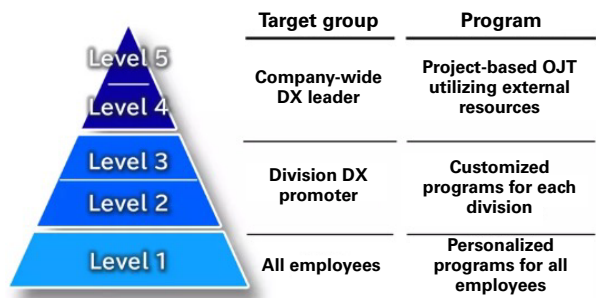
We offer various learning programs to help individuals acquire a wide variety of knowledge and skills to achieve an autonomous career. We have more than 9,000 self-development programs, including group-wide common learning programs and specialized programs specific to each division, to support self-directed learning (autonomy), continuous learning (continuity), and mutual learning (co-creation), and also provide learning opportunities to harness the talents of highly motivated individuals. We also provide learning programs at milestones to support each employee's autonomous career development.

DX adventure program

We provide various DX learning opportunities to our employees in order to transform ourselves from a manufacturing company to a “UX (customer experience) creation company.” Until 2022, we promoted DX education with core members with high digital literacy in each division, and the approximately 1,000 Citizen Developers we trained have worked in various divisions. In the fall of 2023, we have introduced the “DX adventure program” to expand the base of DX human capital throughout the entire company and all divisions

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within our group, and to accelerate the creation of new value and the transformation of business processes. The DX adventure program consists of three layers and five levels. At the Beginner level, participants take an objective assessment of their DX skills, followed by learning tailored to their current skill level. At the Intermediate level, participants learn in a customized manner according to the characteristics and needs of the division to which they belong. In 2023, 13,869 people participated in this Beginner program in Japan, and 85% of the participants completed the program. In Japan, we plan to train a cumulative total of 150 company-wide DX leaders, 300 divisional DX promoters, and 3,000 citizen developers by the end of FY2027. We are planning to expand the DX Adventure Program to countries outside Japan in 2024 onward.



The program also features “Open Badge,” a digital certification. Open Badges are digital certificates of completion created according to international technical standards that make skills visible and publicly available both internally and externally. We believe that obtaining different levels of badges will increase employees' motivation to study.



Leadership Development

In order to develop *Global Sharp Top* personnel, we provide opportunities for learning and challenges through an inter-divisional selection and nomination system to support diverse values and network formation that will provide a human depth to learning and challenges that cannot be obtained through day-to-day work.

- Liberal arts training: Reading classical and contemporary literature from the East and West and deepening thoughts through an interactive discussion format with participants from different industries.
- Co-created leadership development program Jammin’: Teams from different industries strive together to create new value leading to the solution of social issues.
- *Kagayakijuku*, a program to improve human skills as a leader: In this training program, which is conducted jointly in different industries and produced in-house by the human resources divisions of each company, lecturers, including executives from each participating company, discuss their beliefs and principles as leaders and interact with participants. Participants will learn to respect diverse values and build new networks by developing a mindset that promotes interaction with instructors and peers from other industries. The Kao Group has promoted 3% of participants to executive officer positions and 48% to senior management positions, and this learning program has produced leaders who are responsible for their respective organizations.

Group common programs, functional group common programs, specialized programs

We strengthen the development of highly motivated human capital to acquire a high level of expertise that will become a source of innovation, and to grow their abilities and personalities to become unique human capital.

Kao Techno School

The Kao Group provides cutting-edge education to enhance the specialized knowledge and skills required by each division. Supply Chain Management (SCM) has implemented a specialized learning program called Kao Techno School since 1989 to develop future field leaders for the function. Young employees selected from within and outside of Japan have participated in this program, and 1,047 have completed the program to date. In the last three years, 45% of the participants were selected from outside Japan, making it a global learning opportunity. More than half of the graduates are active globally as leaders, and 80% of the leaders at workplaces handling high-pressure gas, which requires safety management, are graduates of Techno School. Kao Techno School is a place of study for developing on-site leaders with management skills that combine “heart” with excellent character and insight and “technique” with a wide range of specialized knowledge and skills, and provides intensive learning from internal and external instructors during the eight months until completion. In addition to learning the latest professional knowledge and skills, the program also incorporates mindfulness and other qualities as education for the mind. Graduates of Techno School broaden their perspectives and bring back new knowledge and skills, a challenging spirit, and a network of personal connections, becoming unique human capital that contributes to the further invigoration of the workplace.

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Kao Group global common training programs				Specialist programs					
				Marketing	Sales	SCM	R&D	Enterprise Information Solutions	
Senior management / senior professional level	Global Leadership								
	Global Top Management								
Management / professional level	Training for Promotion to G3 Grade				Leader 3 program	Career training	G-SELECT II	Managers and Supervisors Forum	Stage 3 Integrated IT Training
	KURUMAZA						G-SELECT I		Stage 2 Methodology Training (Practical) Application Training (Practical) Technology Training (Practical)
Leading staff level	Managing Human Performance Program (MHPP)			Marketing University (Master Level)	Leader 2 program	Specialized learning	• Kao Techno School	Specialist Programs	
	Training Program for International Assignment			Marketing University (Basic Level) Product Development Academy	Leader 1 program		• Kao Engineer School • High Pressure Academy • SHC • Quality OJT • Anti-microbial Technology Academy • Skill Development Training		
Staff level	Business Skills Facilitation, negotiation, project management			Practical Marketing Course	Next generation human capital development program		Science Basics Academy		Stage 1 Methodology Training (Basic) Basic Application Training Basic Technology Training
	Kao Way	Integrity	Marketing Fundamentals Product Development Fundamentals		Business skills training	Monozukuri Skills Transmission C	Freshman Forum		
	Onboarding				Induction and sales training	Basic Knowledge Course Interval Education			IT Training for New Employees

Optimal assignment

The Group has traditionally implemented the systematic rotation of employees based on the ability and career development support and career coordinator system, taking into account the direction of employee development and the career aspirations of the individual.

0★1Kao

0★1Kao, which launched in 2021, is an autonomous challenge system based on the open solicitation of new ideas from employees. This system enables employees to freely make proposals to realize their dreams and has developed into a space that encourages them to take on new challenges. In 2023, we received a variety of proposals from employees. Out of these proposals, new initiatives in response to social issues and changes have been launched from the starting point of 0★1Kao, such as a demonstration project for drone logistics in collaboration with Yabu City, Hyogo Prefecture, and the challenge of new PR activities spreading from consumers through experiential events of products and technologies to consumers.

Expanding opportunities for internal and external activities based on the Self Education & Development Scheme

Based on the belief that the abilities and potential of our employees are unlimited, we aim to realize careers that result in each and every employee playing an active role. Under the “Self Education & Development Scheme (SeEDS)”¹¹ and the career coordinator system, we carefully ascertained employees’ career aspirations, determined their aptitudes, and assignment them to internal or external positions. In 2023, as a foothold to realize the Medium-term Plan, we implemented 529

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cross-functional rotations to develop the skills and careers of employees from a long-term perspective, and to strategically concentrate human capital in new businesses and areas to be strengthened, which we call Another Kao. As of December 2023, approximately 170 employees have been dispatched to organizations outside the Kao Group (government agencies, industry partner organizations, and private companies) to utilize the skills and expertise they have developed in the Kao Group to help solve social issues and promote the development of industries and client companies.

*1 SeEDS (Self Education & Development Scheme): A system whereby employees report once a year on the skills they have acquired through their work and the directions they wish to take in their careers, and through interviews with their superiors, individual career development is promoted in a planned manner.

Internal recruitment

In addition to the regular rotation, from FY2024, we will expand internal recruitment for members of new businesses and projects to realize *Global Sharp Top* from within the Kao Group, in order to bring together human capital who are willing to take on challenges and lead change in the relevant organizations and projects in a timely manner. In this way, we are strengthening the organizational structure necessary to realize our management strategy, expanding opportunities for employees who are willing to take on challenges to develop their own careers, and creating an organizational culture conducive to autonomous career development.

Life career seminar (Japan)

We offer autonomous career development programs for 45, 50, and 55-year-olds to encourage them to envision their own unique careers and take steps toward realizing their dreams. In 2023, 56% of eligible employees

participated in the program, and 94% of those who took the course said they would take a step forward in taking action to realize their aspirations. There is a growing awareness of the need to take on challenges beyond the boundaries of the current business, such as contributing to new business expansion and solving social issues, as well as an increasing awareness of the need to improve skills, such as acquiring qualifications and continuing education, to achieve these goals. Through participation in the life career seminar, it is expected that the improvement of individual skills will contribute to the business, as well as improve expertise in the current business, management skills, and deepen understanding of the SDGs.

Withdrawal from matrix management in organizations

Delegation of authority

We have evolved a matrix structure that takes advantage of the freedom of business and functions, and are promoting our “implement Scrum” policy, which aims to achieve objectives related to prioritized tasks as quickly as possible and to the maximum extent possible. We are avoiding the silos and uniformity that tend to occur in large organizations, and are promoting on-site decision making and execution.

Sustainable development of future leaders

Systematic development of global leaders

To realize the Kao Group’s discontinuous growth, we are promoting human capital development to realize sustainable organizational management by systematically fostering business leaders who will drive the necessary reforms and new value creation. We identify key human capital from early on in their careers as candidates for future successors to key positions in senior management and specialist positions, and we develop human capital to lead the Kao Group through systematic and proactive assignment, task assignment, and education. Since FY2022, we have been working to establish initiatives to find more diverse and highly capable human capital, thereby expanding the base for the development of future business leader candidates.

Securing diverse human capital to strengthen the organization

As the Kao Group’s business domains expand and diversify, there is an increasing need to promote business and resolve issues while utilizing and collaborating with external knowledge and skills. The same applies to human capital. We not only regularly hire new graduates and train them within the Kao Group as future core human resources, but also acquire individuals with a wealth of experience and knowledge fostered outside the Kao Group to promote our business and revitalize our organization. In FY2023, the Kao Group in Japan acquired experienced personnel from outside the company, including other companies, accounting for more than 45% of all new hires. They are active in their respective functions, utilizing the expertise, skills, and experience they have cultivated to date, and contributing to the improvement of the Kao Group’s organizational capabilities.

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Create an environment that focuses on challenges and results

More transparency in evaluation

We set Objectives and Key Results (OKR) targets, which are also for evaluation purposes, considering the medium- to long-term time horizon and the direction of the organization to which they belong. Daily progress is then checked through regular dialogue with superiors. At the end of the fiscal year, we evaluate the various challenges, including the year’s contributions and processes in the basic roles in addition to the OKR progress. In addition, we have created a corporate culture that encourages employees to take on new challenges through activities (e.g. challenge-sharing meetings) in which employees share and recognize their various challenges at their workplaces.

The practice of the Kao Way (such as integrity as the only choice, we trust, respect, & need each other) includes compliance activities, and any act in violation of the Kao Way is considered a compliance violation. When Kao makes evaluation and compensation decisions, the status of the Kao Way practice is included in the evaluation items as one element of the basic role. Furthermore, in 2023, we began introducing 360-degree feedback for middle management to help them recognize their own strengths and weaknesses and link them to personal growth. The program includes not only assessments from supervisors, peers, and subordinates, but also learning about the abilities they want to strengthen, such as those of challenge, ambition, and support, in order to support the growth of the management team. In 2024, we will expand this

initiative to senior management at the Company and our subsidiaries in Japan. The purpose of this is to support the growth of the management team at OKR as well as to improve the transparency and credibility of the organization’s operations. By obtaining feedback from multiple directions, not only from upper management, management can more objectively confirm the extent to which they are demonstrating their abilities and leadership skills, which will lead to skill development and increase transparency and credibility of management evaluations.

Assistance to reviewers (Managing human performance program)

To support the implementation of transparent evaluations, we provide initial training for managers who have members for the first time and ongoing training for mid-level managers who have become accustomed to management. For new managers, we offer programs to improve goal setting, evaluation methods, and dialogue skills as basic management learning. On the other hand, for mid-career managers who have become accustomed to evaluating their own performance, we offer a learning program where they can reflect on member communication and learn from each other about psychological safety and diversity acceptance in order to conduct more effective dialogue. Through both programs, participants will learn the importance and difficulty of thorough dialogue and improve their dialogue mindset and skills. 12% of participants in the single year of this program are promoted to senior management within 3 years, and 46% of senior management are from this learning program (2022 actual). Furthermore, middle management who have received this training are 1.4 times more likely to receive

the Division Award*¹ than those who have not received such training. In addition, 8% of all global employees have taken this program.

*1 Division Award: An award system recognizing activities that have made a significant contribution to the business as a result of challenge activities based on OKRs and activities strongly coordinated as a team.

Recognition/Compensation & benefits

By recognizing diverse challenges, we aim to support each employee’s growth and enable them to demonstrate their value to the utmost.

The Group clearly defines the roles and responsibilities of each position, assigns and appoints each employee according to their abilities and aptitude rather than by year, and treats them appropriately based on the challenge and results of their role.

Awards

In 2021, we renewed our award system to reward employees who set big goals and take on challenges every day. The award system recognizes individuals and teams through day-to-day appreciation (Recognition) that honors and encourages small steps toward great ambitions in a familiar workplace, the Division Award for challenges that serve as a model for the function, and the CEO Award for challenges that transcend the boundaries of the division and company. In 2023, the number of cases was 3.8 times greater than the average of the past five years prior to the renewal, leading to 3.6 times more employee recognition, and further challenge and growth for employees. In 2023, we also launched “message campaign,” aiming to

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spread joy and gratitude throughout the Group through the awards. Employee responses included: "I hope that my colleagues will create a 'chain of brilliance'!" and "I can now be proud of what we have achieved and of the people involved in this project with whom we worked." As we move toward OKR, a culture in which everyone

praises each other for the challenges and collaboration by example is spreading and taking root.

Ensuring 3P Model-based compensation

The Kao Group's basic approach to human capital development is to clarify the roles and responsibilities

of each position, assign and appoint employees according to their abilities and aptitudes, evaluate their roles and achievements appropriately, and develop them through their work. The Kao Group is committed to assigning the right people to the right jobs and positions within the Group. We will continue to select and promote the next generation of human capital and reflect it in their appointment in a timely manner to further revitalize and grow the organization and develop and retain outstanding human capital.

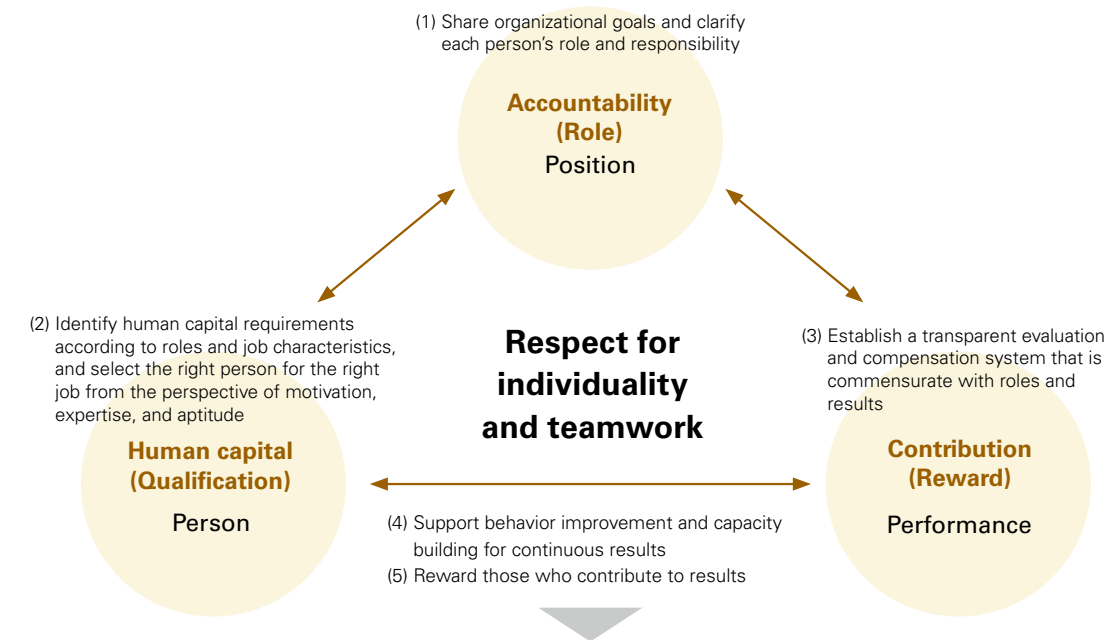
Create equitable opportunities for all employees

Thorough dialogue

We are committed to dialogue in depth, which is an important element in all of our measures.

KURUMAZA

KURUMAZA is an interactive program with executive officers to enhance dialogue and leadership development for middle management, who play a key role in driving the frontline to realize management strategies. The name of the program comes from the Japanese word "Kurumaza" meaning many people sitting on the same ground in a circle. It is suited to improving mutual understanding and communication among participants by exchanging opinions in an informal and intimate format from an equal standpoint. The Kao Group has adopted this phrase in the hope that management and participants will engage in honest discussions, deepen mutual understanding, and work



Aiming to achieve a good balance between "human capital," "accountability," and "contribution," and to achieve mutual growth for both the organization and employees.

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as one toward the realization of management strategies. Eligible middle management can raise their hand and participate in this *KURUMAZA* as many times as they wish, which is held multiple times a year. The lecturers, executive officers, are different each time and the topics are varied. In FY2023, the event was held five times for group companies in Japan, with a total of 1,044 participants. More than 100 participants had the opportunity to talk with the executive officers for two hours each time.

There are three main experiences and practical reflections that can be gained from participation in *KURUMAZA*:

- (1) A deep and broad understanding of management strategies and policies through direct dialogue with a diverse range of executives. As a result, we develop the ability to more effectively rally team activities in the direction of the company's goals as a leader in practical situations.
- (2) Networking across matrix organizations with middle management colleagues in different divisions. This will accelerate collaboration in the current business and serve as a driving force for innovation.
- (3) Expanding one's perspective through exposure to different values and new perspectives, as well as through self-reflection, recognizing one's own strengths, and increasing one's motivation for further growth and challenges. In addition, we believe that middle managers, who are the leaders of their workplaces, will experience high quality dialogue and its effects, and this will serve as a driving force for promoting dialogue and establishing a culture of dialogue within their own organizations.

According to the results of a survey of participants, 83% of the employees who participated in *KURUMAZA* expanded their understanding and perspective of management policies, and 87% of them took action after participating in *KURUMAZA* by bringing the content back to their own organizations. Of the *KURUMAZA* participants, 80% of employees reported that the quantity and quality of dialogue had improved compared to the past year.

Dialogue Festival

To promote the OKR Program, it is necessary to improve not only the quantity but also the quality of dialogue. To this end, the Kao Group holds an annual company-wide Dialogue Festival, a program to improve dialogue mindset and dialogue skills, to foster a free and vigorous organizational climate. Dialogue Festivals offer programs that employees can freely participate in, such as online learning tools and webinars to enhance dialogue skills and workshops to learn about psychological safety and the Kao Way, our corporate philosophy, while spreading awareness of the importance of dialogue. Employee awareness of the festival is 75%, and awareness is particularly high among managers, at 91%. The program not only contributes to improving the dialogue mindset among employees, but also enhances their dialogue skills and motivates them to take on challenges. Of the Dialogue Festival participants, 60% feel that their own awareness and communication have changed, while 70% of managers feel the same. The Dialogue Festival helps foster a culture of dialogue by contributing to a common organizational culture, the development of individual competencies, and the formation of a flexible organization.

Psychological safety and unconscious bias

We provide opportunities to learn about psychological safety and unconscious bias in order to create an organizational culture focused on dialogue. In 2023, Basic Knowledge of Psychological Safety was launched as a mandatory program for all managers in the Kao Group in Japan. In addition, an e-learning course, Basic Knowledge of Unconscious Bias, was implemented as one of the measures of the Dialogue Festival.

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Inclusive & Diverse Workplaces > Upskilling and fostering a culture that makes diversity a strength for the organization

Internal counselors

The Kao Group has approximately 50 internal counselors who are available for consultation not only on work, but also on all aspects of life and career. Internal counselors are experienced employees with many years of work experience in their respective functions' areas of expertise, and hold professional counseling certifications. After understanding each employee's workplace situation, our internal counselors listen carefully to their hearts and minds through counseling and support them to take the first step forward. We also conduct educational and information dissemination activities related to mental health and career development, including education and training aimed at creating a communication-rich work environment. Counselors serve as emotional safety nets, accompanying and supporting employees and organizations to take a step forward through dialogue, helping "individuals" and "work environments" who wish to escape from worries and anxieties and change on their own.

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OKR

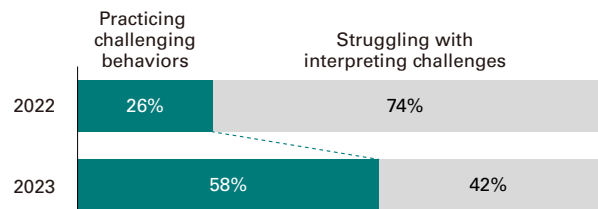
As a representative initiative for the encouragement of the taking up of challenges by employees, we have introduced OKRs starting in 2021. The Group’s OKR is promoting initiatives in which each employee sets their own goals for “what they want to achieve through their work to make the world a better place and the Group a better company” based on three axes: “Business Contribution,” “ESG,” and “One Team & My Dreams.” By setting lofty and challenging goals and evaluating the process as well as the results, we are improving employee engagement and moving the organization forward.

The OKR implementation rate is 72% globally and 90% in Japan. All Kao Group employees can view their OKRs in the system, allowing like-minded employees to communicate freely with each other and collaborate across countries, regions, jobs, and positions. This has accelerated the sharing of knowledge and capabilities needed to achieve OKRs, leading to increased business speed and productivity improvement through innovation.

Targets in the OKR system are set on a medium- to long-term timeframe in consideration of the direction of the organizations to which employees belong. Daily progress is then monitored through regular dialogue with superiors. At the end of the fiscal year, we evaluate the various challenges, including the year’s contributions and processes in the basic roles in addition to the OKR progress. In addition, we have created a corporate culture that encourages employees to take on new challenges through activities (such as challenge-sharing

meetings) in which employees share and recognize their various challenges in their workplaces.

Qualitative employee survey on OKR



According to a 2023 employee survey, the number of employees working toward challenging goals on a daily basis doubled versus 2022. In particular, 25% of employees, with the help of others around them, are steadily working to achieve challenging goals and achieve both personal and organizational growth. For the 42% of employees who have struggled with interpreting challenges, we are helping to personalize them by sending out interactive messages about the challenges from the division head and sharing examples of challenges they have taken on.

DE&I

We are making efforts to create an environment and culture in which diverse employees can exert their capabilities in a highly motivated manner.

P225 Inclusive & Diverse Workplaces

Creating an environment where diversity can thrive Providing a fair work environment and expanding opportunities for dialogue such as co-creation spaces

Beginning in 2024, as part of the Human Capital Structural Reform, we initiated an office reform at the Kayabacho Office. The concept behind the Kayabacho Office reform was to create a work environment that generates creativity through dialogue. In order to create a workplace where employees can work with vitality and enthusiasm according to the type of job, we will increase the attendance rate, create a fair work environment that matches the nature of the work, and expand opportunities for dialogue, such as co-creation spaces and lounge areas. Through these efforts, we will increase dialogue and create an environment where creativity is born. Future development will be expanded to other business sites (within and outside Japan) after setting priorities while making reference to the office reforms at the Kayabacho Office, taking into consideration the aging of the building and other conditions, as well as future expansion of functions. While some offices are already undergoing office reform, we will expand new innovations through co-creation by providing a place where employees can work with vitality and enthusiasm, while taking into account changes in awareness of the workplace environment.

Realization of flexible work

The spread of COVID-19 has led to the establishment of remote work, represented by telecommuting systems, and the diversification of work locations and environments. In 2023, in particular, we are promoting

Human Capital Development GRI 404-2

optimal work styles for each employee according to their duties and roles, rather than uniform rules, in order to further promote creativity through dialogue and co-creation among employees. In order to promote flexible work styles, we also introduced SWS (Smart Work Support), an application that enables the visualization of remote work conditions. Through such measures, we will create an environment in which employees can work safely and efficiently.

Well-being

We aim to maintain and improve the mental and physical health of employees as a crucial element in maximizing our human capital growth and organizational strengths. In 2023, we promoted initiatives focusing on activities with proactive participation of employees and their families towards realizing the Mid-term Health Plan Kao Health 2025.

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Employee Wellbeing & Safety

Employees' opinions



Takumi Bito

Toyohashi Plant, SCM

I joined Kao Techno School in 2017, its 32nd year, and studied “heart” and “technique” for 8 months with 10 students from Japan and 11 students from outside Japan.

At Techno School, students not only acquired specialized knowledge through classroom lectures and seminar activities, but also had the opportunity to present their own thoughts and ideas, take charge of class leaders on a rotating basis, and other programs that allowed them to determine

their own direction. I was very impressed by the fact that we were able to become independent by practicing these programs and experience the process of forming one team through deep discussions with the entire class, including students from outside Japan, which improved everyone's teamwork.

After completing Techno School, I was assigned overseas for about three years. I believe that it was because of what I learned at Techno School that I was able to respect others' opinions and convey my own thoughts in a foreign country and culture.

I still have strong ties with my classmates from Techno School, and it is very stimulating to see them working on a global scale. I will continue to work hard to improve myself so that I can be an example of a field leader with “heart” and “technique.”

Human Capital Development

Main employment systems for diverse work styles (Kao Group in Japan, excluding some affiliates)

Main systems	Content
Flextime	With the exception of some shift workers, flextime is applied to all employees, regardless of grounds. There is no required core time period. The times for the start of work and end of work are set within a flextime range of 07:00–20:00. Settlement periods have been set at one-month units.
Remote Work	With the exception of some shift workers, this option is applied to all employees, regardless of grounds. The usage of this option is set for each department based on the nature of their business and its necessity for the operation of the organization. This option can be used in increments of either one day or one hour.
Full time Remote Work	In any unavoidable circumstances for nursing care, family care, childcare, and personal injury or illness, it is possible to work remotely from a distant location full-time. One condition is that the employee is engaging in work that would not be hindered by working outside of the office.
Ability to take annual paid leave in hourly increments	Annual paid leave can be taken in hourly increments up to a maximum of five day-equivalents within any one-year period, regardless of the reason.
Special leave for non-work-related injury or illness	Special paid leave is available for employees who incurred a personal injury or illness (up to a maximum of either 40 days a year or 20 days a year), which is, in principle, available when periods of leave of at least eight days are needed.
Family leave for overseas assignments	Where an employee's spouse is on an overseas assignment and the employee wishes to accompany the spouse, a period of leave of at least one year and no more than two years can be taken.
Special leave for volunteering activities	Special paid leave is available for employees who participate in volunteering activities approved by the company (up to a maximum of 5 days a year). This leave can be taken in increments of either one day or half a day.
Reward Program for Continuous Service special paid leave	Special paid leave is available to commemorate 10, 20, 30 and 40 years of continuous distinguished service (up to a maximum of 5 days a year).

Note: Additionally, the system of support for childcare, nursing care and family care is mentioned in the Inclusive & Diverse Workplaces section.

Employment system utilization status (Kao Corporation)

	2020	2021	2022	2023	Unit
Hours worked outside regular working hours Monthly average	14.4	14.3	13.4	12.4	Hours
Average days of paid leave taken	13.3	15.5	16.6	17.3	Days
Average paid leave utilization rate	69.6	80.6	85.8	88.0	%
Average hours of leave taken in hourly increments	2.41	2.71	3.15	3.47	Hours
Number of employees taking family leave for overseas assignments (male)	0	0	0	0	Persons
Number of employees taking family leave for overseas assignments (female)	3	6	7	5	Persons
Average number of special paid leave days taken for volunteer activities	1.0	1.3	3.0	2.4	Days
Total number of employees taking special paid leave for volunteer activities	9	90	1	12	Persons
Number of employees utilizing the work-from-home option	7,218	7,781	7,653	6,431	Persons

Note: Counted in enrolled companies
Note: Until 2022, only regular employees; from 2023, regular employees and full-time, indefinite-time, non-regular employees

Total annual hours worked per person (hours)

	2022	2023
Kao Group	1,803	1,833

Note: Employees from regular employment and those in full-time indefinite-term employment from non-regular employment.
Note: Data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies. Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Human Capital Development

GRI 2-7, 2-30

Number of employees / management positions (Persons)

		2020			2021			2022			2023		
		Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Kao Group	Employees	33,449	16,814	16,635	33,507	16,589	16,918	35,411	16,677	18,734	34,257	16,055	18,202
	Management positions	6,501	4,629	1,872	6,539	4,567	1,972	6,974	4,845	2,129	6,553	4,514	2,039
	Of which Top management	–	–	–	–	–	–	–	–	–	901	726	175
	Middle management	–	–	–	–	–	–	–	–	–	1,644	1,204	440
	Junior management	–	–	–	–	–	–	–	–	–	4,008	2,584	1,424
Japan	Employees	22,038	10,715	11,323	21,816	10,485	11,331	23,584	10,404	13,180	22,464	9,895	12,569
	Management positions	4,499	3,634	865	4,495	3,574	921	4,555	3,534	1,021	4,558	3,439	1,119
Of which, Kao Corporation	Employees	8,135	6,077	2,058	8,508	6,147	2,361	8,403	5,974	2,429	8,199	5,739	2,460
	Management positions	2,712	2,166	546	2,919	2,245	674	2,957	2,238	719	2,985	2,221	764
Asia	Employees	7,202	3,914	3,288	7,057	3,876	3,181	6,948	3,848	3,100	6,798	3,791	3,007
	Management positions	1,096	551	545	1,111	554	557	1,154	605	549	1,038	562	476
Europe	Employees	2,830	1,514	1,316	3,222	1,533	1,689	3,376	1,691	1,685	3,494	1,663	1,831
	Management positions	574	296	278	564	268	296	920	545	375	556	307	249
Americas	Employees	1,379	671	708	1,412	695	717	1,503	734	769	1,501	706	795
	Management positions	332	148	184	369	171	198	345	161	184	401	206	195

Note: “Employees” include Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc. and TBP.

Note: Data on the percentage of women is mentioned in the Inclusive & Diverse Workplaces section.

Note: Top management equivalent to department heads, Middle management equivalent to section manager, and Junior management equivalent to leaders.

Percentage of employees by nationality (Kao Group) (%)

		2021	2022	2023
Japan	Employees	64.9	69.3	65.6
	Management positions	69.4	66.3	70.6
Indonesia	Employees	6.0	5.6	5.7
	Management positions	2.5	2.3	2.3
China	Employees	4.4	4.2	3.9
	Management positions	4.8	3.1	2.8
Thailand	Employees	4.1	3.6	3.7
	Management positions	5.0	4.3	2.6
Germany	Employees	2.7	2.5	2.5
	Management positions	5.8	4.8	3.4
Taiwan	Employees	1.6	1.8	1.9
	Management positions	1.6	1.6	1.6

Note: Top six countries accounting for the largest shares of employees

Note: Excluding employees where this information is not disclosed.

Percentage of employees by age group (%)

		2021	2022	2023
Kao Group	< 30 years old	20.6	19.3	17.8
	30–50 years old	51.4	51.9	52.6
	> 50 years old	27.9	28.7	29.6
Japan	< 30 years old	19.5	18.0	16.4
	30–50 years old	49.4	49.9	50.6
	> 50 years old	31.2	32.1	33.0

Situation regarding union members

		2020	2021	2022	2023
Kao Group	No. of union members (persons)	10,523	13,097	12,716	10,851
	Percentage (%)	34	43	34	32
Japan	No. of union members (persons)	6,773	8,838	8,560	6,785
	Percentage (%)	31	40	34	30

Note: Excluding companies where this information is not disclosed.

Note: Number of Japanese trade union members in FY2023: Large-scale transfers among group companies in Japan caused large fluctuations in member numbers.

Note: Counted in enrolled companies unless otherwise noted. Not including Board of Directors and Audit & Supervisory Board Members in Japan until 2020. Only employees from regular employment for 2021. Starting from 2022, employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies. Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Human Capital Development

GRI 401-1

Situation regarding newly hired employees

		2020	2021	2022	2023
Kao Group	Total (persons)	1,829	1,568	1,555	1,732
	Male	783	702	625	614
	Female	1,046	866	930	1,118
	Females as a percentage of the total (%)	57.2	55.2	59.8	64.5
Japan	Total (persons)	1,001	567	208	413
	Male	402	250	110	153
	Female	599	317	98	260
	Females as a percentage of the total (%)	59.8	55.9	47.1	63.0
Of which, Kao Corporation	Total (persons)	398	269	103	187
	Male	275	170	71	90
	Female	123	99	32	97
	Females as a percentage of the total (%)	30.9	36.8	31.1	51.9

Note: Until 2020, excludes companies with HR systems not yet linked (22 out of 98 consolidated companies).

Percentage of newly hired employees by age group (%)

		2020	2021	2022	2023
Kao Group	< 30 years old	69.3	68.0	52.5	57.2
	30–50 years old	27.4	27.0	41.3	36.8
	> 50 years old	3.3	4.0	6.2	6.0
Japan	< 30 years old	84.0	90.0	62.0	78.4
	30–50 years old	15.5	10.0	38.0	25.3
	> 50 years old	0.5	0.0	0.0	1.0

Note: Until 2020, excludes companies with HR systems not yet linked (22 out of 98 consolidated companies).

Retention rate after 3 years of employment (%)

	2022	2023
Kao Group	68	67

Hiring cost per employee hired (yen)

	2020	2021	2022	2023
Kao Group	–	424,480	570,933	495,500
Japan	507,638	624,912	1,650,470	831,229

Percentage of open positions filled by internal candidates (%)

	2020	2021	2022	2023
Kao Group	–	79.11	77.72	74.65
Japan	88.70	88.72	94.99	90.63

Percentage of career hires in new hires (%)

	2020	2021	2022	2023
Kao Corporation	34.0	9.7	35.9	49.2
Kao Group Customer Marketing Co., Ltd.	15.7	8.0	17.4	17.2
Kao Beauty Brands Counseling Co., Ltd.	–	0.0	0.0	0.0
Kanebo Cosmetics Inc.	13.3	0.0	0.0	0.0
e'quipe, LTD.	–	–	100.0	100.0
Kao Logistics Co., Ltd.	0.0	0.0	*	*
Kao Professional Services Co., Ltd.	44.2	54.8	41.7	32.3
Nivea-Kao Company Limited	100.0	100.0	100.0	100.0
Kao Business Associe Co., Ltd.	100.0	100.0	*	100.0
Kao Sanitary Products Ehime Co., Ltd.	18.2	0.0	*	*
Kao Cosmetic Products Odawara Co., Ltd.	0.0	0.0	100.0	27.8
Kao Paper Manufacturing Fuji Co., Ltd	0.0	0.0	100.0	*
Kao Peony Co., Ltd.	100.0	0.0	*	*

Note: Based on the Act on Comprehensively Advancing Labor Measures, and Stabilizing the Employment of Workers, and Enriching Workers' Vocational Lives

Note: An asterisk (*) indicates no employment

Situation of re-employed after retirement (Kao Corporation)

	2020	2021	2022	2023
Number of employees who reached retirement age	174	183	237	255
Of which, the number of employees re-employed after retirement	144	165	204	223
Percentage (%)	82.8	90.2	86.1	87.5

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies. Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Human Capital Development GRI 401-1

Situation regarding employee turnover (%)

		2020	2021	2022	2023
Kao Group	Total employee turnover rate	–	5.67	6.17	6.75
	Voluntary employee turnover rate	–	4.03	4.61	4.57
Japan	Total employee turnover rate	2.44	2.24	3.76	3.69
	Voluntary employee turnover rate	1.64	1.53	2.68	2.39

Note: The population used for calculating the employee turnover rate in Japan was the number of employees as of the beginning of the year, on January 1, until 2020; from 2021 onwards, this was changed to the number of employees as of the end of the year, on December 31.

Employee turnover rate by gender (%)

		2020	2021	2022	2023
Kao Group	Male	–	41.18	35.10	36.74
	Female	–	58.82	64.90	63.26
Japan	Male	36.65	43.03	27.62	33.98
	Female	63.35	56.97	72.38	66.02

Employee turnover rate by age group (%)

		2020	2021	2022	2023
Kao Group	< 30 years old	–	35.81	36.11	33.92
	30–50 years old	–	41.76	41.69	40.59
	> 50 years old	–	22.43	22.20	25.49
Japan	< 30 years old	37.57	35.45	40.92	34.58
	30–50 years old	33.33	32.99	32.02	34.46
	> 50 years old	29.10	31.56	27.06	30.96

Voluntary employee turnover rate by gender (%)

		2020	2021	2022	2023
Kao Group	Male	–	36.77	29.78	28.88
	Female	–	63.23	70.22	71.12
Japan	Male	24.93	30.93	18.64	23.51
	Female	75.07	69.07	81.36	76.49

Voluntary employee turnover rate by age group (%)

		2020	2021	2022	2023
Kao Group	< 30 years old	–	44.77	43.81	44.60
	30–50 years old	–	46.93	47.92	45.50
	> 50 years old	–	8.30	8.27	9.90
Japan	< 30 years old	55.07	51.05	56.08	51.30
	30–50 years old	43.01	44.45	38.86	43.10
	> 50 years old	1.92	4.50	5.06	5.60

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies. Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Human Capital Development GRI 404-1

Human capital development investment per employee

		2020	2021	2022	2023
Kao Group	Average hours of training (hours)	9.19	10.47	12.98	14.05
	Average cost of training (yen)	27,000	29,000	32,000	37,000
Japan	Average hours of training (hours)	9.67	11.81	12.90	12.91
	Average cost of training (yen)	28,000	30,000	32,000	36,000

Note: Starting from 2020, training has mainly been conducted online due to the impact of the COVID-19 pandemic. The calculation standard for training hours was clarified in 2022.

Ratio of training hours by gender

		2023	
		Total training time (hours)	Ratio (%)
Japan	Male	114,633	47.3
	Female	127,556	52.7

Note: Except for certain companies

Ratio of training hours by age

		2023	
		Total training time (hours)	Ratio (%)
Japan	< 30 years old	94,025	38.8
	30–49 years old	106,101	43.8
	> 50 years old	42,063	17.4

Note: Except for certain companies

Ratio of training hours by management level

		2023	
		Total training time (hours)	Ratio (%)
Japan	All employees are targeted	50,007	20.6
	Junior level management	145,893	60.2
	Middle level management	44,386	18.3
	Top level management	1,903	0.8

Note: Except for certain companies

Note: Top level management equivalent to department heads, Middle level management equivalent to section manager, and Junior level management equivalent to leaders.

Employee stock ownership plan (Kao Group in Japan, excluding certain affiliates)

Details
(1) Contributions can be arbitrarily set from 1,000 yen per unit (three times the amount of bonuses), up to a maximum of 30% of basic salary.
(2) 10% of contributions are subsidized as an incentive bonus (with a bonus of three times the amount contributed from salary).
(3) Cash dividends are reinvested into the purchasing of more shares.
(4) Regular employees of Kao Group of Japan as defined by the operational regulations, as well as other employees recognized by the company*1, are eligible for the plan.

*1 Accounts for 57.0% of all Kao Group employees and 87.0% of Japanese employees

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies. Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Inclusive & Diverse Workplaces GRI 404-2

To make diversity into a strength and realize solutions to various social issues, we strive to create an environment and culture where each employee can exert their capabilities and individuality to the fullest, and both individuals and the company can flourish.

Social issues

Social values and lifestyles are undergoing significant changes and are diversifying. In addition, business has become globalized, and economic and social uncertainty has increased. Nowadays, as people with diverse backgrounds and values are becoming consumers and employees, such as Generation Z, who are said to have a different set of values compared to older generations, people’s mindsets about work and life and employees’ expectations for their company are changing based on thinking that is unconstrained by what was previously taken for granted.

Under such circumstances, it is essential to proactively approach these social changes by creating an environment and corporate culture where diverse employees feel motivated to work by striving to develop activities that promote Diversity, Equity and Inclusion (DE&I) as a fundamental mode of human capital development in order to create continuous corporate growth.

Policies

The Kao Way—our corporate philosophy—stipulates that we create inclusive workplaces where every person can develop their potential as a professional and a human being, that we treat everyone we encounter with respect and openness, and that we embrace the world’s diversity of cultures, nationalities, beliefs, races, genders, identities and abilities and respect and value all people in our organization, our business partners and the communities we serve, just as they are. On this

basis, as a company whose strength lies in the breadth of the products and services that have been created through innovations that span the entire spectrum from the development of raw materials to the final product for the end user, we believe that our mission is to further advance our action in DE&I in our business through our brands, products, and services, and all corporate activities. In 2023, to promote DE&I activities by clearly stating this as a commitment, we formulated and disclosed the Kao Group’s DE&I Policy, which commits to the aim of realizing a society in which all people can thrive authentically by practicing DE&I in cooperation with internal and external stakeholders. Based on this policy, in the workplace, we aim to become an inclusive and equitable organization where diversity is valued and is seen as our strength. For our business partners, we will build a sustainable supply chain by sharing values and cooperating with all business partners involved in *Yoki-Monozukuri*. And in our community, we aim to realize a Kirei society in which people are connected and fulfilled through people-first *Yoki-Monozukuri*.

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Responsibly Sourced Raw Materials > Collaboration with stakeholders

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Universal Product Design > Policies

Strategy

Risks and opportunities

Risks

At workplaces where it is a challenge for diverse employees to feel motivated to work, employee engagement subsides, and so retention of the employees who are the invaluable treasure of the company and hiring of new outstanding employees becomes difficult. Furthermore, homogeneous organizations that do not embrace diversity—especially organizations that lack diversity, including having women in decision-making positions—will not be able to respond adeptly and flexibly to societal changes and will struggle to contribute to the sustainable growth of the corporation. In recent years, along with the increased interest in sustainability of the world, interest in activities to promote corporate DE&I for employees is growing around the world. And its importance as a basis for investment is also rising. In the midst of this, if we do not sufficiently implement DE&I promotion activities to leverage this diversity and furthermore empower female employees—which is an aspect of diversity that covers a large proportion of our personnel—this could pose a medium- to long-term risk to our corporate growth. That in turn may lead to reputational risks.

Opportunities

By deeply ingraining DE&I at the Kao Group and realizing inclusive and diverse workplaces that leverage each person’s true diversity in ways that transcend simple demographics, Kao will attract and retain outstanding talent with diverse backgrounds and ensure

Inclusive & Diverse Workplaces GRI 404-2

that they stay motivated and can demonstrate their capabilities. Consequently, not only do we expect to provide products and services that cater to the needs of social changes and the diversification of people's values, including the creation of new businesses, but we also expect to raise the productivity of our business activities by increasing employee engagement. Thereby, further growth as a company is anticipated, leading to improved ratings from society at large and investors and enabling us to help increase the societal momentum of DE&I.

Strategy

Kao aims to maximize the power and potential of employees through *Global Sharp Top* human capital/organizational management to realize K27's vision of protecting future lives. We position DE&I as an activity toward "create equitable opportunities for all employees" as the foundation. There, it is important to create an environment where diverse personnel can come together, where each individual recognizes and accepts each other's viewpoints and ideas, where these can become the strength of the organization, and where each person can demonstrate their abilities and individuality to the fullest extent. As Diversity & Equity promotion activities, we then provide each of our diverse personnel, including women, with the support necessary to put down roots in an environment where they can work with peace of mind and fairly gain opportunities. At the same time, as part of our activities to promote Inclusion, we work on education and awareness-raising activities to foster an inclusive organizational culture where all employees understand the significance of DE&I, and all employees can express

their ideas with peace of mind and promote healthy debate in a bias-free environment. These are initiatives to make diverse organizations the norm, which will lead to the realization of the KLP as well as the realization of the human capital strategy.

Social impact

As a producer of products familiar to the public and widely recognized, Kao's activities that are close to consumers can affect society as a whole, including consumers themselves. One such set of activities is DE&I, and the expansion of Kao's DE&I activities will raise society's awareness of DE&I. Moreover, through our employees' improving of DE&I, consumers will be able to enrich their lives through the products and services we provide that meet the expectations of their diverse values in countries and markets where Kao will establish a strong presence from now on.

Contributions to the SDGs



Business impact

We can provide better products and services based on diverse ideas and innovation, which will lead to corporate growth. By increasing employee engagement, we can strengthen the productivity of the work done by

each employee. By being a more attractive company, we will improve employee retention and competitiveness as an employer, which will lower recruitment costs.

Governance

Framework

Kao Group

To further promote DE&I initiatives in our business through our brands, products and services, as well as all of our corporate activities, we have established the Human Rights and DE&I Steering Committee as a subordinate body of the ESG Managing Committee. The Human Rights and DE&I Steering Committee promotes activities across the Group to improve human rights and DE&I not only for employees, but also for all Kao stakeholders, including the supply chain and society at large. This committee also checks the activities of each department and reports the status of activities to the ESG Managing Committee.

Regarding activities in the workplace, after the Board of Directors deliberates on policies for human capital strategy, we deliberate, decide on, and share our progress on important issues related to DE&I at the Human Capital Development Committee, whose membership comprises top executives.

Kao Group in Japan

Diversity Equity & Inclusion, Human Capital Strategy (DE&I, HCS) which is a special-purpose organization within Kao Corporation collaborate with people responsible for human capital development in each division and domestic group company and a DE&I-

Inclusive & Diverse Workplaces GRI 404-2

related specialized organization in Kao Group Customer Marketing (KCMK) Group through the Human Capital Development Conference, Diversity & Equity promotion meetings and individual meetings to clarify the major issues at the Kao Group in Japan, plan and implement DE&I promotion activities in line with the policy throughout the Kao Group in Japan. Feedback from the participants in all activities is verified through questionnaires and other surveys, and when appropriate, the members of the aforementioned groups exchange their opinions, which are then reflected in subsequent activities. Managers and personnel responsible for human capital development from nine of Kao Corporation's worksites and from major affiliated companies collaborate with DE&I, HCS, to disseminate information in the workplace regarding DE&I promotion and develop infrastructure for individual support, acceptance and retention of employees who need support.

Kao Group in the Americas and EMEA

DE&I, HCS, collaborates with DE&I promotion officers from the Americas (indicating consumer product-related group companies in the U.S., Canada, Australia, and New Zealand) and EMEA (indicating consumer product-related group companies in Europe, the Middle East and Africa) to share information, exchange opinions, and promote activities in each region that are tailored to the problems faced there.

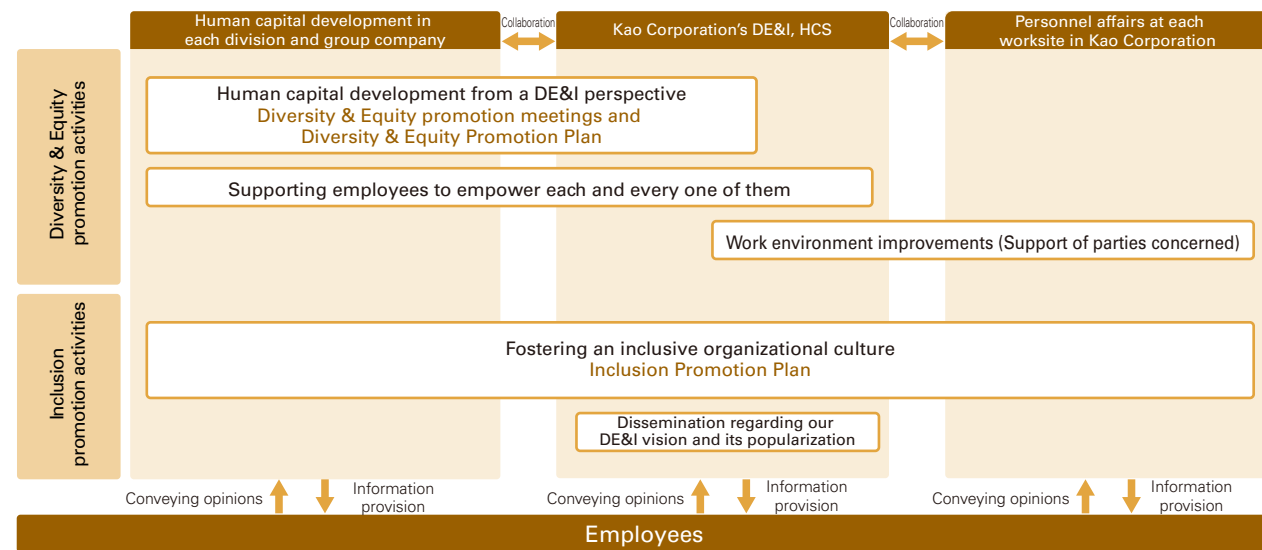
In the Americas, the Diversity Equity & Inclusion Board (DE&I Board) represents diversity and works to foster a more diverse, equitable, and inclusive culture for employees. Board Members are internal champions who support employees' diverse needs and the Americas region's DE&I goals. The DE&I Board

conducts activities to foster a diverse, fair and inclusive corporate culture.

EMEA has a D&I Steering Board consisting of 12 senior team members representing all business fields. In addition, eight Employee Resource Groups (ERGs) called Kao Communities have been established. These communities pursue activities related to Gender

Inclusion, Cultural Diversity (including ethnicity), All Abilities (focusing on disability and neurodiversity), LGBTQIA+ All Stars, Parents (families with small children), Empower Age (creating relationships that go beyond generations), infertility treatment and adoption, and menopausal support.

System of DE&I promotion activities (Kao Group in Japan)



Education and promotion

We are conducting education and awareness-raising activities globally to deepen employees' understanding of the Kao Group DE&I Policy formulated in 2023 and to enable each employee to practice DE&I in their own work. Among these, we place particular emphasis on

training for management, who play an important role in making diversity a strength of the organization, and on educating those around employees who work under such circumstances. At the same time, we broadly publicize positive internal stories and activities related to DE&I via intranet with the objective of our employees viewing this as relevant to them and recognizing the

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importance of taking the initiative. Furthermore, to be an organization where employees can demonstrate their own unique capabilities and engage in a healthy exchange of opinions drawing from their diverse backgrounds, we have started providing training to deepen all employees’ understanding of psychological safety and unconscious bias as a base. We receive feedback from the participants at all activities through questionnaires, and incorporate our employee comments in our activities by reflecting these opinions in subsequent activities.

Collaboration with stakeholders

Proactive collaboration with NPOs, government agencies and other companies promoting DE&I is essential to encourage understanding and improve awareness of DE&I inside and outside the Kao Group.

To support the balancing of work and childcare, for a decade we have endeavored to change the mindsets of our employees who are raising children in collaboration with the NPO Fathering Japan, which advances initiatives to increase the number of happy fathers in order to address various social issues. For women’s empowerment, the President and CEO participated in and discussed issues at initiatives such as the 30% Club Japan. In addition, DE&I, HCS, is implementing initiatives for women’s empowerment inside and outside the Kao Group in collaboration with other companies through participation in the secretariat’s team. Furthermore, we announced our support for The Valuable 500, an international initiative established to get corporations to play a leading role in building an environment in which people with disabilities can participate actively in various business situations, and

are striving to promote these activities and increase their societal momentum.

In addition to these activities, as a research member of administrative and other organizations, Kao participates in discussions, introduces our own case studies in lectures and seminars, and accepts company tours at our special subsidiaries.

Risk management

Through engagement surveys, questionnaires to employees, and via the Employee Welfare Committee, we do our best to grasp whether diverse personnel who are the company’s assets are indeed motivated to work for the company. Information on how diverse employees, including female workers, participate actively in the company is monitored through indicators such as the percentage of female managers.

Furthermore, we not only disclose Kao’s present status to various stakeholders upon receiving responses to surveys conducted by the government and various organizations and assessments undertaken by various ESG-related organizations, but also track requests from stakeholders and monitor how society at large views our efforts. We also engage in dialogue with investing institutions to ensure they have a deep understanding of our activities, and to improve our activities.

Of the risks mentioned above, DE&I, HCS, and people responsible for human capital development at each company identify issues that need to be addressed, and people in charge at Human Capital Strategy and those responsible for human capital development from each division/company discuss countermeasures at the Human Capital Development Conference. Before their decisions are put into action,

risks that could have major company-wide effects are discussed by the Human Capital Development Committee, which comprises executives.

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

To make diversity our strength, we aim to develop an inclusive organizational culture where employees demonstrate their unique capabilities, and integrate them to generate new value. Moreover, to incorporate diverse perspectives in a variety of corporate decisions, we hire talent from a broad range of backgrounds and encourage their participation. As one indicator of this, we aim to have the same percentage of female managers as the total percentage of female employees.

As part of our Diversity & Equity promotion activities, we strive to develop human capital from a DE&I perspective and advance the participation of employees, including women, LGBTQ+ people, people from different cultures, people with disabilities, and people with childcare or family care responsibilities. Furthermore, we will share our vision of DE&I promotion activities for employees on a global basis, and work to raise awareness so that each employee can understand each other’s diverse backgrounds and act appropriately, as well as strive to deepen understanding of psychological safety and unconscious bias. Activities are promoted in each region according to regional characteristics and issues.

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	Our Priorities -Kirei Lifestyle Plan-
Our Foundations	
Appendix	

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2023 results

Kao Group

Formulation of the Kao Group DE&I Policy and activities to disseminate the policy

After discussions at Kao Group global meetings, the DE&I Policy was formulated and released internally and externally, and activities to promote employee understanding and implementation of the DE&I Policy were initiated. A questionnaire survey was conducted among our affiliates to ascertain the status of global DE&I promotion activities.

Kao Group in Japan

Activities to promote Diversity & Equity

To promote human capital development from a DE&I perspective in each division and affiliated company, we provided individualized DE&I-related data and helped to execute diversity and equity promotion plans and formulate new ones.

As for women's empowerment, we promoted priority actions to achieve mid- to long-term targets, and with regard to the development of female leaders, we expanded training opportunities and the number of female leaders eligible for training. The KCMK Group, meanwhile, implemented a diversity promotion project.

With regard to promoting the participation of LGBTQ+ employees, we conducted an anonymous awareness survey to grasp employees' understanding of LGBTQ+ and the challenges they face.

Regarding promoting the participation of employees from different cultures, we distributed articles aimed at familiarizing Japanese employees in particular with their foreign-national colleagues.

In terms of promoting the participation of employees with disabilities, as we continued our activities to promote normalization, we increased the

amount of contracted work at our special subsidiary, Kao Peony Co., Ltd., and promoted endeavors to expand opportunities for employees with disabilities.

To support employees balancing work and childcare, we introduced a paid childcare leave system and a system that enables employees to work more flexibly by expanding the options for working when their children are younger.

With regard to supporting employees in balancing work and family care, we have completely updated our Family Care Handbook, including adding a guide for workplace communication, and have made it internally available.

Activities to promote Inclusion

For each of the conventional education themes, such as women, LGBTQ+, people from different cultures, people with disabilities, and balancing work and childcare or family care, we distributed educational videos, held seminars and events, shared good practices within the company, provided quiz-style learning content, and distributed articles focusing on the DE&I of each individual employee.

As part of our initiative to create an organizational culture focused on dialogue, we held Basic Knowledge of Psychological Safety, an e-learning course essential for managers, in order to have employees understand and gain a basic knowledge of psychological safety, and to entrench the concept in the workplace.

We promoted the exchange of opinions from diverse employee perspectives at the Kao DE&I Square, a place that facilitates two-way communication.

Kao Group in the Americas and EMEA

Activities to promote Diversity & Equity

In the Americas, the Employee Resource Group Kao Network of Women hosted a discussion event with outside speakers as a way to raise awareness among women. In addition, a program was launched to build a safe work environment for Black and African Americans.

Also, in EMEA we have introduced a New Parental Policy to further support gender equality.

Activities to promote Inclusion

Aiming to deepen understanding of topics about social justice and racial equality and encourage desirable behavior, we held virtual events for the employees throughout the year. In addition, training was provided to increase understanding of transgender issues, and the Employee Resource Group Kao Pride hosted a variety of events to increase understanding and support for LGBTQ+ employees. Furthermore, workshops on microaggressions and unconscious bias were held.

EMEA's Employee Resource Groups LGBTQIA+ All Stars Community, Cultural Diversity Community, and All Abilities Community, hosted a variety of events to promote understanding and support for LGBTQ+, race, and disability issues. In addition, microaggression-themed lunches and DE&I training sessions were held in Germany and the U.K.

Reviews of 2023 results

After global discussions, we have formulated and released the Kao Group DE&I Policy. This is an opportunity for each employee to gain a deeper understanding of DE&I, and to increase momentum to think about implementing DE&I in their own workplaces

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and in their own work, as well as to promote collaboration with external stakeholders.

We were able to work steadily on initiatives for the different issues pertaining to Diversity & Equity promotion activities. In particular, to promote women’s empowerment, we are advancing comprehensive activities in response to priority actions to achieve mid- to long-term targets, such as broadening the scope of women’s training programs, expanding the childcare support system to include encouraging men to take childcare leave, and making seminars on building a system to balance work and childcare for career realization mandatory for male and female employees who have reported pregnancy.

With regard to activities that promote inclusion, we are continuously releasing various contents based on the Inclusion Promotion Plan to advance understanding of DE&I among Group employees and to firmly establish DE&I practices in the workplace. For psychological safety, a key topic, we are promoting its implementation throughout the Group by making e-learning mandatory for managers. While it is important that globally all employees fully understand DE&I and can apply these concepts, that alone is not enough. As such, we are pushing ahead with further initiatives to foster an inclusive organizational culture so that not just employees who are sensitive to DE&I but all employees, including those who are currently indifferent to these issues, are genuinely convinced of their importance and apply DE&I in their day-to-day work.

Main initiatives

Formulation of the Kao Group DE&I Policy and activities to disseminate it

Formulation and dissemination activities for the Kao Group DE&I Policy

The Kao Group aims to be an organization that allow individual values and talents to shine brighter, thereby improving people’s lives beyond their expectations based on building upon the foundation of respecting human rights. To achieve this goal, the Human Rights and DE&I Steering Committee held global discussions and formulated the DE&I Policy, which was released internally and externally in June 2023. Under the policy, the Kao Group will further collaborate with our stakeholders, starting with our employees, and including business partners and all people, to implement DE&I in our business through our brands, products and services, and all corporate activities. It also clearly states that we aim to realize a society in which all people can thrive authentically.

Dialogue between top management and employees for implementation of DE&I

Upon formulation of the DE&I Policy and its internal and external release, the Kao Group Human Rights and DE&I Portal was established as a global information communication platform for all Kao Group employees. In July, we released a video featuring the President and CEO and employees in a dialogue about DE&I. “The dialogue has provided an opportunity for employees to rethink what DE&I means to them,” said one employee. This activity has increased the momentum for employees to practice DE&I as their own personal matter. (Over 10,000 views)

DE&I promotion activity status questionnaire survey

In November, the Human Rights and DE&I Steering Committee conducted a survey to ascertain the current status of DE&I promotion activities for employees and co-workers at global affiliates. Based on the responses we have received from our affiliates in Asia, Europe, and the U.S., we are discussing a roadmap and plan to accelerate DE&I throughout the group.

Activities to promote Diversity & Equity

Human capital development from a DE&I perspective (Kao Group in Japan)

We make great efforts, including selecting key human capital, to hire, evaluate, educate, and promote employees based on their individual abilities regardless of other attributes. Even in meetings related to personnel affairs attended by executives, we ensure diversity while checking for bias, etc. in the attributes of candidates for senior positions.

In order to clarify and steadily address issues related to DE&I in each division and group company within Japan, DE&I, HCS, holds individual Diversity & Equity promotion meetings every other year with the human resource managers and career coordinators of each organization. In addition, data on DE&I is shared annually so that each organization can independently promote its own activities. Each organization formulates an action plan every year while monitoring changes in the data over time, and promotes activities, and DE&I, HCS checks their state of achievement.

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We will continue to carry out periodic exchanges of opinions between DE&I, HCS and each organization, and advance the human capital development from a DE&I perspective according to the characteristics of each organization.

Women's empowerment

Based on the belief that women's empowerment is essential for Kao's growth as a diversity factor that affects the greatest number of human capital, we have established a policy of creating a workplace environment and fostering a corporate culture in which all employees can fully demonstrate their individual motivation and abilities beyond their own assumptions^{*1}, and can be themselves regardless of their gender. In light of this, we are promoting activities for women's empowerment. In Japan, where there is a gap between the percentage of female managers and the percentage of female employees, we are working on three priority actions with the aim of including diverse perspectives in various decision-making positions: "development of potential future leaders;" "support for balancing work and childcare to promote engagement;" and "creation of an environment that enables unbiased training and promotion opportunities."

^{*1} Gender roles in the division of labor, and the image of a leader, etc.

P236 Support for balancing work and childcare

Development of potential future leaders

The analysis revealed that the percentage of women in managerial positions and above is significantly lower than that of men. As such, we are strengthening our

efforts to increase the number of women who are section managers and higher.

Female leader training (Kao Group in Japan)

We dispatch employees to women's leadership training programs sponsored by external organizations as an opportunity to improve their leadership skills, broaden their perspectives, and enhance their viewpoints. In 2023, we began dispatching female employees to short-term training programs that are easy for employees with childcare responsibilities to participate in, and to training programs for female department heads and executive candidates. By expanding the scope and number of participants, we are working to strategically nurture female employees at all levels of the organization. From those female employees who have participated in training mentioned above, we hear comments such as, "I have successfully decided my course of action," and "I have broadened my perspective through networking with people in different industries." At the same time, we hear good feedback about the participants from their workplaces (A total of 62 employees dispatched since 2016, 31 of whom were promoted).

Women's Career Café (Kao Corporation)

In 2023, we hosted an alumni event for past participants in the series of small-group roundtable talks with a former female executive and candidates for managerial positions (Women's Career Café) with the aim of helping female employees gain a positive attitude as "I want to be a leader," think about their own unique image of leadership, and make empathic connections with other female workers. On the day of the event, we gathered for real, shared changes and new concerns since participating in the Women's Career Café, and each person declared one action for the future. Participants made comments such

as; "I was able to self-reflect and get inspiration and hints from the people around me. I want to put them into practice," and "It was a good opportunity for me to get to know colleagues in a similar position beyond the division," leading to the establishment of a mindset for the careers of female employees and a change in behavior. (100% of participants were satisfied with the program, and there was a positive change in their attitudes toward their careers)



Women's Career Café Alumni

Women leaders career panel discussion (Kao Group in Japan)

The voices of those involved in the Women's Career Café revealed that female employees themselves have an unconscious bias about gender roles and images of leadership, which leads to a lack of self-confidence, as well as reservedness, and makes it difficult for them to think positively about embracing a career. In order to raise the level of career awareness among all Kao Group female employees in Japan, we invited three female leaders in the Group in different areas to join a panel discussion to discuss their thoughts on careers, how they manage to balance work and childcare, and what makes taking on a leadership role interesting. The participants were highly satisfied with the panel discussion and the change in their awareness: "I realized I don't have to give up either work or childcare, and I want to think about what I can do to achieve that,"

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"I felt it is good to have diverse leaders and that this is a strength of the organization. I want to consider my own strengths through dialogue with those around me and with myself." (Viewed more than 1,300 times, including recorded delivery; 93% of participants were satisfied, and 73% had a positive change in attitude.)

Study sessions with female managers in different industries (Kao Corporation)

We participate in study sessions that are voluntarily planned and operated together with companies from different industries that want to promote women's empowerment. In 2023, a total of 25 female employees participated in lectures by female role models from other companies and exchanged opinions with women of the same level, leading to increased motivation for management positions and cross-industry networking.

Financial assistance for public seminars for women (Kao Group in Japan)

As a system to encourage women to learn and improve their skills and mindset necessary to be more active as department and section heads, we have started to subsidize the cost of public seminars for women. These seminars have led to the growth of highly motivated female employees, with feedback such as "I learned many things I can put into practice in my own mindset, career development, and team building." (Two targeted seminars, total of 40 participants)

Diversity promotion project (KCMK Group)

Aiming to shift from a homogeneous organizational culture to a transformative one that can respond to change and demonstrate creativity with diversity, flexibility, and equity, we are implementing a selective diversity promotion project that began in 2021. For the

participants, most of whom are female employees, this project offers various opportunities for significant growth, resulting in the formation of high-level viewpoints and management perspectives. This enables the Group to foster future talents who will be able to proactively tackle difficult problems head-on and drive the next generation as pioneers and leaders of KCMK Group reform. As a result, three KCMK and one KBBC (Kao Beauty Brands Counseling Co., Ltd.) female executive officers were appointed in January 2023, serving as new role models for the next generation of employees.

Kao Network of Women (Kao Now) (Americas)

Kao Now works as a community for engagement and support for all female employees, and in 2023 we actively hosted a variety of events throughout the year to include recognition of the following DEI acknowledgements; International Women's Day, Women's History Month and Women's Equality Day. In Women's Equality Day, we invited outside speakers to discuss being brilliant at a moment's notice, the thoughts that keep us from realizing our full potential, and some practical strategies to combat those thoughts.

Creation of an environment that enables unbiased training and promotion opportunities

Diversity management education (Kao Group in Japan)

In order for managers to train and promote a diverse range of members without bias, it is important for them to manage while interacting with each employee and understanding their thoughts. As an important element of this, we are carrying out activities to deepen managers' understanding of psychological safety and unconscious bias.

P241 Upskilling and fostering a culture that makes diversity a strength for the organization

Awareness linked to International Women's Day (Kao Group in Japan)

To promote employee understanding of women's empowerment, we launched a special page on the DE&I Portal to coincide with International Women's Day in March. The page covers the Kao Group's past efforts to promote women's empowerment, including its concept of women's empowerment promotion, educational videos, interviews with employees, and good practices in the workplace. We have received a lot of feedback saying, for example, "I now understand that women's empowerment provides benefits not only to women but to everyone including men," and "The message of hoping that one day the term women's empowerment will no longer be necessary resonated with me."

Gender Pay Indicators

The gender pay gap^{*1} is one indicator of women's advancement and is 86.3% (managers: 103.4%, non-managers: 99.4%) in the Kao Group globally. We believe that this gap is due to the higher percentage of men among employees with more years of service, who tend to earn higher salaries, as well as among employees in higher-paying job groups, especially in Japan, since there is no established wage gap between male and female employees in the same roles. Therefore, as part of our strategy to eliminate the gender pay gap, we will continue to take steps to further improve our retention of female employees, and as appropriate, increase the percentage of women who are managers, senior managers and executives to align with the percentage of female employees in total in order to advance women's empowerment in the workplace through our initiatives.

^{*1} Ratio of women to men in terms of average annual salary of base salary + other cash incentives

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Base salary + other cash incentives Average annual salary

Promotion of empowerment of employees of LGBTQ+ communities

Under the policy of aiming to create an environment where all employees are respectful of sex, gender identity and gender expression, and sexual orientation, and all employees can authentically express themselves so that we can foster an organizational culture where all employees can fully develop their potential, we are creating work-friendly workplaces for LGBTQ+ employees and fostering such a culture.

Fostering an organizational culture where LGBTQ+ employees can work with peace of mind

E-learning “LGBTQ+ basic knowledge” (Kao Group in Japan)

To acquire correct knowledge about LGBTQ+ and to foster an organizational culture that is comfortable for LGBTQ+ people to work in, we have continued the mandatory e-learning course “LGBTQ+ basic knowledge” for all employees of the Kao Group in Japan since 2018. In 2023, the content was partially updated and a recording was added to the learning method to provide learning opportunities to those who have not yet taken the course, including new employees.

Questionnaire on LGBTQ+ (Kao Group in Japan)

An anonymous voluntary questionnaire was provided to all employees of the Kao Group in Japan to ascertain their level of understanding of basic LGBTQ+ matters and internal issues. More than 7,000 employees provided their opinions on internal initiatives through

free comments in addition to optional questions. We will use this information to improve the work environment so that both LGBTQ+ people and those around them can work together with vitality and enthusiasm.

Training for beauty advisors (KCMK Group)

We conducted LGBTQ+ training for approximately 5,000 beauty advisors engaged in customer service in stores. After a lecture on basic knowledge about LGBTQ+ and a video of interviews with LGBTQ+ people in the company, group discussions among beauty advisors provided an opportunity to deepen our understanding of LGBTQ+ as something close to them through exposure to each other’s way of thinking. By applying the perspectives and insights gained from this training to future customer service activities and communication within the workplace, we are striving to provide better customer service as beauty advisors who will work closely with all customers and deliver satisfaction to them.

Recruiting LGBTQ+ Allies (Kao Group in Japan)

We are continuing recruitment for LGBTQ+ Allies^{*1}. Employees who make an Ally declaration are issued with special straps that they are encouraged to wear.

^{*1} LGBTQ+ Allies: People who express understanding and are supportive of LGBTQ+ people.

Transgender 101 training (Americas)

With the aim of increasing to promote a more inclusive and respectful workplace environment, we have launched Transgender 101 training within the Supply Chain team to enhance awareness and understanding of transgender issues, fostering a culture of empathy and support. As a result, participants reported increased

knowledge, improved communication, and a more inclusive atmosphere, contributing to a positive and welcoming workplace for everyone.

Event to celebrate sexual diversity “Pride” (Americas)

Kao Pride hosted an event featuring a Drag Queen as a speaker to promote diverse voices in the LGBTQ+ community and foster a culture of inclusion. The powerful message resonated with participants and promoted acceptance and unity in the spirit of Pride.

Events during Pride Month (EMEA)

The LGBTQIA+ All Stars Community hosted speaker events during Pride Month in June, and spaces in Molton Brown stores and the Kao Salon Academies in London, Milan, and Rome were decorated to celebrate the event. In Italy, the community participated in Pride Celebrations in Milan and Rome, and hosted Pride Celebrations at Kao office in London.

Improvement of working environments where LGBTQ+ employees can work with peace of mind

Awareness-raising for hiring interviewers (Kao Group in Japan)

We disseminate knowledge to hiring interviewers about appropriate responses so that they can conduct normal hiring and selection processes without any discrimination even if LGBTQ+ people come out in the interviews.

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Discussions on creating a working environment where LGBTQ+ employees can work with peace of mind (Kao Corporation)

To create an environment where diversity is respected and everyone can demonstrate their individuality and fully demonstrate their motivation and abilities, employee representatives and the Human Capital Division deepened discussions on how the system should be designed to create a workplace environment where LGBTQ+ employees can work with peace of mind.

Promoting the participation of employees from different cultures

We are improving the working environment and fostering a culture where employees of different nationalities, ethnicities, and other cultural backgrounds can work with peace of mind. This is taking place under the policy of improving the environment where employees from different cultures are motivated to demonstrate their unique capabilities, and fostering an organizational culture where each employee respects differences in culture, language and concept of values, which will be the company's strengths.

Fostering an organizational culture in which employees from different cultures can work together with peace of mind

Articles introducing non-Japanese employees and those around them (Kao Group in Japan)

We distribute articles that introduce individual non-Japanese employees so that not only employees who work with non-Japanese employees every day, but also those who do not have an opportunity to work with them, can feel closer to non-Japanese employees as a part of diversity in the company, and grasp the issue as their own. The article introduces the backgrounds of

foreign employees working for the Kao Group in Japan and highlights their thoughts on work, the difficulties they encountered and how they overcame them, and includes comments from their supervisors and colleagues. As good examples of inclusion in the workplace, the articles provide opportunities for employees to think about diversity and globalization.

Courageous Conversations (Americas)

A virtual event series for employees was conducted throughout the year exploring social justice and racial equity topics, with the aim of encouraging collective understanding and action and exploring how, we as an organization and as individuals, can work to build greater equity in our shared culture and communities.

Events to celebrate cultural diversity (EMEA)

The Cultural Diversity Community hosted various events including panel sessions and speaker events, alongside in person celebrations for events such to honor Kao's Japanese heritage with a special focus on Japanese culture in April. In addition, for Black History Month in October, our Cultural Diversity Community hosted an event in London with African and Caribbean heritage food, and in Darmstadt, Germany, we introduced Black heritage dishes in the canteen.

Creating a work environment where employees from different cultures can work together with peace of mind

Assistance in returning home due to the COVID-19 pandemic (Kao Group in Japan)

To enable non-Japanese employees to work at Kao while respecting the ties between them and their families in their home countries amidst the various restrictions imposed by the COVID-19 pandemic, we implemented special measures to support their return to their home countries through the end of March 2023.

Soul Hugs program (Americas)

We have launched Soul Hugs, a program for Black and/or African American Employees, as a safe space for them to connect, support each other, take care of their mental health and receive the encouragement needed to thrive in the workplace.

Promoting the participation of employees with disabilities

We regard disability as a type of diversity and promote activities based on the policy of "Striving for a society where people with and without disabilities work and live together, we create workplace environments for employees with disabilities that make life easier for them and foster a sense of pride in one's work."

Improving the working environment so employees with disabilities can work with peace of mind Vocational Life Consultants for Persons with Disabilities (Kao Group in Japan)

We have assigned Vocational Life Consultants for Persons with Disabilities to worksites nationwide to conduct consultations for employees with disabilities. We inform employees with disabilities of Vocational Life Consultants for Persons with Disabilities annually, leading to building awareness of consultations and the comfortable atmosphere in which the consultations take place.

We hold regular meetings for Vocational Life Consultants for Persons with Disabilities. In addition to improving their skills as Consultants and strengthening the support system, they exchange opinions on issues and solutions for the employment of people with disabilities in the workplace.

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Support for mutual understanding and communication among employees with disabilities and their colleagues (Kao Group in Japan)

We prepared an Employment Manual for People with Disabilities and a Communication Sheet, distributing them on our DE&I portal site to promote mutual understanding among employees with disabilities and their colleagues.

We also introduced the UD Talk voice-recognition application as a tool to support communication with employees who have hearing impairments. In addition, we are continuing to introduce and apply voice recognition tools such as UD Talk and live captions for Microsoft Teams inside the company.

Support for prospective employees with disabilities (Kao Group in Japan)

For prospective employees with disabilities, we provide information about the support that Kao provides for employees with disabilities before they join, and by checking in advance what support each employee will need to work, we help to increase the peace of mind they will feel once they become part of the company.

Fostering an organizational culture where employees with disabilities can work with peace of mind Promoting understanding of disabilities (Kao Group in Japan)

We regularly implement measures to promote a better understanding of people with disabilities. In 2023, during Disability Employment Support Month in September, a special page was opened in the DE&I Portal with the theme of “working together” that publicized activities of employees with disabilities. On this special page, we have published interviews with employees with disabilities and content to learn about

creating a workplace where people with and without disabilities can work well together.

Executive study sessions on universal manners

All executives took the third level of the Universal Manners Test by Mirairo Inc. in January 2024 in order to deepen their understanding of disabilities and to learn about appropriate accommodations, thereby improving the environment within Kao and fostering a corporate culture within the company that encourages the success of employees with disabilities. By learning about the characteristics of diverse populations and how to appropriately support them in various everyday situations, the participants gained insights that they can put into practice.

Initiatives to raise awareness of considerations for employees with disabilities (KCMK Group)

In conjunction with Disability Employment Support Month in September, we introduced articles on the activities of employees with disabilities and feedback collected from employees with disabilities to other employees through the KCMK Group portal. The purpose was to motivate employees with disabilities and increase other employees’ understanding and awareness of the need to take care of people with disabilities.

Promoting understanding of disabilities (EMEA)

The All Abilities Community hosted a lecture by a Paralympic gold medalist on the International Day of People with Disabilities to deepen understanding of the inclusion of people with disabilities.

Active employment of people with disabilities Wasa Group, Production Division, Wakayama Plant

The Wasa Welfare Factory was established in April 1993 as a place that supports financial and psychological

independence as well as social participation. It provides work to people with disabilities along with lifestyle guidance and health management, in cooperation with medical institutions and under Wakayama City’s and Wakayama Prefecture’s guidance and subsidies. In 2020, we acquired it from Sumiya Social Welfare Corporation in Wakayama City, and are handling its operation as the Kao Wakayama Plant (Wasa Group, Production Division). Currently a total of 25 employees, including 21 with disabilities, set an assortment of Kao travel sets.

Special subsidiary (Kao Peony Co., Ltd.)

Kao Peony has proactively employed persons with intellectual disabilities, including ones with severe disabilities, since it was established in 2005. The Production Division provides setting and packaging operations for cosmetics and beauty care products. The Office Support Division, launched in 2017, takes care of administrative and clerical support operations that assist with some of the Kao Group’s business processes in Japan. As of January 2024, a total of 93 employees, including 67 employees with disabilities, work at Kao Peony.

For more employment (Kao Peony Co., Ltd.)

In recent years, the Production Division had been experiencing a decline in cosmetics setting operations due to changes in business strategy and a decrease in inbound sales. However, as a result of the active acceptance of products put out for contract manufacturing, the line operation rate improved to 83% and sales recovered to the level they had been before the COVID-19 pandemic. In 2024, we will start operating the second line in cooperation with the Tokyo Plant with the aim of further expanding employment

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and reducing cash outflows for the Kao Group. In future, we will introduce robots to some of the production lines, aiming to improve both productivity and employment of people with disabilities.

The Office Support Division accepts trainees from special-needs schools and the Tokyo Shigoto Foundation throughout the year in order to hire a wide range of people who are willing to work, regardless of whether they are new graduates or former graduates. To make the most of each member's individuality, we take orders for a wide variety of work, and each member is active in work suited to their aptitude. In addition, we are also working to improve the performance of Kao Peony as a whole through flexible arrangements between the two divisions, such as transferring members who seem to be more suitable for production work to the Production Division with their consent.

Both divisions will create an environment where employees with disabilities can work with peace of mind while exploring new tasks to expand the employment of people with disabilities and contribute to the Kao Group's financial bottom line.

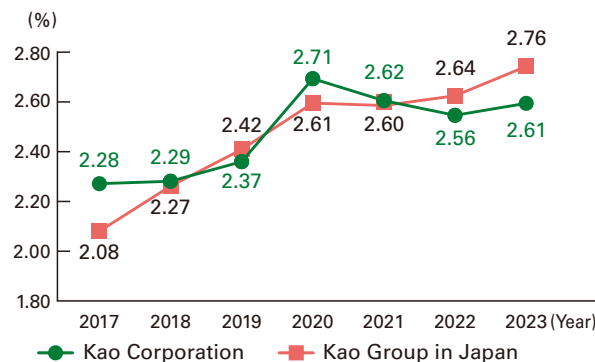


Setting operations at the Production Division

Employment rate of people with disabilities (Kao Group in Japan)

Currently, people with disabilities account for 2.76% of the total workforce of the Kao Group in Japan, exceeding the statutory minimum rate (as of June 2023).

Kao Group employment rate of persons with disabilities*1



As of June 1, 2023

*1 Scope of calculations

Eleven domestic affiliates that are classed as special subsidiaries under the Act to Facilitate the Employment of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., e'quipe, Ltd., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji, and special subsidiary Kao Peony Co., Ltd.)

Support for balancing work and childcare

Under the policy of "supporting each and every employee in balancing work and private life while fully demonstrating their ambition and abilities," we have positioned this as one of the priority actions for promoting women's empowerment and are proceeding with our initiatives. In Japan, since 2022, we have been working on three priority actions to "raise awareness of the people involved," "support career development," and "promote smooth operation of workplaces" with the aim of realizing "working with high motivation to achieve one's own career objectives" while raising children, regardless of gender.

Main support for balancing work and childcare responsibilities

- Provision of the Work and Life Balance Guidebook
- Distributing a guidebook that contains information on procedures related to childcare and information on appropriate communication at home and at work to ensure a smooth balancing of work and childcare.
- Distributing a leaflet for male employees with information on taking paternity leave
- Conducting gestation and pre- and post-maternity/paternity leave interviews
- Encouraging communication between employees and their workplace supervisors on maternity/paternity leave using maternity/paternity leave reports
- Holding "Seminars on establishing a system to balance work and childcare for career realization" (Tatsuno-oshigoto Seminars) for employees who have reported pregnancy
- Utilizing company-run daycare centers that are available to non-employees of the company that has set them up
- Conducting seminars for managers



Preparing handwashing materials for schools for the visually impaired at the Office Support Division

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Support for smoothly taking childcare leave and operating in the workplace

Support for procedures and communication from pregnancy to maternity/paternity leave and reinstatement (Kao Group in Japan)

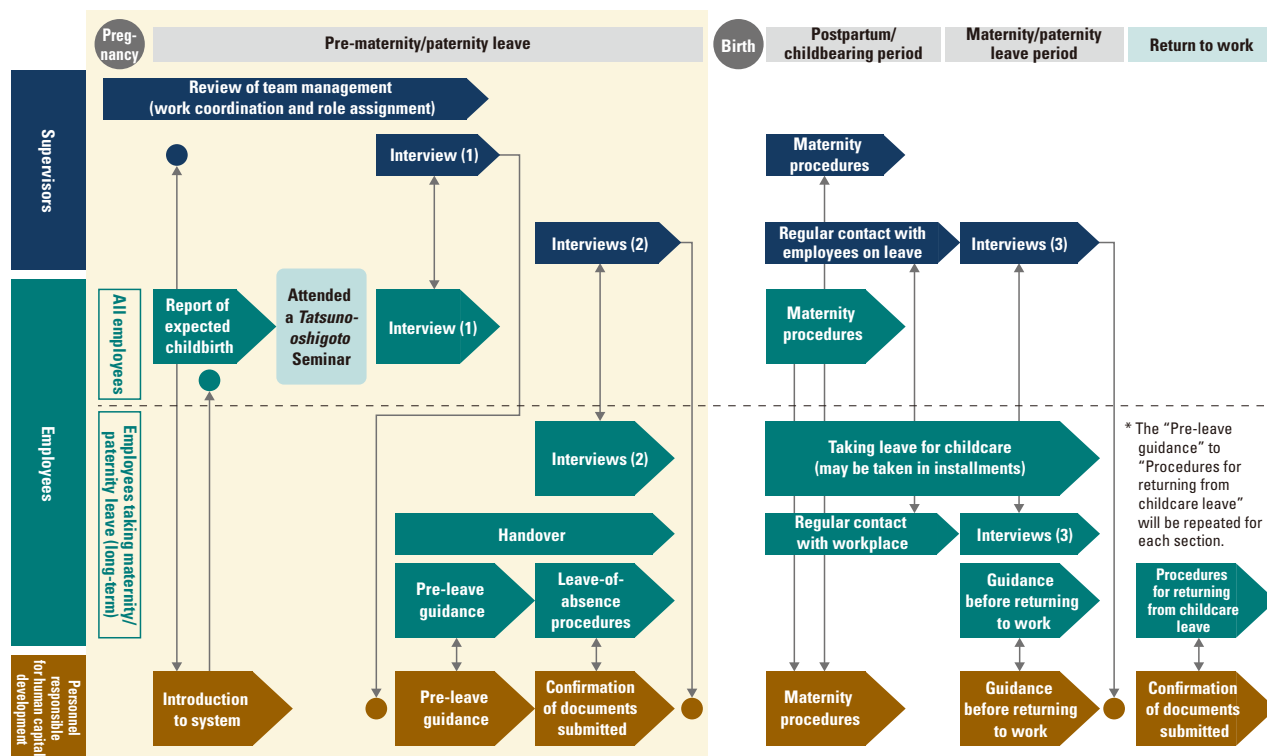
To promote employees' taking desired maternity/paternity leave, regardless of gender and smooth operations at the workplace, we are improving the communication flow inside the company throughout the process from employees' or their partners' pregnancy

to taking maternity/paternity leave and reinstatement of the relevant employee. We have also started distributing a guidebook that contains information for the employees and their supervisors on the procedure required in each process and on appropriate communication in the workplace. Also supplied is material that clearly sets out childcare-related systems and support that can be used during pregnancy and after childbirth.

Introduction of a paid childcare leave system and a seminar for managers on creating an "Iku-Boss" style workplace (Kao Group in Japan)

We encourage male employees to take childcare leave in order to dispel the perception of division of labor at home and in the workplace based on gender roles. In 2023, we introduced a ten-day paid childcare leave system that both men and women are required to take, with the aim of expanding opportunities for men to participate in childcare and creating an environment where sharing childcare responsibilities between men and women is the norm. At the same time, a "Seminar on creating an 'Iku-Boss' style workplace and team strategy" was held to create a workplace environment where it is easy for men to take childcare leave, and to learn how to create a team that can deliver results while encouraging members to take childcare leave. More than 1,000 people watched the seminar, including the recorded version. In the questionnaire, 92.3% of respondents were "satisfied" and 89.5% said they "noticed and learned many things." Other comments received were along the lines of "the perspective that men taking childcare leave leads to improved team management and individual skills was novel and convincing." The seminar has also led to the creation of a culture in which managers view childcare leave in a positive light with respect to the growth of their own teams.

Overall picture of communication flow from pregnancy to taking childcare leave and returning to work



Initiatives to raise awareness and understanding of the system throughout the workplace (KCMK Group)

We have introduced how to be involved in childcare from the standpoints of both women and men, their experiences, and childcare support systems through a video, with the aim of helping couples understand the need to raise a child together when they or their partner become pregnant and creating opportunities for

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discussion within the family. At the same time, information is also provided to workplace supervisors to help them understand the significance of taking childcare leave as supervisors and support them in the workplace. Men commented that it left a lasting impression on them that it is important for couples to cooperate with each other, and workplace supervisors mentioned that they learned a lot from the perspective of taking childcare leave to protect against postpartum depression, which they had not recognized before. These efforts have led to the formation of a culture in which the entire workplace considers balancing work and childcare.

Main systems for supporting diversified work styles: Related to childcare, nursing care, and family care (Kao Group in Japan excluding some affiliates)

Main systems	Content	
	Childcare related	Nursing care and family care related
Leave	In principle, maternity/paternity leave can be taken until the end of the first April after the child turns one year old. If the company recognizes that the employee is unable to maintain a livelihood, the employee will be paid throughout the period of absence (an amount equivalent to salary will be paid as a replacement). If both parents are employees, both the primary caregiver and non-primary caregiver can take the leave.	Nursing care and family care leave can be taken for a maximum period of one year. During the period in which nursing care and family care leave is permitted, such leave can be taken in a maximum of three blocks of time.
Paid childcare leave	Paid holidays for parental leave (for ten working days) must be taken during a period until the end of the first April after the child turns one year old. If both parents are employees, both the primary caregiver and non-primary caregiver can take the paid childcare leave.	
Reduced working hours and staggered working hours	<ul style="list-style-type: none"> These are available until the child completes the third grade of elementary school. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted by up to two hours per day. Maternity/paternity leave can be taken until the end of the first April after the child turns one year old. The specified working hours and days can be reduced by up to four hours a day and three days a week. 	<ul style="list-style-type: none"> It is possible to take paid parental leave for up to three years (it can be divided into two times). Specified working hours can be reduced by up to two hours per day, working days can be reduced to three days a week or half a work day for five days a week, or the specified time for starting or finishing work can be adjusted by up to two hours per day.
Restriction on extra working hours	Up until the end of the first April after the child enrolls in elementary school as a first grader, the employee can request either limits or an exemption to perform work outside normal working hours, work on holidays, or work late at night.	Employees who have family members requiring nursing care or family care for a period of more than two weeks can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night either.
Child Care Time	Female employees caring for newborns and infants less than one-year-old are eligible for a 30-minute childcare time up to twice per day. If the employee uses Child Care Time, wages will be paid for the applicable hours worked.	
Special leave for Short-term and Long-term Family Care	Special paid leave of up to 5 days every year is available when short-term leave is needed for emergency care of sick or injured children, and for the child's vaccination appointments and health check-ups, until the child completes the third grade of elementary school. This leave can be taken in increments of either one day, half a day, or one hour.	Special paid leave is available for employees who need to fulfill nursing care or family care responsibilities which is applicable for spouses, children, the employee's parents, the employee's parents-in-law, grandparents, siblings or grandchildren (up to a maximum of either 40 days a year or 20 days a year). This leave can be taken in increments of either one day, half a day, or one hour.
Full time Remote Work	<ul style="list-style-type: none"> In any unavoidable circumstances for childcare, nursing care, and family care, we allow employees to work from home. One condition is that the employee is engaging in work that would not be hindered by working outside of the office. 	

Introduction of the New Parental Policy (EMEA)

To further support gender equality, we introduced the New Parental Policy, which enables the Primary Care Giver*¹ to extend the paid period and return to work on a phased basis, and makes the Secondary Care Giver*² eligible for pay and leave without regard to gender, and extended the full-pay period.

*1 A person who primarily cares for children in the home

*2 A person who supports the Primary Care Giver in the home

Raising awareness of the people involved and supporting their career development Seminar on establishing a system to balance work and childcare for career realization (*Tatsuno-oshigoto Seminar*) (Kao Group in Japan)

To work with high motivation while raising children regardless of gender, it is important for both the employee and their partner to share their career aspirations and discuss how they can achieve this through taking childcare leave and balancing work and childcare. As an opportunity to do so, the seminar, which was previously held for employees planning to return to work after childcare leave, has been made mandatory for all employees, regardless of gender, who have reported their own or their partner's pregnancy to the company, and the content was reorganized starting in 2023. In the questionnaire, as “a good opportunity to discuss and think about my and my partner's careers and how to balance work and childcare in the future,” 80.4% of respondents evaluated it “satisfied” and 75.7% saying it was “useful for building a system for balancing work and childcare to realize my career.”

Improving reinstatement support (Kao Group in Japan)

To enable employees to return to work after childcare leave at a time of their choice, we have introduced the Parenting Future Concierge program (Kao Corporation and some affiliates), which enables employees to use company-run daycare centers that are available to non-employees of the company that has set them up as part of our support for childcare leave. In 2023, to create an environment where employees can continuously develop their careers and play an active role while balancing work and childcare by expanding work options and enabling more flexible work schedules, we

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introduced a system that enables employees to shorten their working hours and days up to a maximum of four hours per day and three days per week until the end of the first April after which the child turns one year old.

Initiatives in the R&D Division

Infant Sleep seminar (Kao Group in Japan)

The R&D Division conducts various research aimed at bringing smiles to the faces of infants, toddlers, and their families in line with the “smile & smile” philosophy of the *Merries* brand. As part of these efforts, we held an Infant Sleep seminar for employees who are raising

infants, aiming to solve infant sleep problems. Subsequently, the effectiveness of the seminar was verified in order to understand the actual situation of sleep problems in infants and toddlers. As a result, we were able to confirm that putting the seminar content into practice reduced infant sleep problems and childcare worries that employees had while raising their children, and that it had a positive impact on their work and life. We will continue to run the childcare seminars and disseminate the results internally and externally to support balancing work and childcare.

External evaluation of childcare support measures

Employment system utilization status related to childcare, nursing care and family care

		2020	2021	2022	2023
Share of eligible employees taking maternity/paternity leave (male) (%)	Japan	-	-	95.6	100.3
	Kao Corporation	42.2	51.6	108.7	102.4
Share of eligible employees taking maternity/paternity leave (female) (%)	Japan	-	-	107.7	113.7
	Kao Corporation	100	100	108.8	103.2
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	Japan	-	-	1	2
	Kao Corporation	3	2	1	1
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	Japan	-	-	268	305
	Kao Corporation	68	62	41	49
No. of employees taking nursing care or family care leave (male)	Japan	-	-	1	2
	Kao Corporation	0	1	0	1
No. of employees taking nursing care or family care leave (female)	Japan	-	-	7	7
	Kao Corporation	0	3	1	1
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	Japan	-	-	0	1
	Kao Corporation	0	0	0	0
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	Japan	-	-	5	3
	Kao Corporation	0	0	0	0

Note: Counted in enrolled companies

Note: Only employees from regular employment in 2021 and earlier. Starting from 2022, employees from regular employment and those in full-time indefinite-term employment from non-regular employment.

Note: Changed the rate of taking maternity/paternity leave to a calculation method based on the following the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members from 2022.

Number of male employees who took their first leave for childcare in 2023 / Number of male employees who had a child born in 2023 × 100

In Kao's system, paid childcare leave and childcare leave that are subject to calculation can be taken until the end of the first April after the child turns one year old, so the number of employees subject to the numerator and denominator may differ.

In 2016, Kao Corporation was awarded Platinum *Kurumin* certification for creating a supportive workplace for employees with children, in accordance with the provisions of the Law for Measures to Support the Development of the Next Generation. Kanebo Cosmetics, KCMK, and Kao Transport & Logistics were respectively awarded *Kurumin* certifications in 2009, 2011 and 2019.



Support for balancing work and family care

Under the policy of supporting work-life balance, the aim of which is to provide support so that all employees can fully demonstrate their motivation and skills and participate in the workplace while balancing their work and personal lives, we are striving to improve the working environment and foster a culture where striking a balance between work and family care can be achieved. We aim to enable each individual to act independently and provide assistance based on a spirit of mutual support.

Main support for balancing work and family care responsibilities

- Providing handbooks on balancing work and family care (including a communication guide for employees and supervisors)
- Holding seminars on balancing work and family care
- Establishing internal and external family care consultation services

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Improving a workplace environment and developing an organizational culture that strikes a balance between work and family care

Provision of information about balancing work and family care (Kao Group in Japan)

The Family Care Handbook, which is a compilation of information on family care, has been completely updated for the first time in ten years, and the Kao Group Members' Handbook for Balancing Work and Family Care was published in September 2023. In addition to basic knowledge about family care, examples of how to respond to different situations, and information on government and company support systems and services, we have added a new guide to facilitate communication between employees who are responsible for family care and their supervisors. In addition, the handbook includes a document that summarizes the entire flow from the acquisition of family care leave to return to work, as well as interview sheets. This makes it easy to grasp the key points from the standpoints of both the employee and the supervisor, and makes it even more useful for balancing work and family care, and for organizational management. It is always available on the DE&I Portal for employees to review whenever they need it.

Seminar on balancing work and family care (Kao Group in Japan)

We hold seminars on balancing work and family care regularly. The purpose is for our employees to learn about family care, improve their framework for balancing work and family care by themselves, and increase the number of supervisors and colleagues who can understand and become attentive to the situation of employees who are carrying out family care. In 2023, lectures and Q&A sessions were held on the theme of

separate family care (long-distance caregiving and institutional caregiving). The number of participants is increasing every year and they gave high marks to the lecture, saying, "I learned a lot from the lecture, which was full of specific information such as key points for continuing long-distance care and how to choose a good care facility," and "I could understand with a sense of conviction how to deal with and face parents living apart, which was explained very clearly." At the same time, we distributed video content from the seminars. In this way, we provide our employees with a broad range of information on balancing work and family care.

Activities to promote Inclusion

Understanding and raising interest in DE&I

The Kao Group in Japan continuously releases educational videos, seminars, and positive examples inside the company on various themes related to diversity (such as women's empowerment, LGBTQ+ issues, employees from different cultures, employees with disabilities, balancing work and childcare, and balancing work and family care), based on the Inclusion Promotion Plan. This enables us to encourage employees in the Group to understand DE&I and ultimately implement these concepts throughout the workplace.

Renewal of the DE&I Portal and activation of a venue for interactive exchange of ideas (Kao Group in Japan)

In 2023 we updated the DE&I Portal, which is increasingly being used as "a site for disseminating information to help employees of the Kao Group in Japan learn about DE&I and put it into practice," to

make it easier for them to access important information. In addition, the "Kao DE&I Square," a team of employees interested in DE&I who gather on their own initiative, is used every day to share information on DE&I-related topics inside and outside the company and to exchange opinions from a variety of perspectives, serving as a venue for interactive communication.

Disseminating messages through a special page on the DE&I Portal (Kao Group in Japan)

Underlying the educational content we regularly produce and disseminate are basic policies and ideas the company values established for each theme. As an opportunity to communicate these messages in a consistent manner, we released four special pages on the DE&I Portal in 2023 in conjunction with International Women's Day in March, Pride Month in June, Employment Promotion Month for People with Disabilities in September, and Family Care Day in November, and distributed a variety of information to raise awareness.

Kao Mates: Article focusing on the diversity of our employees (Kao Group in Japan)

"Kao Mates," which focuses on the real faces of Kao Group employees from diverse backgrounds and introduces episodes of equity and inclusion in the workplace, has grown to become popular content with over 5,000 PV each time in the first month of publication. In 2023, we introduced a female employee who became the first manager at a key plant and an employee who is piloting a Japanese language learning program for non-Japanese employees working in Japan based on their experience working overseas. By reading the articles while comparing themselves to familiar employees who practice DE&I, many employees have

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an opportunity to think about what they can do and change their behavior.

Sharing positive examples and activities inside the company (Kao Group in Japan)

We are drawing focus on Kao Group members’ activities to promote inclusion, and are continuing efforts aimed at sharing these activities. In 2023, in an interview article titled “The Secret Story behind the Creation of Listening and Understanding Hair Styling: Weaving Thoughts,” employees who were mainly involved in the planning and production of the 12 hair styling audio information contents on the *Liese* brand website, offered their cherished thoughts, difficulties, responses, and subsequent action they took.

Quiz to Learn DE&I 2023 and the DE&I EXPO (Kao Group in Japan)

In the second year of the “Quiz to Learn DE&I,” which is designed to have fun while learning about fresh DE&I topics and Kao’s DE&I promotion activities, approximately 2,700 employees participated, even though it was voluntary. The eight-question case study on topics that can actually happen in the workplace was well received, as it was in 2022, and the “My DE&I Experience at Work” received more than 400 comments.

The DE&I EXPO, a special project on the portal to consolidate the educational content released in 2023 and to see and feel the “now” of Kao’s DE&I, took place from January to April 2024. Under the theme “Feel the DE&I,” we are creating opportunities to reach more employees by repeatedly making it visible to them.

Upskilling and fostering a culture that makes diversity a strength for the organization

Toward creating an organizational culture that focuses on dialogue, we are promoting activities to increase understanding of psychological safety, unconscious biases, and microaggressions.

Mandatory e-learning “Basic knowledge on psychological safety” for managers (Kao Group in Japan)

In 2023, the e-learning program “Basic knowledge on psychological safety” was launched as a mandatory program for all Kao Group managers in Japan. The course consists of a lecture, self-reflection exercises, a check test, and a declaration of one action for the future. The course is available in an on-demand viewing environment, making it easy for managers to take it at any time. This has created an opportunity for managers to gain insights into their own positions in light of their own experiences, such as, “I gained a deeper understanding of psychological safety, which I thought I knew about, and it gave me an opportunity to reflect on my own behavior.” We will continue to provide learning opportunities in the future, aiming to establish psychological safety as part of the organizational culture.

Executive study session on unconscious bias

As a global company, we held an executive study session, with outside experts giving lectures in September, on the theme of “How to create an inclusive organization through actions addressing unconscious bias.” The lecture, which used global examples, provided an opportunity for participants to raise their awareness of DE&I and confirm their practice of it. Feedback included comments such as, “I realized

once again that I have unconsciously applied my own biases to various matters” and “In order to become an inclusive leader, I would like to further strive to understand diversity and manage with attention to the individuality of each person.”

Trial development of e-learning “Basic knowledge on unconscious bias” (Kao Group in Japan)

We conducted the e-learning “Basic knowledge on unconscious bias” as part of the Dialogue Festival, a program to improve the mindset and skills with regard to communicating. The aim was to learn points to recognize and deal with one’s own unconscious bias and to practice them in the workplace. The program comprises video clips of cases that are likely to occur in the workplace and how to deal with them, individual self-reflection exercises, and a declaration of one action for the future. Although the course was voluntary, approximately 700 participants took it. Participants commented, “I thought I was normally aware of it, but there were a number of areas that made me think twice,” and “I want to always be aware of any bias in my thinking and check with those around me.” The course provided an opportunity for employees to rethink their own unconscious bias and gain hints on how to address it.

Initiatives related to microaggressions and unconscious bias (Americas)

In addition to continuing training on unconscious bias, we have initiated training on microaggressions and allyship. By providing employees with the tools to recognize and address microaggressions in these efforts, we are fostering allyship and creating a more supportive and understanding work environment.

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

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Microaggression training (EMEA)

For Summer DE&I Training Sessions, we offered two sessions each in German and English on microaggressions for the German Employee Committee and salon sales leaders in the U.K.

TOPIC External evaluation

Kao was selected for inclusion in the 2023 Bloomberg Gender-Equality Index

In January 2023, Kao was selected for inclusion in the Bloomberg Gender-Equality Index (GEI) for five consecutive years. The GEI identifies companies that are committed to transparency with respect to gender reporting and to advancing equality for women in the workplace. In 2023, 484 companies were selected for inclusion in the GEI from 45 countries and regions.

Employees' opinions

What the Pursuit of DE&I Truly Means for Kao

Saya Douglas

ESG Global Strategy, ESG,
Kao Corporation
(Human Rights and DE&I Steering
Committee Secretariat)



As a company that has always been close to people's lives and placed them at the center of everything we do, I strongly believe that Kao has the potential to create to meaningful change in the world. Pursuing an inclusive world is no exception to this, and there is so much more that we can all do, starting with our workplaces, and together with our business partners, to make an inclusive world a reality through our brands, products and services.

The Diversity, Equity & Inclusion (DE&I) Policy established in 2023 renews our commitment and outlines our approach. In designing the policy, our primary goal was to identify what the pursuit of DE&I truly means for Kao, in all of our diverse businesses and regions. As we engaged in in-depth discussions with our colleagues from across

the globe, we were reminded that DE&I is a complex and nuanced topic that closely intertwines with sociocultural landscapes. This further confirmed the importance of genuine communication. We were also reminded of the power of language. In order to ensure that our colleagues' perspectives were accurately represented in both the English and Japanese text, regardless of what language they speak, we worked to truly understand the meaning and concepts behind every word and sentence. By striving to make the process itself inclusive, I believe all of us gained a deeper understanding and discovered new ways of thinking.

Establishing the policy is an important step – but it's just one step. Looking ahead, we are fortifying our employee education and engagement initiatives. Some examples include a video featuring a conversation between the CEO and employees, and developing educational content that will be available to all employees in 2024. We will continue to amplify these efforts to empower each and every Kao employee to be an ambassador and advocator in pursuing an inclusive world.

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Stakeholder engagement

Manabu Tsukagoshi

Director, NPO Fathering Japan
CEO, Gap Resolution Research Japan
Co., Ltd.



Kao's response to the views expressed last year

Last year, we were told that the key is to promote women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situation as a set, and learned that we are expected to further brush up the system for bringing this virtuous cycle to fruition. In response, in 2023, in addition to introducing a system aimed at creating an environment in which sharing childcare between men and women becomes the norm. Aiming to dispel the relevant male and female employees themselves the perception of division of labor based on gender roles, we brought forward the implementation period of the seminar for building a work-childcare balance framework and renewed the content of the seminar as a mandatory seminar for both men and women to attend. In addition, a seminar was held to support managers in creating a team that achieves results while encouraging members to take childcare leave, all of which earned high praise from the participants. We will continue to upgrade these activities.

To brush up the mechanism for realizing a virtuous circle of women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situation, the first thing that caught my attention was that the timing of the "*Tatsuno-Oshigoto* Seminar (seminar on establishing a system to balance work and childcare)" was moved up significantly, from before returning to work childcare leave to during pregnancy period of the employee or their spouse, and that it is now mandatory for all regardless of gender. It will break the current situation where gender role division of labor tends to be fixed during childcare leave, and make it easier to simultaneously achieve "women's empowerment" and "men's involvement in parenting." The second is the seminar for supervisors to understand the situations of people working under them. The seminar covered a wide range of managers, including those who received a recorded delivery, and with the participants' satisfaction rate of over 90% for the content, which used male childcare leave as a catalyst for workplace reform, the seminar is expected to greatly accelerate the virtuous cycle of women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situation.

The promotion of male childcare leave is just one catalyst for workplace reform. Human capital is becoming more diverse, and the key will be how to realize human capital management that will enable the company to grow sustainably over the medium to

long term by continuing to invest in a diverse range of people. For example, among the items regarding human capital management that need to be disclosed in securities reports, such as gender pay gap, percentage of female managers, and male childcare leave take-up rate, Kao Corporation's gender pay gap of 92.0% across all employees makes it a top class Japanese companies in terms of narrowness of gender pay gap. However, on a consolidated basis, it is not desirable for the gap to widen. As the Kao Group, the "ratio of female managers" should be further increased in the process of closing the "gender pay gap," or in other words, in the promotion of women's empowerment, and advocating for male childcare leave should not only improve the "rate" but also achieve diversity in the duration and methods of taking such leave. At the same time, there is a greater need to create a workplace where supervisors understand their members' situations; in other words, where each employee, including managers, and values in life (such as family care, illness, fertility, women's health issues, and hobbies), can be mutually respected and realized. I would like to reaffirm that the support for balancing work and childcare to promote engagement forms the cornerstone of such a system, and I hope that the effects of a system that makes it possible to realize a virtuous cycle of women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situations will be felt far and wide, including at group companies.

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Situation of female employees (%)

		2020	2021	2022	2023
Employees ^{*1}	Kao Group	49.7	50.5	52.9	53.1
	Japan	51.4	51.9	55.9	56.0
	Of which, Kao Corporation	25.3	27.8	28.9	30.0
	Asia	45.7	45.1	44.6	44.2
	Europe	46.5	52.4	49.9	52.4
	Americas	51.3	50.8	51.2	53.0
All management positions	Kao Group	28.8	30.2	30.5	31.1
	Japan	19.2	20.5	22.4	24.6
	Of which, Kao Corporation	20.1	23.1	24.3	25.6
	Asia	49.7	50.1	47.6	45.9
	Europe	48.4	52.5	40.8	44.8
	Americas	55.4	53.7	53.3	48.6
Top management positions ^{*2}	Kao Group	-	21.2	19.8	19.4
	Japan	-	10.2	10.6	11.8
Middle management positions ^{*3}	Kao Group	-	-	-	26.8
	Japan	-	-	-	19.0
Junior management positions ^{*4}	Kao Group	-	32.6	34.2	35.5
	Japan	22.8	24.7	26.8	29.6
Management positions in revenue-generating functions	Kao Group	-	30.0	29.7	30.5
	Japan	18.6	20.0	21.5	23.6
Employees in STEM-related positions ^{*5}	Kao Group	-	22.5	23.9	25.6
	Japan	17.9	20.4	21.1	21.8

*1 Including Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc., and TBP

*2 Management positions equivalent to department heads

*3 Management positions equivalent to section manager

*4 Management positions equivalent to leaders

*5 Science and Technology-related function

Average age and average length of employment (Kao Corporation)

	2020	2021	2022	2023
Average age (Years old)	40.5	41.0	40.9	41.1
Male	41.0	41.5	41.4	41.6
Female	38.9	39.6	39.9	40.1
Average length of employment (Years)	17.4	17.4	17.6	17.6
Male	18.3	18.4	18.5	18.6
Female	14.7	14.9	15.3	15.3

Percentage of employees with disabilities (%)

	2020	2021	2022	2023
Kao Group	-	1.25	1.34	1.56
Japan ^{*8} ^{*9}	2.61	2.60	2.64	2.76
Kao Corporation ^{*8}	2.71	2.62	2.56	2.61

*8 Employment rate as of June 1 including non-regular employees and based on government agency calculation standards

*9 The scope is as follows.

Eleven domestic affiliates that are classed as special subsidiaries under the Act to Facilitate the Employment of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji and special subsidiary Kao Peony Co., Ltd.)

Leadership

		2021			2022			2023			2024		
		Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)
Board of Directors	Directors ^{*6}	7 (3)	1 (1)	12.5	7 (2)	2 (2)	22.2	8 (3)	2 (2)	20.0	7 (3)	1 (1)	12.5
	Audit & Supervisory Board Members ^{*6}	4 (3)	1 (0)	20.0	4 (3)	1 (0)	20.0	5 (3)	0 (0)	0.0	4 (2)	1 (1)	20.0
	Subtotal	11 (6)	2 (1)	15.4	11 (5)	3 (2)	21.4	13 (6)	2 (2)	13.3	11 (5)	2 (2)	15.4
Executive officers ^{*7}		26	2	7.1	27	3	10.0	26	4	13.3	27	4	12.9
Total		37	4	9.8	38	6	13.6	39	6	13.3	38	6	13.6

*6 The numbers in parentheses indicate the number of Outside Directors and that of Outside Audit & Supervisory Board Members.

*7 Those who double as a director are included.

Note: As of April 1 of each year

Note: Counted in enrolled companies unless otherwise noted. Not including members of the Board of Directors and Audit & Supervisory Board in Japan until 2020. In 2021, only employees in regular employment were included.

Starting from 2022, employees in regular employment and in full-time indefinite-term employment during non-regular employment are included. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies.

Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

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Base salary + other cash incentives Average annual salary (yen)

		2021		2022		2023	
Kao Group	Management level + Non-management level	-		5,733,874		6,276,878	
		Male	Female	Male	Female	Male	Female
Kao Group	Management level	-	-	10,986,981	11,693,822	11,205,314 <input checked="" type="checkbox"/>	11,591,636 <input checked="" type="checkbox"/>
	Non-management level	-	-	4,605,267	4,171,253	4,935,818 <input checked="" type="checkbox"/>	4,907,955 <input checked="" type="checkbox"/>
	Management level + Non-management level	-	-	-	-	6,725,064 <input checked="" type="checkbox"/>	5,803,608 <input checked="" type="checkbox"/>
Japan	Management level	-	-	9,929,145	8,956,520	10,081,759	9,009,108
	Non-management level	-	-	5,516,230	4,143,616	5,610,093	4,739,378
	Management level + Non-management level	-	-	-	-	7,198,545	5,210,928
Of which, Kao Corporation	Management level	10,260,020	9,211,384	10,259,143	9,263,127	10,340,101	9,351,123
	Non-management level	5,597,988	5,468,725	5,625,237	5,411,537	5,712,784	5,611,314
	Management level + Non-management level	-	-	-	-	7,563,711	6,960,160

Note: The difference between men and women is due to the difference in the number of people in each job grade, not the difference in wages for the same work.

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during the fiscal year.

Note ☒: Third-party assurance obtained.

Base salary Average annual salary (yen)

		2021		2022		2023	
		Male	Female	Male	Female	Male	Female
Kao Group	Management level	-	-	7,742,661	8,837,789	7,906,880 <input checked="" type="checkbox"/>	8,735,110 <input checked="" type="checkbox"/>
	Non-management level	-	-	3,418,174	3,119,435	3,748,927 <input checked="" type="checkbox"/>	3,731,347 <input checked="" type="checkbox"/>
	Management level + Non-management level	-	-	-	-	4,935,561 <input checked="" type="checkbox"/>	4,401,881 <input checked="" type="checkbox"/>
Japan	Management level	-	-	6,519,040	5,893,010	6,572,064	5,895,901
	Non-management level	-	-	3,783,388	2,961,574	3,821,684	3,348,308
	Management level + Non-management level	-	-	-	-	4,798,691	3,629,665
Of which, Kao Corporation	Management level	6,547,378	5,845,359	6,568,940	5,909,540	6,630,070	5,969,144
	Non-management level	3,670,943	3,571,235	3,731,043	3,582,457	3,756,405	3,694,474
	Management level + Non-management level	-	-	-	-	4,905,871	4,514,885

Note: The difference between men and women is due to the difference in the number of people in each job grade, not the difference in wages for the same work.

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during the fiscal year.

Note ☒: Third-party assurance obtained.

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees in regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies. Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Gender pay gap

(Average annual base salary + other cash incentives) (%)

		2021	2022	2023
Kao Group	Management level	89.7	106.4	103.4
	Non-management level	96.1	90.6	99.4
	Management level + Non-management level	-	-	86.3
Japan	Management level	-	90.2	89.4
	Non-management level	-	75.1	84.5
	Management level + Non-management level	-	-	72.4
Of which, Kao Corporation	Management level	89.8	90.3	90.4
	Non-management level	97.7	96.2	98.2
	Management level + Non-management level	-	-	92.0

Note: Ratio of women to men

Note: The difference between men and women is due to the difference in the number of people in each job grade, not the difference in wages for the same work.

Employee Wellbeing & Safety GRI 403-6

The mental and physical health of our employees, which is the source of our business activities, is the base for promoting global sharp-top human resources/organizational management and is an important factor in maximizing individual growth and organizational strength.

Kao will implement Health and Productivity Management® to maximize the power and potential of employees, and will also provide case studies on best practices to communities, workplaces, and consumers.

* Health and Productivity Management® is a registered trademark of Nonprofit Organization Kenkoikei.

Employee Wellbeing

Social issues

Population aging

With the global trend toward population aging, there has been an increase in the percentage of people affected by chronic diseases. Many senior citizens require support or care due to disease or the deterioration of joints or muscles.

Within Japan, there has been a steady rise in medical expenses because of this situation, and company health insurance unions are experiencing significant financial problems.

The spread of infectious diseases

While the COVID-19 pandemic is continuing to spread worldwide and have a significant impact on people's health and social life, vaccination is progressing and new lifestyles are taking root in which people prevent infection in their daily lives.

Kao is also taking thorough measures to prevent infection and recommending vaccinations to accommodate new lifestyles.

Raising the retirement age and increasing female participation in society

With people tending to work to a more advanced age, and with the increase in the number of working women, it has been reported that around 30% of people will develop cancer while they are still of working age. It can be anticipated that the number of cases of people

continuing to work while dealing with chronic diseases such as cancer will further increase.

Policies

Kao Group Health Declaration

Along with promoting healthy bodies, we are striving to expand reliable healthcare based on evidence from inside and outside the company not only for employees and their families but also for communities, workplaces, and consumers. Together we will realize healthy and enriched lives for all.

Well-being

Making things better for everyone



The Kao Group incorporates products and healthcare solutions developed through the analysis of basic internal and external health information and healthcare knowledge

into its own Health and Productivity Management® and promotes practical health promotion activities in which employees and their families participate.

We will proactively promote the best practices and findings of our initiatives to local communities, workplaces, and consumers to help them realize healthy and enriched lifestyles.

- Together with employees: We will actively support the proactive health promotion efforts of employees and their families to realize a healthy and energetic workplace.
- Together with communities and workplaces: We will proactively disclose the best practices of our initiatives and expand them to communities and workplaces.
- Together with consumers: We will provide products and healthcare solutions that consumers will incorporate into their daily lives.

Strategy

Risks and opportunities

Risks

We aim to create a working environment and society in which a variety of lifestyle habit improvement activities can be implemented cheerfully and enthusiastically to help each individual recognize the health issues that are relevant to them personally and work to maintain the best possible health status.

Employee Wellbeing & Safety GRI 403-6

Short-term: Increasing obesity, mental health problems, and infectious disease epidemics

Mid-term: Increasing number of employees with lifestyle-related diseases, cancer, or musculoskeletal or other illnesses associated with advanced age

Long-term: Increasing number of older employees and rising healthcare costs

Opportunities

As a company, we intend to provide support to help employees who possess health literacy (in other words, who are able to recognize the importance of their own health issues) to improve their health through self-directed, self-disciplined efforts.

We consider employees with high health literacy as employees who do the following:

1. Independently review and improve their lifestyles based on health check-up results
2. When necessary, consult with a family doctor who can view their health data and provide advice rather than just consulting occupational physicians
3. Maintain awareness of their mental health and confer with appropriate professionals as needed

Programs originally designed to help Kao employees maintain and improve their health are also made available for use outside of the company and are being deployed for health maintenance and promotion activities in local communities and workplaces. We hope that the initiatives at Kao will have a positive influence on local communities and workplaces and contribute to extension of healthy life expectancy for society as a whole.

Short-term: Promotion of preventive activities by providing highly effective health maintenance and improvement programs

Mid-term: Promotion of support for balancing treatment and work

Long-term: Well-being of healthcare financing

Strategy

Mid-term Health Plan Kao Health 2025

One goal stated in our Mid-term Plan 2027 (K27) is “Maximize the power and potential of employees.” The basis for achieving this goal is ensuring our employees and their families are healthy. In Kao Health 2025, our mid-term health plan, we encourage our employees and their families to voluntarily participate in various health-related activities so that everyone can become healthier. While further evolving the knowledge gained through these activities, we will expand it to local communities and consumers to contribute to the health of people around the world.

Six health promotion initiatives

Rather than merely fulfilling the minimum requirements for health management that we need to meet as a company, we implement health promotion in line with the six core themes below. Health promotion refers to the independent maintenance and improvement of the employee's own health.

1. Lifestyle-related diseases
2. Cancer
3. Quitting smoking
4. Mental health care
5. Women's health
6. Senior health

Basic activities

1. Health check-up, secondary checkup, specific health guidance
2. Support for balancing treatment and work
3. Health management and hazardous worker management
4. Measures against infectious diseases

Health and Productivity Management Strategy MAP

In order to maximize the power and potential of employees, we have updated our Health and Productivity Management Strategy MAP for 2023. We will promote initiatives to improve the mental and physical health of our employees, and examine how these initiatives will contribute to the improvement of our employees and organizational power.

Kao Group Health Day

花王グループ健康の日(2023年)



社員と家族、そして世界のみなさんとともに

世界保健機関(World Health Organization:WHO)は、4月7日を世界保健デーとし、毎年テーマを定めて世界的な取り組みを呼びかけています。
この日を花王は「花王グループ健康の日」とし、社員とその家族に向けた健康増進、そして世界のみなさんの暮らしと健康を支えることをメッセージとして発信しています。

花王グループ健康の日によって

私たちは、日々いきいきと健康づくりに取り組むことを「花王グループ健康宣言」に掲げ、協力して実践しています。
私たちは、健康に関するプログラムを提供し、社員と家族の主体的な健康づくりの取り組みを積極的に支援し、元気で活力ある職場環境をつくることで、社員活力の最大化を支援しています。

しかし、私たちの貢献はそれだけではありません。私たちは、地域・生活者に対して、健康を支援するための取り組みを行い、社員と社会の両方に貢献しています。そして、well-being、一人ひとりのよりよい状態へ向けて、持続可能なビジネスを展開することを目指しています。

この「健康の日」をきっかけに、改めて健康について考え、私たちと一緒に、自分自身と社会に対し、健康を通じて貢献していきましょう。



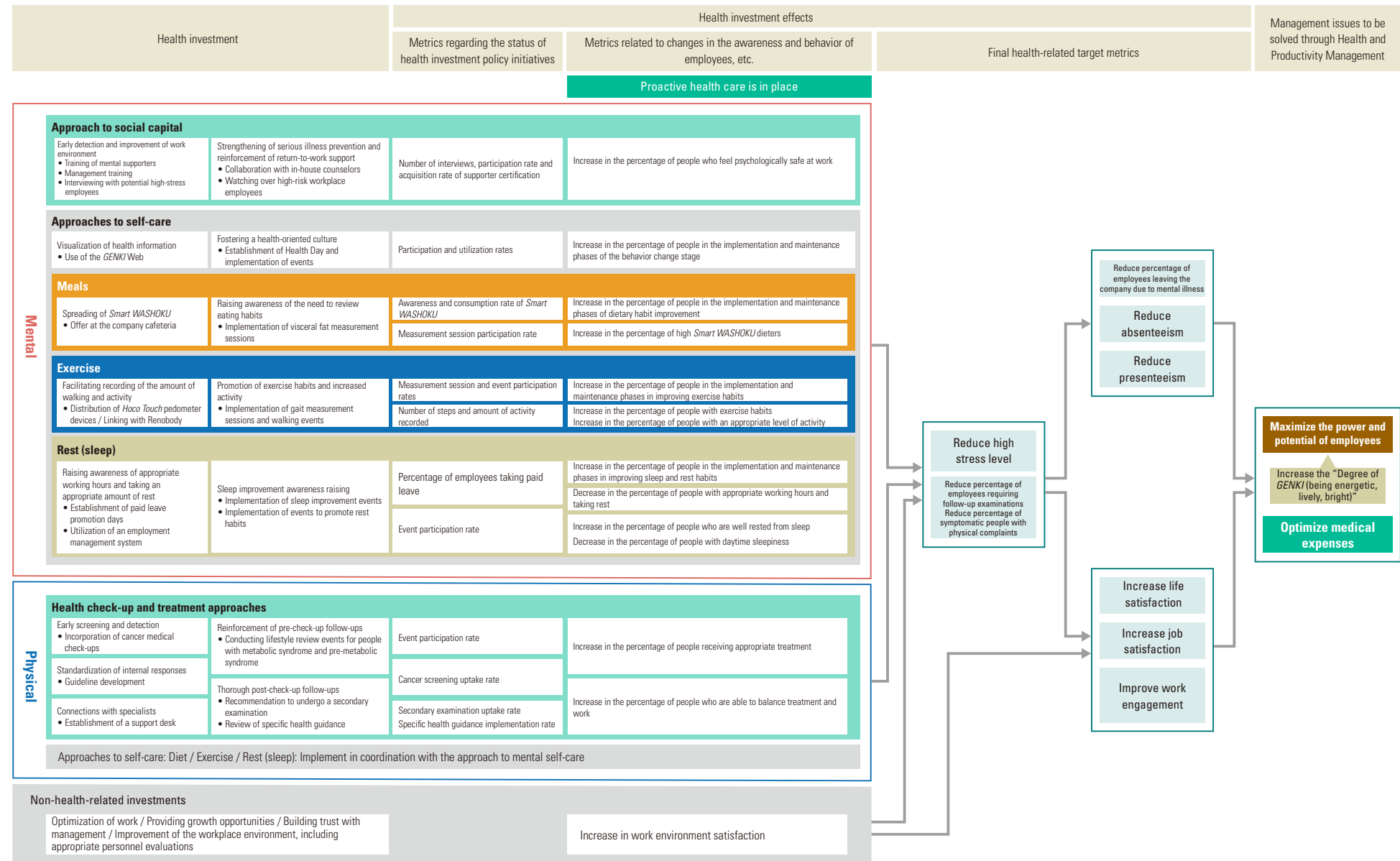
私の健康宣言

「心身の健康と社会的健康のバランスを保つ」

花王株式会社
代表取締役 専務執行役員
根来 昌一

Employee Wellbeing & Safety GRI 403-6

Health and Productivity Management Strategy MAP



Employee Wellbeing & Safety GRI 403-6

Social impact

Employees and their families

Through preventive initiatives such as promoting lifestyle improvements and putting various health guidance measures in place, we can protect our employees' and their family members' health, as well as limit excessive increases in medical expenses. In addition, we are focusing our efforts on limiting long working hours through promoting modulated work styles and mental health training for managers from the perspective of creating pleasant workplaces. To help employees suffering from chronic diseases, cancer, or other diseases maintain the right balance between managing their health issues and their work responsibilities, we offer support that, rather than being "one size fits all," is carefully tailored to the actual circumstances of each individual employee.

One of our key assets in this area is the basic health data (including employees' health examination results and records of their participation in related special events) that we have accumulated over a period of many years, which can be combined with job stress assessment results and employment information for complex analysis. We can also leverage our own healthcare expertise to improve health promotion initiatives. In addition, we have Health and Productivity Management know-how, which is based on our many years of experience in Health and Productivity Management and which we can utilize in our future health maintenance and promotion activities.

Communities and workplaces

We proactively disclose the best practices of our initiatives. We also provide support and advice to communities and workplaces that are working on health promotion and Health and Productivity Management and contribute to the dissemination of Health and Productivity Management knowledge throughout the world.

Consumers

By providing health information through our website and by other means, we support consumers in their efforts to improve their health in their daily lives.

Contributions to the SDGs



Business impact

- Prevention of manpower loss due to decreases in long-term absenteeism
- Reduction in costs of specific health guidance due to decreasing numbers of employees receiving specific health guidance
- Enhanced productivity from more highly motivated employees
- Enhanced productivity of corporate employees due to increases in the number of companies engaging in Health and Productivity Management and healthcare finance well-being in relevant regions

Governance

Framework

Systematization of the Health and Productivity Management promotion framework

Policy proposals for Health and Productivity Management strategies are discussed and approved by the Human Capital Development Committee, which includes directors and executive officers, and shared

with the Kao Group in Japan as well as the companies outside Japan.

Strategies at Kao Group in Japan are developed through joint efforts between the company and the health insurance union, and are discussed at regular monthly meetings.

The key strategies among them are discussed and decided at Employee-Management Meetings with employee representatives and Group Welfare Meetings attended by the responsible executive officers, employee representatives, and people responsible for human capital development.

At every workplace and area, the manager and staff of the HR section work together with occupational physicians and nursing staff to promote the strategies that have been decided.

Information on the state of progress in Japan is shared with each group company outside Japan, and health management specifics are implemented in line with government policy in each country or region.

Increasing the visibility of the Health Promotion Management System

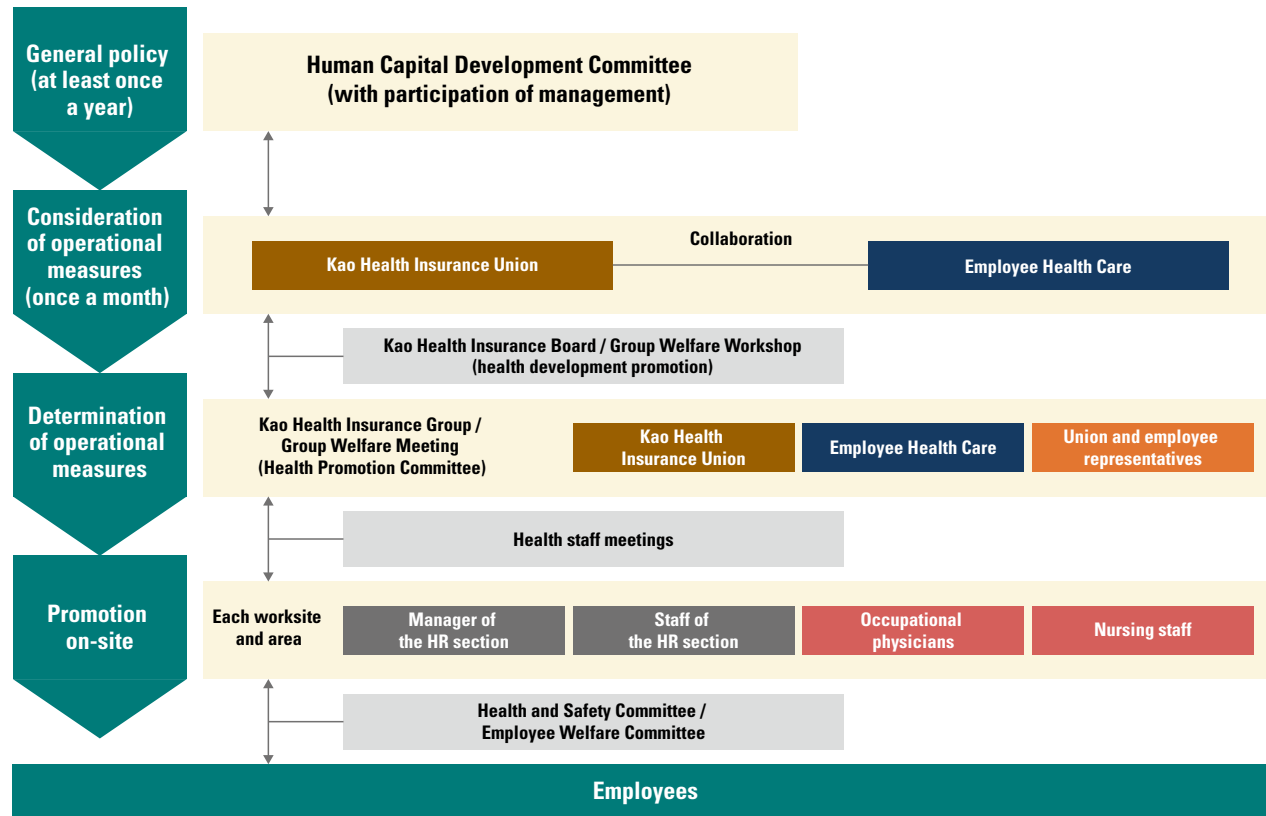
Since 2009, we have compiled a statistical summary of the previous year's health data in an anonymized format (including medical interviews, check-ups, occupations, and diseases), and made this information available to the 21 in-house counseling rooms throughout Japan.

Each in-house counseling room then drafts and implements a health service plan based on the health data of their respective regions.

As needed, we have held Health White Paper study sessions so that employees in charge of human capital and general affairs and occupational health nurses can together learn methods of analyzing the various types of health data and of formulating measures.

Employee Wellbeing & Safety GRI 403-6

Organizational structure



Cultivation of health staff and internal information sharing

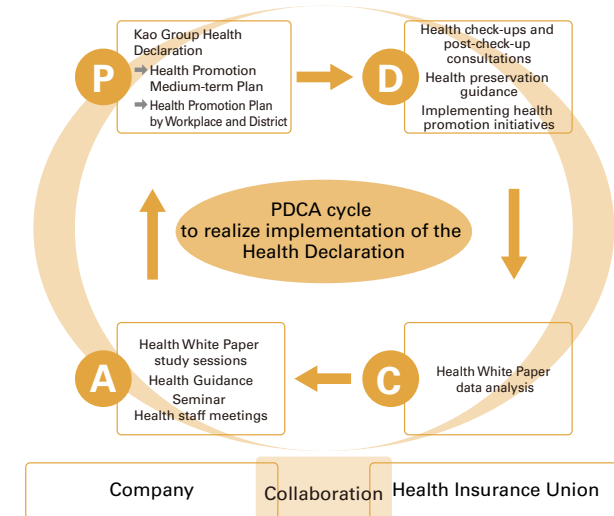
Since 1999, we have held annual Health staff meetings for the development of workplace occupational health staff and for information sharing and dialogue among HR section managers and staff who are responsible for employee health tasks within Kao. In 2023, the meeting was held in October and attended by about 130 participants from all over the country both in person and online.

In order to further deepen the development of the PDCA (Plan, Do, Check, and Act) cycle for health promotion projects, we solicit and screen examples of activities in each region and award particularly outstanding examples with the Workplace Occupational Health Best Practices Award at these meetings.

The Tochigi Office, Ehime Plant, and KCMK Chugoku and Shikoku Area were selected for best practices for 2023.

In addition, worksites and areas with outstanding achievements in KAO Health 2025's important

Health Promotion Management System



indicators and activity indicators were selected and presented with special awards.

We also encourage occupational health staff to attend training seminars to enhance their skill levels. In 2023, a total of 145 occupational health staff members participated in these training seminars, including 26 staff members who attended training seminars for specific health guidance program specialist staff, 27 staff members who attended training seminars for the intermediate to advanced specific health guidance program staff, and 92 staff members who attended training seminars relating to health services.

Education and promotion

Starting in 2022, we have designated April 7 as Kao Group Health Day to encourage our employees to think about their own health.

Employee Wellbeing & Safety GRI 403-6

This initiative is being implemented in recognition of April 7, which is the World Health Organization's (WHO) World Health Day. In 2023, the initiative was implemented in line with the WHO theme for 2023, "Health For ALL." Health Declarations and interviews with executive officers responsible for human resources and Kao track and field athletes, as well as a white paper on health for employees, were posted on the intranet to encourage each employee to register specific actions as a Health Declaration, and 1,041 employees registered.

In addition to these initiatives, we are developing various on-site campaigns, seminars, and health promotion activities.

As a result, 28.8% of male employees (an improvement of 0.5 percentage points over the previous year) and 22.9% of female employees (an improvement of 0.5 percentage points over the previous year)* are engaged in lifestyle improvement.

* Based on the results obtained from the 2022 periodic health check-up questionnaire

Collaboration with stakeholders

The health promotion measures and services that we promote within the company are also provided to external stakeholders including consumers.

For example, we make effective services that we have developed available outside the company based on the needs reported by external experts in occupational health promotion and local government officials. For example, we have made useful contributions toward the prevention of societal health issues such as metabolic syndrome and locomotive syndrome.

To create new health value, we also promote collaborative research with external organizations.

Risk management

We have evaluated risks to employee health in several of our meetings.

- Risks associated with infectious diseases: The Infection Countermeasures Team and the Infectious Disease Risk Assessment Project will work together to assess risks. Whether deliberations on risk assessment are necessary or not will be decided at the Emergency Countermeasure Headquarters Meeting (Japan and Global).
- Risks to employee health: Based on legal requirements, social conditions, employee feedback, etc., the Employee Healthcare Promotion Department will conduct risk assessments in cooperation with Legal and RC Risk Management. We may seek advice from internal and external experts as required. Countermeasures will be decided and reported through the Group Welfare Meeting and other meeting bodies.
- Risks related to Kao Health Insurance Union members: Kao Health Insurance Union conducts risk assessments based on notifications from the government, enrolled members, and other factors. As required, we may seek advice and guidance from the Health and Welfare Bureau or the National Federation of Health Insurance Societies. We decide and report through the Kao Health Insurance Union Board the countermeasures to be taken.

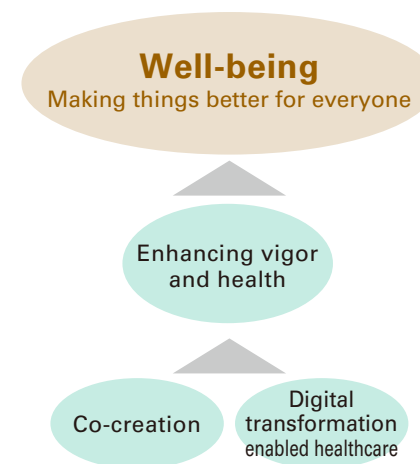
P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets (Kao Health 2025)

Kao Health 2025 aims to promote a vibrant workplace and society with healthcare-conscious employees and their families by improving the lives of each individual.



Main initiatives

- Six initiatives (lifestyle-related diseases, cancer, quitting smoking, mental health care, females, and seniors)
- Support for balancing treatment and work
- Hazardous operations factor management and risk assessment
- Health promotion with employees, family, and friends

Employee Wellbeing & Safety GRI 403-6

Important indicators for Kao Health 2025

What we want to achieve through Health and Productivity Management® is the maximization of the power and potential of employees.

We believe that by working on both the “mental” and “physical,” each individual’s ability to maintain their health will be enhanced, leading to the maximization of the power and potential of employees.

- We represent two indicators, “mental” and “physical,” as important indicators for Kao Health 2025.
- Degree of *GENKI* (being energetic, lively, bright): The percentage of employees who are active and work vigorously regardless of the working environment and working style.
 - High stress level: Percentage of high-stress individuals by job stress assessment
 - Average number of lost long-term work days: Average number of days of absence for employees who have lost long-term work days

2023 results

	Quantitative target	2023		2025 (target)	
		Male	Female	Male	Female
Mental	Degree of <i>GENKI</i>				
	Rate of affirmative answers “I feel vivacious,” “I am full of energy,” and “I am active.” in the job stress assessment	77.9%	77.1%	80.0%	80.0%
	High stress level	9.6%	8.5%	8.6%	7.7%
Physical	Long-term absenteeism rate	1.6%	3.3%	1.5%	1.5%
	Average number of lost long-term work days	176	202	117	117
	BMI level over 25	27.4%	16.3%	26.0%	14.0%
	Smoking rate	24.7%	14.6%	21.0%	13.1%

- Percentage of employees who have lost long-term work days: Percentage of employees who are absent from work for 30 or more calendar days
- BMI level over 25: Percentage of employees who were determined to have a BMI of 25 or higher during health check-ups
- Smoking rate: Percentage of employees who reported smoking in the medical interview during health check-ups

Reviews of 2023 results

Global

We promoted awareness of Health Day globally in 2023, and first exchanged information regularly with our subsidiaries in the Americas and EMEA about their health initiatives and current status.

In Japan

Compared to FY2020, there is a slight improvement in the number of obese employees. On the other hand, the number of long-term absences from work due to mental health has been increasing, so immediate action is required.

Main initiatives

Mental health care

Job stress assessments

In 2023, we continued to conduct job stress assessments as part of an employee engagement survey.

Occupational physicians and nursing staff promptly follow up on employees who are assessed as requiring prompt treatment based on their responses to these stress tests. Individual follow-up e-mails are sent to employees who are judged to display stress levels that are somewhat high. We also develop workplace improvement activities upon receiving the results of stress tests in each workplace and area.

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Human Capital Development > Risk management

Mental health courses

Through training, we are trying to increase individual employees’ skills in managing their mental health. We are continuing to foster a corporate culture in which everyone at Kao, including the colleagues at our individual worksites, acquires the ability to pay attention to small but significant changes that have occurred in their own lives, address problems at an early stage, and help each other in times of difficulty.

Line Care training included an e-learning basic course and advanced course presentation by an outside lecturer for all management levels. We also implemented training in each workplace and area to promote mental health care suitable for each organization.

We stream a 30-minute video to all employees once every two months as self-care training to help employees become more skilled in coping with various types of stress.

Employee Wellbeing & Safety GRI 403-6

Return-to-work guidelines

We are making effective use of our guidelines for helping to ensure a smooth return to work after long periods of leave. At both the individual employee level and the level of the organization as a whole, we are creating workplaces filled with vitality and higher productivity by implementing activities to help people avoid mental health problems and to address them at an early stage if they do experience them.

Mental health meeting

Mental health meetings are held twice a year (March and September) to share the status of mental health, various initiatives, and the status of internal and external consultation services with relevant parties within the company.

We exchange opinions on issues and the direction of future measures with participants, and make use of these opinions in future initiatives.

Item	2023 results
Invigorated workplace ratio	49.7%
Job stress assessment participation ratio	96.8%
High stress level	9.0% (0.7% improvement)
Training for managers	17 sessions with 6,034 participants
Self-care training	5 sessions with 4,551 participants
External EAP usage rate (number of usages / number of target employees)	225 telephone consultations + 15 e-mail consultations + 259 face-to-face consultations (including online) / 25,115 employees = 2.0%
Consultations with internal counselors (career-focused interviews)	13,876 people

Lifestyle habit improvement initiatives

Smart WASHOKU

Smart WASHOKU is a dietary method that leads to less visceral fat accumulation while ensuring sufficient nourishment. Rather than focusing on the overall quantity of food consumed, the *Smart WASHOKU* approach emphasizes three key points to provide a diet that enables people to eat well while still keeping their visceral fat level down: (1) the ratio of protein to fat, (2) the ratio of dietary fiber to carbohydrates, (3) the ratio of Omega-3 to fat. We are continuing our efforts to inform our employees and their families as well.

- *Smart WASHOKU* online cooking classes: Popular annual project for employees. Held three times with 105 participants.
- *Smart WASHOKU* online challenge course: Newly established in FY2023 for employees and their families. Held four times with 44 participants; twelve of the applications were submitted by the families themselves.
- Real *Smart WASHOKU* cooking classes: A revival of a project that was popular before the COVID-19 pandemic for employees and their families. Attended by 39 employees and their family members.
- The *Smart WASHOKU* Challenge was implemented for employees and their families as a summer holiday project. During the three months from July to September, 22 photos were posted.
- Ten *Smart WASHOKU* breakfast recipe videos from the *Kayabacho Shokudo* were streamed. Each video has been viewed by over 200 people. In particular, the video on *mettajiru* (pork miso soup) was viewed by more than 1,000 people.



- *Smart WASHOKU* breakfast menus uploaded to YouTube were made into recipe cards and distributed in front of the cafeterias at the Head Office, Sumida Office, and Kao Group Customer Marketing Co., Ltd.

42-day Weight-loss Challenge

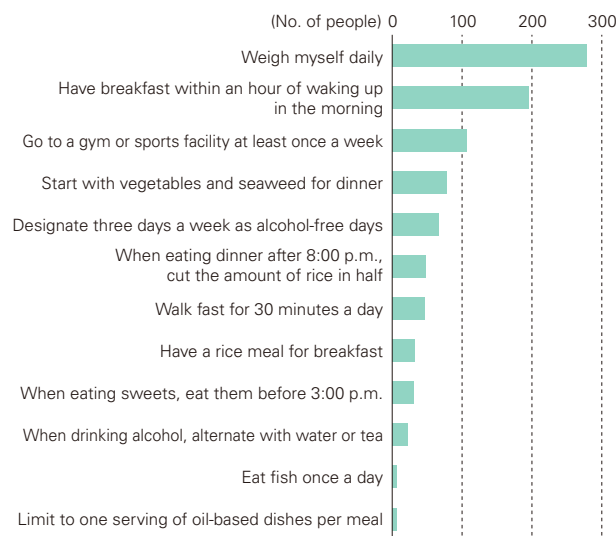
This campaign, which is designed to encourage employees to try to lose 2 kg in weight over the 42-day period starting in January each year (except employees with a BMI of less than 20), was held from January 17 to February 27, 2023.

Participants were able to share their experiences of losing weight through communication using Microsoft Teams, providing each other with mutual encouragement in their efforts to lose weight.

- Number of participants: 2,535 people (participation rate: 14%)
- Number of participants that achieved their target: 918 succeeded in losing 2 kg (36.2%)
- Combined total of visceral fat lost by all participants: 2.7 tons

Employee Wellbeing & Safety GRI 403-6

Targets set by 918 people who successfully lost 2 kg:



Pre-health check-up belly slimming challenge

Two months prior to the health check-up, we implemented a 42-day weight loss and belly slimming challenge. During the implementation period, participants entered their weight and snacking records into the *GENKI*Web every day to raise awareness. While distributing information on food to participants via e-mail every week, we made efforts to help them lose weight.

- Implementation period: March–August 2023 (6 times in total)
- Number of participants: 345 people
- Number of participants that successfully lost 2 kg of their body weight: 97 people
- Lost at least 3% of their abdominal circumference: 97 people
- (Comparison of health check-up results between FY2022 and FY2023)

Online seminar on “With-COVID-19-Era Diet and Stress Update”

The COVID-19 pandemic caused a major change in the living environment and an increase in the number of employees suffering from weight gain, stress, etc. An internal seminar was held on April 26, 2023 to address this issue. The lecture was given by Dr. Naoki Sakane from National Hospital Organization Kyoto Medical Center, a specialist in preventive medicine. On the day of the event, 288 people attended the lecture, and 436 people watched the recorded video later. The specific diet suggestions were well received, with 95% of the respondents saying they were satisfied or somewhat satisfied (from a post-viewing questionnaire).

The video can be seen not only in the company but also in the *Smart WASHOKU* master class e-learning seminar (hosted by Kao) and Dr. Sakane’s diabetes seminar (hosted by the Japan Family Planning Association).

Online seminar on “Priorities for Health Actions Based on Test Values”

A seminar was held on December 11, 2023, to provide tips on how to live well during the year-end and New Year’s holiday season when the rhythm of life is more easily disrupted, to review and improve one’s diet, and to reflect on one’s lifestyle based on the results of health check-ups. (Lecturer: Ms. Yoshiko Sano, Registered Dietitian, Comprehensive Health Check-up Promotion Center, Japan Anti-Tuberculosis Association)

At the seminar, participants learned how to understand the results of health check-ups and the key points of countermeasures, as well as practice healthy behaviors that are linked to lifestyle, and received tips to incorporate them into their daily lives.

In the post-seminar survey, 96% of the participants answered that they were satisfied with the seminar.

- Number of participants:
Online seminar participants: 220 people /
Video viewers: 352 people

Health action implementation record

In order to practice the ways of eating and living that we learned in the “Priorities for Health Actions Based on Test Values” seminar, we select the items we want to work on from the 22 “Year-end and New Year’s Health Action Goals” created by Ms. Yoshiko Sano, record them on the *GENKI*Web, and use them to reflect on our own lives.

- Implementation period: December 12, 2023 to January 12, 2024
- Number of participants: 400 people

Visceral Fat and Lifestyle Check-up Service (lifestyle habit analysis and visceral fat measurement)

This service helps to enhance awareness of the need to improve lifestyle habits by digitalizing and displaying the results obtained through a survey of lifestyle habits and measurements of visceral fat, which tends to be affected by lifestyle habits.

In FY2023, after measuring visceral fat and lifestyle habits, activities were implemented to encourage participation in health events and improve individual health behaviors. Approximately three months later, the same measurements were taken again to measure the effects of the program.

For visceral fat measurement, we offered two courses: (1) actual measurement, and (2) estimation of visceral fat values based on health check-up results.

- July to December 2023 (to be held at 8 workplaces)
- Number of participants: 3,059 people total
- Rate of improvement: 53.0% (846 of the participants attended twice)

Employee Wellbeing & Safety GRI 403-6

Gait Measurement Sessions and *Hoco Touch*

Gait Measurement analyses how employees walk and makes it possible to gauge their “walking age” and any risks they may face in the future. We also rent out *Hoco Touch* pedometer devices, a unique device developed by Kao that can motivate people to make improvements in their daily living habits.

- *Hoco Touch* were rented out for use at 86 spot locations by 9,141 personnel.
- 23.1% continued to use the devices, of whom 43.6% achieved Rank A walking steps and speeds over one day or more.

* A smartphone app has also been provided so that *Hoco Touch* can be used by employees working from home. 49.4% of continued users have made use of this app.

- A Gait Measurement Session took place at two worksites. Approximately 240 people attended.

Spring Walking ★ *Waku Waku Walk!* Challenge

We implemented Spring Walking ★ *Waku Waku Walk!* Challenge from April 7, 2023, which is Kao Group Health Day. In FY2023, in addition to individual competitions, team competitions (worksites and areas) were held, and the teams worked together to make the event a success.

During the implementation period, a “Walking Seminar” by an alumnus of the track and field team and the “*Waku Waku Post Award*,” in which participants were asked to post photos and stories of their walks and the scenery, helped to keep participants motivated.

- Implementation period: April 7 to June 15, 2023

Starting on Kao Group Health Day

- Number of participants: 2,693 people
- Participants that achieved their goals:

(1) Those who recorded steps over the target 56 days:
744 people (27.6%)

(2) Those who achieved (1) and an average of 8,000 steps: 1,324 people (49.2%)

➔ Average number of steps: 11,174 steps

Waku Waku Post Award

Wonderful photos taken by participants during the walk



2023 KAO Autumn Sports Challenge

The 2023 KAO Autumn Sports Challenge was held from September 14 to November 14, 2023, as an event to promote exercise. A “Beginner Course” was offered for employees who were not accustomed to exercising, and an “Intermediate Course” was offered for employees who had a regular exercise routine, allowing them to choose the course that suited them best.

During the implementation period, we also provided awareness about walking and exercise through videos of walking tips distributed by former Kao track and field team members and researchers at the Personal Health Care Products Research, Products Development Research.

According to the results of a questionnaire conducted after the event, 93% of participants reported that they would like to continue exercising after the event.

- Number of participants: 3,284 people total for Beginner and Intermediate Courses
- Participants that achieved their goals:

	Participant	Achiever	Rate of achievement
Beginner Course	1,813 people	1,024 people	56.5%
Intermediate Course	1,471 people	505 people	34.3%
Total	3,284 people	1,529 people	46.6%

Information provision / Questionnaire surveys

We have been disseminating health information via the intranet and implementing awareness-raising activities so that employees can take steps to improve their health, regardless of whether they are working on company premises or working from home.

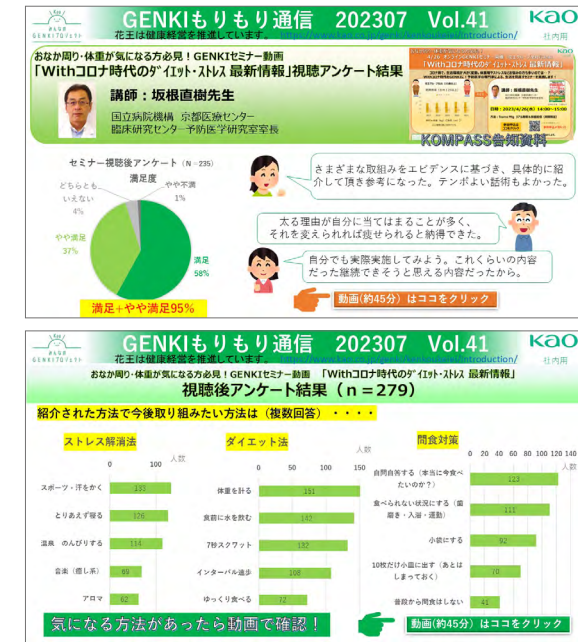
Information Provision via the Company Intranet “*GENKI Mori Mori Bulletin*”

Throughout 2020, we have continued to disseminate health-related information via the intranet as the *GENKI Mori Mori Bulletin*. We present information that employees want to know in an easy-to-understand format and in a timely manner through collaboration between relevant units and Research Laboratories.

In FY2023, we reported in detail on Dr. Naoki Sakane’s seminar “With-COVID-19-Era Diet and Stress Update,” which was conducted to address the increasing number of obese employees. Questions from employees and Dr. Sakane’s answers were compiled and sent out to encourage employees to recognize the importance of their own health issues.

We also continued to devise ways to interest employees with articles on various health events, interviews with people who have achieved their goals, and graphs of data from workplaces that have conducted in-house sessions to measure gait and visceral fat.

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Internal Survey on Health and Productivity Management Activities and Personal Health

A questionnaire targeting all employees was implemented with the aim of determining employees’ degree of understanding regarding Health and Productivity Management and their subjective health awareness with the aim of leading to future Health and Productivity Management activities and health promotion activities.

Summary of Survey Results

- Implementation period: July 13 to July 24, 2023

		Male	Female	Total
Response rate	Respondents	41.40%	40.90%	41.10%
	Non-respondents	58.60%	59.10%	58.90%
Number of respondents		4,516 people	5,575 people	10,091 people
Average age of respondents		49.6 years old	46.2 years old	47.7 years old
Kao Group Health Declaration awareness rate		67.90%	75.40%	72.00%
Health maintenance activity implementation status	Share of employees currently implementing health maintenance activities	58.80%	44.40%	51%
Health issues subjectively felt to be most important *1 Pain includes stiff shoulders, back pain, and headaches.	Weight	Weight (24.9%)	Weight (24.3%)	Weight (25%)
	Visceral fat	Visceral fat (18.3%)	Pain*1 (12.4%)	Visceral fat (13%)
	Pain*1	Pain*1 (11.7%)	Inadequate exercise (11%)	Pain*1 (12%)

- Health initiatives you would like to work on

Top 3 health initiatives you would like to work on yourself	Top 3 health initiatives you would like to work on with your family
1. Weight-loss Challenge	1. Walking
2. Measures for back pain/stiff shoulders	2. Weight-loss Challenge
3. Walking	3. Measures for back pain/stiff shoulders (seminars/events)

- Satisfaction with health initiatives

Satisfied / Somewhat satisfied	49%	Reasons for satisfaction • Various events are held regularly • Can attend with friends • Can set your own goals
Can’t say either way	46%	Reasons for dissatisfaction • Too busy to participate • Not interested
Not very satisfied / Not satisfied	5%	

- How do you work with motivation in a lively workplace? (Multiple answers permitted, n = 2,700)

Free response sentences analyzed by the “Visualization Engine” (excluding non-responses and don’t know):

Word 10 with high frequency of appearance

Health	Workplace	Environment	Work	Communication
Mental	Physical	Motivation	Awareness	Employee

Sample answer) By increasing opportunities for members to get to know each other through communication and events at each workplace, the workplace will become a more consultative, vibrant environment where people are more considerate of others. I believe that this will help both the mind and body move in a healthier direction.

Smoking cessation initiatives

Promoting smoking cessation (Japan)

With the aim of making healthy and pleasant workplaces a reality, in January 2018 we began promoting a ban on smoking during working hours. Starting from April 2020, having built a consensus with management, we have been using the company’s intranet to clearly illustrate to employees both the ban on indoor smoking and smokers’ obligation to be considerate of others.

In 2023, in order to reduce the number of new cigarette smokers, we are distributing leaflets and messages to strengthen the prevention of passive smoking and the promotion of smoking cessation.

Kao Group Stop Smoking Week

The week beginning May 31 (which is World No Tobacco Day) has been designated as Kao Group Stop Smoking Week. During this week, we provide support to help people stop smoking, including the distribution of leaflets on quitting smoking and the dissemination of messages supporting smokers’ efforts to stop smoking.

In addition, we conducted the “No Smoking Quiz & Let’s Support Participants in the Stop Smoking Challenge” campaign, in which employees could participate regardless of whether they smoked or not, to send messages of support to employees who were taking up the challenge.

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Stop Smoking Challenge

The health effects of smoking are not only on the smoker, but also on those around them. You can participate in the Stop Smoking Challenge with a supporter who will help you. There is also a follow-up system in place to support participants with the support of workplace colleagues, supervisors, and family members to help them quit smoking, which can be difficult to achieve alone. This activity improves employee health and is effective in preventing passive smoking.

Participants in the Kao Group Stop Smoking Challenge

Month held	Number of participants	Number of participants that achieved their goal
January 2023	22 people	12 people
April 2023	54 people	24 people
May 2023	37 people	22 people
December 2023	32 people	23 people

- A total of 12 supporters (people who watch over and cheer on those trying to quit) participated
- A total of 780 people participated in the No Smoking Quiz & Let's Support Participants in the Stop Smoking Challenge campaign
- Union-subsidized smoking cessation treatment (Kao Health Insurance Union): 1 person
- Online smoking cessation program (Kao Health Insurance Union): 18 employees participated

Women's health initiatives

Within Japan, we have established a Women's Health Consultation Service (for e-mail consultations), which arranges for occupational physicians to respond to employees' requests for consultations. Kao Women's News is distributed regularly (once every three months) using the company's intranet to help deepen understanding of women's health issues.

Online seminar on fertility treatment and support for balancing treatment and work

In March 2023, in conjunction with International Women's Day, we held an online seminar on fertility treatment, a topic frequently brought up in consultations with our employees. The video has been viewed over 3,000 times.

In a post-session survey, 99% of participants answered that the seminar was highly satisfactory, saying that the content was useful. Online participation: 151 people / Video views: 3,063 times

Video lessons on women's health

Video lessons on women's health were posted from September to November 2023. The video content lineup included five videos, with 2,324 managers watching the video "What Managers Need to Know About Women's Health," promoting understanding women's health.

In the post-session questionnaire, the question "Did you understand the role of managers in women's health?" had an average response of 4.46 (on a 5-point scale).

Support for specific fertility treatment

Since 2009, we have been providing support for specified fertility treatment within Japan.

Initially, the Kao Health Insurance Union subsidized treatment, but in 2013, responsibility was transferred to the Kao Family Association (a mutual aid association). Subsequently, the program has been revised several times. In 2017, financial assistance for male fertility treatment was added, and in 2020, the application scope was expanded to cover additional companies, resulting in all Kao Group companies within Japan now being covered.

Due partly to the fact that infertility treatment is now covered by insurance as of April 2022, in 2023 the

annual total of instances of subsidy usage was 136 (none of which involved male fertility treatment), representing a decrease of 110 instances, 55% of the year before.

We have also created an environment in which employees can seek to maintain an appropriate balance between work responsibilities and treatment by making effective use of the various flexible working arrangements that we offer (including a flextime system, a work-from-home option, and the option to take leave in hourly increments).

Content of support for specified fertility treatment (Japan)

Item	Details
Target group	Employees and their spouses/partners (If both partners are Kao Family Association members, financial support will be provided for only one person)
Subsidy	60% of the co-payment for one round of treatment (up to 120,000 yen), up to 1 million yen per couple (for the co-payment, from which all assistance including public support, etc. has been deducted)

Childcare support

For childcare support, we provide the necessary support such as the establishing of lactation facilities in workplaces.

Senior health initiatives

We conduct employee interviews at age 58 so that employees can stay healthy and *GENKI* after retiring at age 60.

In 2023, 433 people were interviewed.

Infectious disease initiatives

COVID-19 pandemic

As a countermeasure against the COVID-19 pandemic, the Kao Group in Japan is using an infectious disease

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reporting application to monitor the situation in a more timely manner.

In addition, guidelines for employees and human resources personnel and the handling of employment were reviewed in accordance with the transition of COVID-19 to a Class 5 disease.

In addition, we continue to provide information on COVID-19 infections and vaccinations.

Posting on the intranet

- COVID-19 infections / Vaccine information
Information sent five times in 2023 / Viewed 73,449 times in total

Employment support

- Persons infected with COVID-19 are exempted from working for five days to prevent the spread of the virus.
- Work exemptions apply to those who are ill due to adverse reactions on and after the date of vaccination (up to three days including the day of inoculation).

* Employment assistance ends on April 1, 2024.

Influenza

In 2023, the number of cases of infection increased earlier than usual, and we have been issuing influenza alerts from an early stage.

In addition, in order to avoid a simultaneous outbreak of COVID-19 infections, the Kao Health Insurance Union has been fully subsidizing the co-payment of influenza vaccines for insured persons and their dependents as a special measure since FY2020.

We also send out information about the influenza vaccine to employees via the intranet.
24,613 views in 2023

Expansion of health checks for employees working long hours

We are promoting adjustments to working hours. To address the fatigue and stress experienced by employees working long hours, we have undertaken the implementation of more detailed health checks. These will facilitate the early detection of symptoms and the identification of potential distress signals from such individuals.

Health Check Results for Employees Working Long Hours in 2023

Content	2023 results
Meetings with Occupational Physicians	Number of eligible employees: 99 Number of employees attending consultations: 98 (Implementation rate: 99%) * One employee did not attend consultations due to resignation.
Online health check-ups	1) Number of eligible employees: 9 Number of employees attending consultations: 9 (Implementation rate: 100%) 2) No. of employees responding to online medical interviews: 619 Number of eligible employees: 111 (Implementation rate: 100%)

Health management for Japanese personnel on overseas assignment

With regard to employees who are sent to work outside of Japan, we implement health status grading in accordance with the health management guidelines for personnel working overseas and make a determination as to whether it is appropriate for each employee to be working overseas. Furthermore, personnel have started working outside of Japan after they have had all of the inoculations required by the criteria established by the Quarantine Information Office, Ministry of Health, Labour and Welfare.

Regarding health management for employees working outside of Japan, in principle, they were entitled to return to Japan for a health check-up once a

year. However, starting in 2020, we have changed to a system whereby such employees can have a health check-up at a local medical facility, and their family members can also have a health check-up at the same time. Those employees requiring follow-ups receive health follow-up sessions at in-house counseling rooms and may make an appointment to see an occupational physician based on the results of these sessions.

In addition, based on the results of the health check-up, grading of health status is conducted to determine whether or not the employee can continue their assignment.

In areas where avian influenza is endemic, we recommend vaccination for all Japanese personnel on overseas assignments.

Initiatives in the Americas and EMEA

Initiatives in EMEA

EMEA is striving to create a work environment where employees can receive appropriate mental health support without being discriminated against, so that we can have a positive effect on employees' mental health.

The policy focuses on the following three pillars:

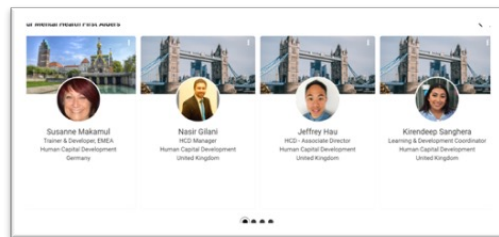
- Mental illness, disability, stigma
- Work-related or external (COVID-19 infection / conflict-related) stress
- Active support of physical and mental health and a balanced lifestyle

We focus on Mental Health First Aider (MHFA) training. MHFAs refer to individuals at the workplace who are trained to provide initial support and assistance to employees with mental health issues. In fact, if an employee has a mental health issue, they can consult with an MHFA to have an initial dialogue, get support,

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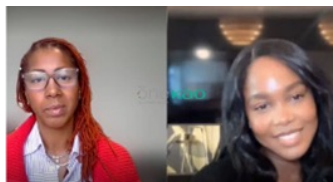
and receive a road map to utilize the appropriate resources. For example, they encourage the use of employee assistance programs, such as the Unum app, which offers free therapy sessions.

In addition, if a manager notices that someone on their team is in a poor emotional state, they can consult with an MHFA confidentially to get advice on how to support the employee and what the next steps should be.



Main activities in 2023

Black History Month featured experts and guest speakers to raise awareness about the impact of discrimination and intergenerational trauma on mental health. Approximately 150 employees from EMEA participated in this event.



Also, in collaboration with the Americas, we invited guest speakers and mental health experts to discuss the importance of mental health on World Mental Health Day. The event was attended by approximately 400 employees. At this event, we also produced an article on our intranet, The One Kao, with useful links and suggestions for our team.



We designated Blue Monday, the saddest day of the year, as Mental Health Day, and gave all employees paid time off to focus on mental health and wellbeing.



Mental Health Day 2023 Thank you Kao

Pictures of how employees spend their day

The EMEA Rewards team is always looking at possible employee mental health support, and currently offers employee assistance programs with therapy and support in a number of regions, including the Unum and My Strengths apps in the U.K. and the ICAS app in Germany, Switzerland, the Netherlands, and other countries.

During the grief awareness week in December, we carried out activities so that employees would have increased awareness about grief and bereavement in The One Kao and could provide their colleagues with the necessary support.



We held a mental health focus group with the Salon Division. We then discussed what would be the best support for employees' mental health and well-being, and set up short- and long-term activity goals based on the feedback in the discussion.

We established a no-meeting time on Wednesday mornings every two weeks to allow employees to step away from meetings and phone calls and focus on their work.

Reflecting on international situations and conflicts, we had a session with employees on how to deal with conflicts from a mental health and resilience perspective.

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In the U.K., we introduced a “Summer Hour” pilot program to give employees an afternoon off (offsetting of overtime work) to focus on mental health and wellbeing.

Molton Brown’s Retail Team has introduced “Retail Winter Wellbeing Days” during the busy winter season to provide employees with winter wellness tips and exercise ideas, holiday stress relief tips, and techniques to manage holiday-related stress.

Initiatives in the Americas

Employee mental health and wellbeing is a top priority for the Americas Leadership Team, and the HCD Team is actively working on helping employees achieve a healthier lifestyle and personal wellbeing, in addition to increased productivity and job satisfaction, by providing employees with the necessary benefits, policies, resources, and tools.

An integral part of our wellbeing strategy is the Kao Wellness Employee Resource Group (ERG). The group encourages and supports healthy lifestyles and helps employees with their mental health by offering online courses such as yoga and mindfulness sessions. These sessions provide a convenient way for employees to be mentally fulfilled during the workday and promote a balanced and healthy lifestyle. The group serves as a platform for fostering a sense of unity and commitment to holistic health among employees. The ERG also functions as a platform for expanding our commitment to a sense of unity and health across the overall organization, and therefore, promotes networking among employees and generates positive effects in the overall organization.

Calm app subscriptions are available to all employees in the Americas region. Known as the No. 1

app for resilience and mental fitness, Calm offers guided meditations and soothing music to help users achieve better sleep, boost confidence, and reduce stress and anxiety.

The Americas also recognizes the evolving future of work styles since the pandemic and offers flexible combinations so that employees and their managers can optimize working styles.

The M.A.D. DASH (Making a Difference Week) initiative aims to inspire employees to make a difference through volunteerism. When employees are actively involved in volunteer activities that resonate with their values and passions, they can promote positive physical and mental change and have a lasting and meaningful impact on our world as well. Specifically, we give 16 hours of paid leave per employee and allow employees to work for organizations and activities to which they want to contribute. Active participation in volunteer activities not only aligns with employees’ values and passions, but also contributes significantly to employee mental health by creating a sense of fulfillment and satisfaction.



In 2023, we introduced Soul Hugs, a new program for Black and/or African American employees. The program aims to support and promote the engagement of participating employees through the facilitation of external professional support. Meetings there focus on fostering a sense of community, providing resources

and support, and addressing the unique challenges and experiences faced by participants.



The Americas offers a holiday to all employees each year on World Mental Health Day to raise awareness and understanding of this important day. They foster a workplace culture that prioritizes employee wellbeing and are continually expanding wellbeing initiatives. This year, Kao Wellness ERG and the Kao Women’s Network (Kao NOW) ERG jointly hosted an “Awareness is Power” event to honor the day and combat mental health-related biases. The event provided employees the opportunity to interact with expert instructors with the goal of encouraging participants to take better care of themselves and each other.

Initiatives in Asia

In Asian countries as well, the mental and physical health of employees is considered very important as one of the measures to realize business growth and social contributions.

While sharing the concept and direction of the Kao Group Health Declaration, we aim to contribute to the creation of vibrant and creative workplaces by developing optimal initiatives in line with the lifestyle, history, and culture of each country and region to promote the mental and physical health of our employees more effectively.

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Exercise habits

To encourage people to adopt walking as part of their health promotion, we sponsor “Walking Campaigns” and provide opportunities for people to participate in fun, game-like activities. In some countries, it is difficult to walk for long hours outdoors during the daytime due to the climate, so we support sustainable efforts such as early morning or late evening walking at a time that is suitable for walking.

Awareness-raising activities/seminars

Raising the health awareness of each and every employee is necessary to promote employee health. In Asian countries, health issues are becoming more important than ever before. We conduct awareness-raising activities from time to time on the importance of mental and physical health for each individual in various settings, including work and private life, and how to promote good health.

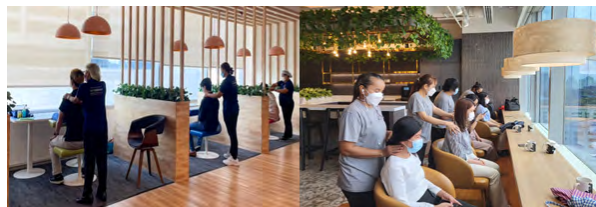
Furthermore, we provide seminars to enhance knowledge on the prevention of specific diseases. Examples include “Lifestyle for Cancer Prevention,” “Prevention of Internal Organ Diseases,” and “Prevention of Back Pain.” These seminars are held as needed to highlight diseases that are on the rise due to changes in lifestyle and living environments, as well as diseases that have traditionally been more common due to work characteristics, to raise prevention awareness, and to help create a workplace where all employees can always demonstrate their vitality and creativity.

Refreshing body and mind in the office

In addition to a comfortable office environment and easy working conditions, opportunities for employees to refresh body and mind within the company are expected to be effective in improving employee productivity and creativity. In some countries,

multipurpose rooms have been set up and equipped with balance balls and other health equipment to provide employees with an environment where they can refresh body and mind during breaks or after working hours. The multi-purpose rooms are also used for in-house yoga classes to promote the physical and mental health of employees.

Kao Industrial (Thailand) has established a service where employees can take advantage of their individual breaks to receive a 20-minute massage in the office. Currently, the session is limited to 20 people a day, twice a week, but it has been very well received by employees, as the short time spent massaging effectively refreshes them and helps them concentrate on their work. In addition, we also request massage therapists who are visually impaired through an outside organization to provide employment support for people with disabilities.



Promoting the GENKI Project

Kao GENKI Project for Everyone

Besides working actively to promote the health of employees and their family members, the Kao Group also shares this knowhow externally with local government authorities, corporations, senior care facilities, etc., thereby providing support for health promotion efforts.

The activity content is disseminated widely throughout society using the Kao GENKI Project for Everyone website.



Kao GENKI Project for Everyone
<https://www.kao.co.jp/genki/>

GENKI-well Service

In our Human Healthcare, we have for many years now been researching areas such as the relationship between visceral fat and lifestyle and the relationship between walking and health. The knowledge obtained from this research is utilized not only in the development of new products but also to improve the health of our employees and their families through our health promotion programs. We call this unique approach to health promotion “Kao GENKI-well Solution.” What makes Kao GENKI-well Solution special is the way it visualizes health status and lifestyle habits, which helps to boost health awareness and encourages people to make effective improvements through lifestyle changes. In order for people to achieve a health-conducive lifestyle without it being too stressful so that they can keep it up over the long term and enjoy doing it, we provide support for building a healthy environment and offer assistance through our company’s products. We have also begun to support the promotion of Health and Productivity Management by sharing with people outside the company the model and know-how for preparing health white papers that we have been implementing for many years. We call this assistance “Kao GENKI-well Assistance.” The Kao GENKI-well Service, which combines “Solutions” and “Assistance,” supports health promotion and Health and

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Productivity Management of people in the community and society.

Within the company, we make effective use of *GENKIWeb*, a health community website for Kao employees, as a platform for Kao *GENKI-well* Service by recording daily life activities, holding special health events, etc.

GENKI-well



Kao *GENKI-well* Service

Visualization (awareness)

Measurement and analysis of visceral fat and lifestyle habits

- Using proprietary visceral fat measurement technology and lifestyle analysis algorithms, measurement sessions are held at Kao worksites across Japan.
- Issues for each individual and for each worksite are visualized.
- Changes in visceral fat show results in health promotion.

Measuring and analyzing walking ability

- By simply walking on the “pressure sensor sheet,” the system instantly analyzes the way you walk. It calculates the gait balance age and gait speed age.

- It helps to improve health by motivating employees to develop good walking habits and learn to walk in a youthful manner.

Improvement by effective living

Creating an environment to eat deliciously without storing visceral fat

- *Smart WASHOKU* lunch, a unique meal to “eat well and avoid storing visceral fat,” is provided at employee cafeterias at 11 Kao worksites across Japan.
- Lunch seminars and cooking classes for families are also offered.

Creating an enjoyable and effective walking environment for everyone

- We distributed *Hoco Touch*, our proprietary active mass-meter, which displays users’ “walking age” that indicates how youthfully they walk.
- Walking and employee communication are stimulated with the question “How old are you today?”
- Competitive projects between plants and sales branches are also held.

Assist continuity with in-house products

- Continuity is supported by using or giving away the company’s products.

* *Smart WASHOKU* and *Hoco Touch* are registered trademarks of Kao Corporation.

Collaborative efforts with stakeholders

The health promotion measures and services that we promote within the company are also provided to external stakeholders including consumers.

In order to spread awareness of our employee nutrition improvement program throughout the world,

we have joined the Nutrition Japan Public-Private Platform and are undertaking related activities.

Within Japan, we have become an official partner of the Japan Obesity Prevention Association in order to deepen public understanding of obesity and metabolic syndrome and to promote healthy lifestyles that prevent weight gain, as well as hold seminars for the general public and be engaged in other activities.

In collaboration with the NPO Healthy City Support Organization, we also report at branch conventions, prepare reports on our activities in Japan, and disseminate them widely throughout the world.

Awareness of *Smart WASHOKU*

We have also been working to spread awareness of the *Smart WASHOKU* dietary method for eating well without increasing visceral fat.

Online Seminars

- *Smart WASHOKU* master class e-learning seminar for public health nurses, nutritionists, and other specialists: This was held twice as regular sessions, with a session for an individual company. A total of 79 people attended.
- The Online Seminar on Health Promotion and Health and Productivity Management support for specialists, human capital, and general affairs was streamed for free online. 486 people registered for the seminar.
- *Smart WASHOKU* Seminar for occupational fields and local government facilities: Held for three companies that promote Health and Productivity Management (one of them was a local government facility). A total of 294 people attended. In addition to teaching people how to eat without storing visceral fat, we also introduced tips on how to choose meals when eating out and how to eat when working shifts, etc.

Employee Wellbeing & Safety

Smart WASHOKU 1-Day lesson

- In collaboration with ABC Cooking Studio (operated by ABC Cooking Studio Co., Ltd.), a one-day trial cooking class for *Smart WASHOKU* was held in June 2023 at 94 ABC Cooking Studio locations nationwide. The lessons were very well received, with 1,226 people participating and approximately 80% of the participants responding that they were satisfied with the lessons.

Introduction on social media

- Recipes for *Smart WASHOKU* are posted monthly on Kao's official Facebook page. For our posts from January to December, we received an average of 313,000 impressions, an average of 248,347 reaches, and a total of 762 shares, with many comments such as "I made this at home right away!"
- A total of 13 *Smart WASHOKU* recipe videos were uploaded on Kao's official YouTube page and have been viewed a total of 6,105 times.



Smart WASHOKU mettajiru (pork miso soup)

Support for the manufacture and sale of Smart WASHOKU Bento (lunch boxes)

We extend various forms of support, such as menu supervision, for the manufacture and sale of *Smart WASHOKU* Bento in Toyohashi Zosen Service Co., Ltd.

Lifestyle habit and visceral fat measurement service

- Lifestyle habit measurement: Held at external companies/corporations with 829 participants
- Visceral fat measurement workshop: 774 people participated in the General Assembly of the Japan Medical Congress
158 people participated in the Tokyo Business Chance EXPO

Get Walking Program

As part of a program to create effective and enjoyable walking environments in workplaces and local communities, we have been distributing our unique *Hoco Touch* pedometer devices and holding Gait Measurement sessions to provide detailed analyses of walking "quality."

- *Hoco Touch* Pedometer Gait Measurement: Approx. 9,200 people have registered with it at corporate, foundation, and local government facilities
Active users: Approx. 5,700
- Gait Measurement sessions: Held 12 times externally, with approximately 900 participants
- Gait measurement workshop: 1,846 people participated in the General Assembly of the Japan Medical Congress
230 people participated in the Tokyo Business Chance EXPO

Support for writing health white papers

We provided advice on know-how about and the way of writing health white papers to three companies that are promoting health and productivity management.

Comprehensive initiatives in collaboration with local government authorities and research institutes

Initiatives that integrate our health solutions in a comprehensive manner have been implemented in collaboration with local governments and universities.

Fukushima Prefecture: Health Promotion in Collaboration with private companies

Among all prefectures in Japan, Fukushima Prefecture in particular has seen a considerable increase in the rate of individuals who are diagnosed with metabolic syndrome or certified as requiring long-term care since the Great East Japan Earthquake in 2011, causing a significant deterioration in health indicators. The Prefecture, in response to the issues, has started to outsource health promotion programs to available companies who put forward their own proposals for the citizens, and we have been successful in being selected for six years in a row since FY2017.

One of these prefectural projects, "Support for an Energetic Workplace," mainly has the aim of improving their lifestyle habits (such as diet and exercise) of the working-age generation because such habits have much to do with health indicators. Four small and medium-sized companies in the same prefecture (including three companies recognized as Certified Health & Productivity Management Outstanding Organizations) have outsourced to us the provision of dietary improvement programs. Employees of each company (160 employees in total) were provided with a *Smart WASHOKU* diet program that utilized knowledge about visceral fat for four weeks to three months. As a result of the dietary improvements, there were improvements in weight, abdominal circumference, and visceral fat area values.

In addition, we have provided a total of 1,494 local residents in 25 municipalities with Kao's walking ability improvement program for three to six months through the "Municipal Pioneering Health Promotion Support Project," aimed at extending healthy life expectancy through preventing frailty, and the "Project to Support the Resolution of Health Issues in Affected Areas," targeting residents in coastal areas affected by the disaster.

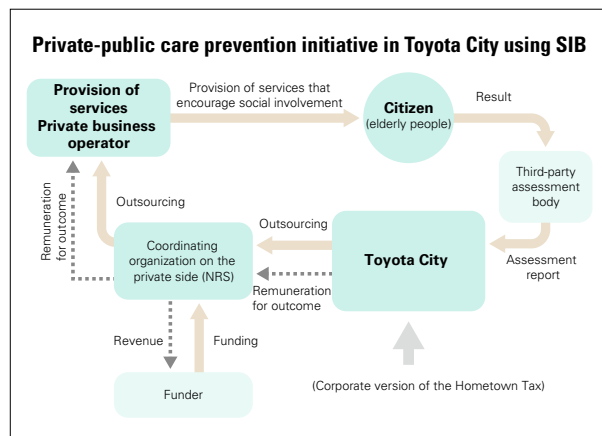
In all of the municipalities, there was a marked improvement in the quality of walking, especially for those aged 60 and older, and the program was highly evaluated by the participating residents, as well as by prefectural and municipal officials, as a motivational measure for preventing frailty.

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Toyota City, Aichi Prefecture; Genki! All the Time Project to reduce the need for care to be provided, a collaborative project between local government authorities and the private sector

Since October 2021, we have been holding *Hoco Touch* and Gait Measurement sessions for senior citizens aged 65 or over living in Toyota City. In 2021, the first year of the program, 80 people participated, and in 2022, 280 people participated. Many seniors continue to participate, with an 84.2% retention rate. The service was provided to 520 people in FY2023.

This project is making use of SIB (abbreviation for Social Impact Bond), Japan's largest-scale initiative in the healthcare sector, and is being implemented as a new initiative for working on social issues.



Private-public care prevention initiative in Toyota City using SIB

Joint research with COI, Hirosaki University

As a part of our efforts to contribute toward the building of a sustainable and healthy society, we are undertaking collaborative research with the Center of Healthy Aging Innovation (COI) at Hirosaki University, which is engaged in creating a "lifespan revolution." Focusing on

Aomori Prefecture, which has the shortest average lifespan in Japan, we are conducting social implementation research that integrates basic research on visceral fat reduction, with its measurements and modification of dietary and exercise habits, with the aim of preventing metabolic syndrome at all ages.

In 2023, as social implementation, we provided training on *Smart WASHOKU* to dietary habit improvement promoters in the Hirosaki City "Health and Community Vitality Creation Project" and developed *Smart WASHOKU* recipes together with them. In addition, we introduced a measurement technology that allows you to determine the level of visceral fat just by taking two photographs of your entire body with a smartphone using the "QOL Health Check-up," an enlightening health check-up originated by Hirosaki University. Through the use of health white papers as tools for preventing metabolic syndrome, we will help people in Aomori Prefecture succeed in becoming healthier.

Health Day Consortium Meeting

We designate WHO's World Health Day (April 7) as the Kao Group Health Day, and send messages to employees and their families at each group company within and outside Japan.

We also send a Health Day message to society.

In 2023, we launched the Health Day Consortium Meeting, and since then, we have been exchanging information on employee health promotion with like-minded business people and exchanging ideas on how to revitalize Health Day.

Information exchange with external organizations

- Participation in events on health and productivity management (organized by the Association for Considering Health and Management) and exchange of information on Health and Productivity Management initiatives in general

- Participation in the Forum for Building Healthy, Vigorous Workplaces (organized by the ICT and Healthcare Promotion Division of the Japan Productivity Center) and sharing of information on mental health issues and on initiatives taken to build employee-friendly workplaces.
- Participation in *Sanpo-Kai* (Occupational Health Research Association) and exchanging views on the occupational health projects of human capital and health staff
- Participation in the General Incorporated Payer's Association for Better Healthcare and the Health Insurance Union Management Study Group to exchange information on overall health insurance union initiatives.

Disseminating Health and Productivity Management and Health Promotion case studies outside of the company (Japan)

The General Assembly of the Japan Medical Congress Exposition: Corporate Seminars & Hands-on Workshops

A seminar for companies to report on Health and Productivity Management activities was held at the exposition, the 31st General Assembly of the Japan Medical Congress 2023 Tokyo, held in the Marunouchi area in April 2023. In addition, we provided the public with hands-on workshops on gait measurement and visceral fat measurement, with 2,637 consumers trying out the measurements.

Seminar Hosted by the Institute for Future Initiatives, The University of Tokyo

On November 8, 2023, an online seminar under the theme of "Planning and Implementation of an Effective Health-promoting / Care Prevention Business for the Elderly: Based on Case Examples in Local Governments through Public and Private Co-creation" was held (hosted by the University of Tokyo's Institute for Future Initiatives, and co-organized by Kao Corporation's *GENKI*

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Project). In the seminar, Japan's Ministry of Health, Labour and Welfare gave a lecture on policy trends, local governments that are implementing public and private co-creation gave presentations of case studies, and participants discussed the specifics of public and private collaboration and its effect using Kao's gait improvement program as an example.



Seminar hosted by the University of Tokyo's Institute for Future Initiatives

Health and Productivity Management EXPO

We participated in the 3rd Health and Productivity Management EXPO Autumn held at Makuhari Messe in September 2023. We introduced Kao's Health and Productivity Management and health promotion to visitors to the booth, who were from company human resources, general affairs, and management departments.

Tokyo Business Chance EXPO

We participated in the 3rd Tokyo Business Chance EXPO held at Tokyo Big Sight in December 2023. We provided visitors, including small and medium-sized enterprises, with hands-on experience in measuring visceral fat and gait, and introduced Kao's support for health promotion.

Introduction of Activities to Fiji

As part of the support by the Japan International Cooperation Agency (JICA), a program to learn about

lifestyle-related diseases in Japan was conducted for a total of 11 Fijians, including doctors, nurses, nutritionists, and physiotherapists and public officers who were engaged in lifestyle disease control in Fiji. They stayed in Japan from October 18 to 27, 2023, and visited companies in Tokyo and at Hirosaki University in Aomori Prefecture. As part of the program, on October 20, participants visited Kao Sumida Office to see the Kao Museum and to learn about the programs by the *GENKI* Project, such as the Visceral Fat & Lifestyle Check-ups, walking program, *Smart WASHOKU*, and more. Participants appreciated learning about support for workplace health promotion programs, the importance of the department in charge of health

promotion in the workplace, and the importance of knowing about visceral fat.

In Fiji, which has a population of less than one million, more than 30% of both men and women are obese with BMI of 30 or more. While there is an urgent need for measures to combat lifestyle-related diseases, inadequate national policies on health promotion and financial and human resource issues have put off the solution. This visit to Japan was an opportunity to recognize the importance of promoting measures such as creating a supportive environment for health promotion, developing educational materials to improve health literacy, and strengthening health check-ups in the workplace.

Employees' opinions

Smart WASHOKU for Visceral Fat Reduction

Tomoko Adachi

GENKI Project,
Human Capital Strategy,
Kao Corporation



Metabolic syndrome and lifestyle-related diseases caused by the accumulation of visceral fat are on the rise, and the *GENKI* Project is promoting the spread and awareness of countermeasures to address them.

As one of the countermeasures, we are promoting the spread of eating habits that will serve you for a lifetime and "*Smart WASHOKU*," a diet for eating well that does not lead to weight gain. In 2023, we

focused on creating opportunities to experience the *Smart WASHOKU* way of eating so that people can practice it at work, at home, and when dining out. Through dietary education seminars, cooking classes, and information provision on social media, we tried to communicate in a way that looks at this issue through the eyes of the target audience and encourages them to think, "I can keep going with this," or "All I have to do is change a few actions and make better choices." We would like to expand the circle of *Smart WASHOKU* with you all.

We will continue to increase the number of people practicing *Smart WASHOKU*, both inside and outside the company, thereby contributing to the health promotion of both children and adults, who can live healthy and secure lives even as they age. We would also like to provide information to promote the *Smart WASHOKU* way of eating not only in Japan but also overseas.

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Stakeholder engagement

Ms. Miwako Kojima

Representative and
Registered Dietitian,
Quality Life Service Co., Ltd.



Kao's response to the views expressed last year

In response to last year's stakeholder engagement, we are implementing the following initiatives:

1. As a health promotion program for seniors, we offer gait measurement and gait improvement (*Hoco Touch*) programs for local governments to promote the prevention of falls and frailty among the elderly. Local governments in Fukushima Prefecture and Toyota City, Aichi Prefecture have seen benefits, such as improved walking, as well as opportunities to get out more and increased communication.
2. We provide online lifestyle habit analysis and online cooking classes as lifestyle habit support in response to the new normal. We are also implementing initiatives to increase health literacy among employees and their families.

Based on Kao's long-standing research on visceral fat, we have been cooperating in the development and promotion of *Smart WASHOKU*, a diet for eating well and preventing weight gain.

Smart WASHOKU is considered to be useful for improving metabolic syndrome based on visceral fatty obesity, which is a health policy issue. It is used for Kao's employee health education, implemented in the company cafeteria, and used to promote the health of employees and their families.

Based on these results, Kao is providing services using *Smart WASHOKU* to leading companies engaged in Health and Productivity Management as well as to local governments working to promote Health and Productivity Management, thereby contributing to health promotion. This is highly commendable as a realization of the "Kao Group Health Declaration."

In addition, as part of measures to promote *Smart WASHOKU*, Kao provides education for health guidance professionals, such as public health nurses and registered dietitians from companies and local governments, and we commend this contribution to solving health promotion issues in Japan, which is facing a super aging society. To improve metabolic syndrome, health guidance is still often given to reduce dietary energy, which leads to temporary weight loss, but in the long run, there are concerns about future locomotive syndrome and frailty. For health guidance targets, support for eating well,

rather than reducing or restricting food, is easier to accept without stress and leads to positive efforts.

Expectations for Kao

In addition to the "table-level" information currently provided by *Smart WASHOKU*, such as the five guidelines for meals and recipes, we expect that information will be provided at the "food level" as well.

We would like to see Kao offer *Smart WASHOKU* ways to achieve dietary balance, such as showing simple ways to combine foods, when cooking from recipes is not a simple task, or there is not enough time to do so.

For those who do not cook, it would be effective to provide examples of combinations of convenience store products. We look forward to working with food retailers to present this type of "food-level" information when shopping. Providing information at times like this helps motivate consumer health behavior.

I hope that Kao will continue to actively and widely deploy the results of its practical health promotion activities and further develop as a leading company that supports the lives and health of people around the world.

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Key Health Indicators for Kao Group Employees in Japan

Item	2019	2020	2021	2022
Percentage of employees undergoing periodic health check-ups	100%	100%	100%	100%
Percentage of employees who underwent follow-up examinations	94.9%	88.1%	92.6%	96.0%
Percentage of employees undergoing continued therapy who are at high risk of diabetes	—	—	87.7%	87.1%
Specific health guidance implementation rate (age 40 or older)	71.6%	63.2%	71.2%	75.2%
Percentage of employees who eat breakfast at least three times a week	Male	77.1%	76.5%	75.8%
Percentage of employees who exercise at least once a week		57.5%	60.3%	61.0%
Percentage of employees who walk for at least 60 minutes a day		56.0%	55.6%	49.1%
Percentage of employees who get adequate sleep		63.0%	63.8%	63.6%
Percentage of employees who do not smoke		72.6%	74.0%	75.2%
Percentage of employees who do not drink alcohol every day		82.1%	82.0%	82.1%
Percentage of employees with a BMI of 25 or higher		26.7%	28.5%	27.3%
Percentage of employees engaged in improving their lifestyle habits		27.3%	28.0%	28.3%
Percentage of employees who are at risk of developing metabolic syndrome (age 35 or older)		32.3%	36.9%	33.8%
Percentage of employees receiving specific health guidance (age 40 or older)		19.0%	22.4%	18.9%
Percentage of employees who eat breakfast at least three times a week	Female	76.1%	76.3%	76.5%
Percentage of employees who exercise at least once a week		36.5%	40.4%	41.0%
Percentage of employees who walk for at least 60 minutes a day		61.7%	60.6%	56.2%
Percentage of employees who get adequate sleep		61.9%	62.6%	61.7%
Percentage of employees who do not smoke		81.6%	83.0%	84.4%
Percentage of employees engaged in improving their lifestyle habits		18.6%	21.2%	22.4%
Percentage of employees who do not drink alcohol every day		91.4%	90.6%	90.0%
Percentage of employees with a BMI of 25 or higher		14.0%	15.0%	14.7%
Percentage of employees who are at risk of developing metabolic syndrome (age 35 or older)		7.4%	8.9%	8.2%
Percentage of employees receiving specific health guidance (age 40 or older)		7.9%	9.2%	8.1%

Final health indicators in the Health Management Strategy MAP

	Male				Female			
	FY2019	FY2020	FY2021	FY2022	FY2019	FY2020	FY2021	FY2022
Degree of <i>GENKI</i> (being energetic, lively, bright)	77.8	78.0	77.8	76.6	77.5	77.6	77.2	78.1
Work engagement level	70.4	72.1	69.8	66.6	70.9	76.2	74.3	72.9
Absenteeism	7.1	6.2	5.3	6.2	7.2	6.2	6.4	9.1
Presenteeism	21.6	21.7	21.5	22.4	25.4	25.0	24.6	24.9
Job satisfaction	67.8	69.8	68.0	66.7	62.9	69.8	67.2	65.7
Life satisfaction	85.3	85.5	85.5	85.8	84.4	86.5	86.4	87.2

Investment in major health facilities

	Year	Category	Cases	Yen (tax excluded)
<i>GENKI</i> -WEB	2023	Meal analysis		5,400,000
		Communities		3,359,472
		Fee for system usage		6,263,000
<i>GENKI</i> point	2023	Items	4,352	13,625,079
		Donation to Heart Pocket Club	1,312	131,200
Subsidization in each worksite and area (Health Insurance Union PE-Aid)	2022	Health promotion business activities	102	7,318,736

Method for calculating values:

- Degree of *GENKI*: Each response to the vitality question items, “I feel vivacious.” “I am full of energy.” and “I am active.” in the stress check is scored (4 points for “Almost always,” 3 points for “Often,” 2 points for “Sometimes,” 1 point for “Almost never”). The number of employees whose average score on the three questions corresponds to 2 or more points divided by the total number of employees who responded.
- Work engagement level: Each response to the work engagement question items, “I feel energized when I’m working.” and “I feel proud of my work.” in the stress check is scored (4 points for “yes,” 3 points for “fair,” 2 points for “somewhat different,” and 1 point for “no.”). The number of employees whose total score for the two questions corresponds to 5 or more points divided by the total number of employees who responded.
- Absenteeism: To the question, “During the past 12 months, how many days in total did you take off due to illness or health reasons?” the number of employees who responded eight or more days divided by the total number of employees who responded.
- Presenteeism: In response to the question, “If your work performance, which you can show when you are at your best condition with no mental or physical discomfort, is set at 100, how would you rate your job performance in the last month, using a scale from 0 to 100?,” the average of all employees who responded subtracted from 100.
- Job satisfaction: Each response to the stress check question, “I am satisfied with my job.” is scored.
- Life satisfaction: Each response to the stress check question, “I’m happy with my home life.” is scored.

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Deployment of Company-wide Health Promotion Activities (Japan)

Content of activities in 2023	2023 results	2023 Participant satisfaction level
42-day Weight-loss Challenge Diet magazine distribution	2,535 participants (Lost 2 kg: of whom 918 were successful) Distributed six times during the event period	
Pre-health check-up belly slimming challenge	345 participants (Lost 3% from abdominal circumference: of whom 97 were successful / Lost 2 kg: of whom 97 were successful)	
Online seminar: Latest Information on Dieting and Stress in the Era of the post-COVID-19 New Normal	288 participants online / 436 video viewers	95%
Online Radio Calisthenics	A total of 208 participants	
Stop Smoking Challenge No Smoking Quiz & Let's Support Participants in the Stop Smoking Challenge Campaign	145 participants (of whom 81 were successful) / 12 supporters participated 780 participants	
Quitting smoking online	18 participants	
Smoking cessation treatment subsidy	1 person	
Spring Walking ★ <i>Waku Waku</i> Walk! Challenge Post Award	2,693 participants (1) Walking every day for 56 days or more as the target: 744 people were successful (2) (1) + 8,000 steps as the average: 1,324 people were successful	87%
2023 KAO Fall Sports Challenge	Beginner Course 1,813 / Intermediate Course 1,471, Total 3,284 (of whom 1,529 were successful)	93%
Seminar on dealing with back and shoulder pain	278 participants (Real venue 19 people / Online 259 people) Video viewed 255 times YouTube video distribution: 293 times	92%
Online seminar on "Priorities for Health Actions Based on Test Values"	220 participants online / 352 views	96%
Health action implementation record	400 participants	
Kao Women's News	4 issues published (January/April/July/October) (average number of times accessed: 2,824)	
Online seminar to support both fertility treatment and work	151 participants Video viewed 3,063 times	99%
Video lessons on women's health "What Managers Need to Know About Women's Health"	2,324 participants	4.46 (5-point scale)
World Menopause Day	Viewed 3,504 times	
Menopause Survey (men and women over 40 years old)	Number of respondents: 1,458 people	
<i>GENKI Mori Mori / Smart WASHOKU</i> Bulletin	12 issues published (average number of times accessed: 2,023)	
My Health Declaration interview	FY2023: 1 issue published / Viewed 1,642 times	
My Health Declaration	1,041 people	
Internal Questionnaire Survey on Health and Productivity Management Activities and Personal Health	10,091 people	
Eye Care Day Campaign	2,160 people	

Health Promotion Activities at Each Kao Office (Japan) (Events, seminars, campaigns, etc.)

Content	2023 results
Related to lifestyle-related diseases: Nutrition seminars, strength tests, health fairs, lectures by occupational physicians, etc.	75 programs were held with a total of 14,045 participants.
Quitting smoking challenge, etc.	10 programs were held with a total of 1,019 participants.
For women: Women's health seminars, change-of-life seminars, etc.	6 programs were held with a total of 1,571 participants.
Mental: Industrial physician lectures, sleep seminars, seminars for beauty advisors, new employees, newly promoted employees, etc.	18 programs were held with a total of 2,204 participants.
Slip-and-fall prevention seminars, etc.	2 programs were held with a total of 200 participants.

Employee Wellbeing & Safety

The Kao Group Responsible Care (RC) Policy includes occupational safety and health guidelines designed to ensure the health and safety of all who work at Kao.

By providing workplaces which offer job satisfaction and peace of mind for employees and their families, we create pleasant working environments.

Safety

Social issues

As we have several large-scale chemical plants, process safety and disaster prevention needs are increasingly heightened in the context of accidents at chemical plants and the many natural disasters that have occurred recently. Given this situation, ensuring safe workplace practices and providing a workplace environment where all employees can work safely is a crucial issue for the enterprise.

Policies

Occupational safety and health guidelines at Kao are enshrined in the Responsible Care (RC) Policy as follows: "Kao strives to provide a comfortable and healthy workplace environment for employees. Kao conducts safety and emergency response drills on a regular basis." Based on the risk evaluation of accidents and incidents, Kao diligently designs management strategies to protect employees from accidents or incidents that may occur during the course of business activities, in order to maintain stable operations.



Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Strategy

Risks and opportunities

Risks

- Risk of downtime due to occupational illness associated with a major workplace incident or a compromised operating environment
- Risk of loss of societal trust in the company due to the above

Opportunities

Kao strives to provide a safe, secure, healthy and welcoming workplace environment by identifying all forms of risk, and evaluating and mitigating factors that have the potential to compromise the workplace health and safety of employees.

Strategy

By providing a workplace environment that ensures the health and safety of employees of Kao and our partners as well as their families through our corporate operations, we create an environment that enables them to work with peace of mind and in good health. This serves to expand our business activities and boost our corporate value.

We strive to create a workplace environment that protects employees from various harms and enables them to work in a healthy state of mind and body. To this end, we have set up specific strategies in areas such as equipment and administration in the form of

Kao Responsible Care (RC) targets, with the goal of reducing the rate of workplace accidents and incidents to no more than 0.1 (equivalent to a maximum of seven employees per year) across the entire Kao Group by 2030. The Group is united in making a sustained and ongoing commitment to this target.

Social impact

The Kao Group Responsible Care (RC) Policy specifies occupational safety and health-related activity guidelines, and we strive to safeguard the safety and health of everyone working at Kao. We do this by implementing risk assessment of operations, machinery and chemical substances, ensuring thorough implementation of health check-ups and related follow-ups, and implementing activities focused on mental health.

By providing workplaces which offer job satisfaction and peace of mind for employees and for their families, we create pleasant working environments.

Enabling all employees to work safely with peace of mind and in good health facilitates the maintenance of normal business activities and the stable supply of products. Moreover, this can help to stabilize product prices.

Contributions to the SDGs



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Business impact

By making it possible for all employees to work safely, we will ensure that business activities can be carried on normally, thereby preventing unnecessary expenditure and reducing overall costs, which in turn will lead to higher revenues.

Governance

Framework

The Kao Group launched the RC Global Charter with the signature of the President & CEO in 2008. The Kao Group around the world has been pursuing the RC Global Charter since 2014.

The Responsible Care Promotion Committee was set up as part of the Internal Control Committee and reports to the Board of Directors. The Responsible Care Promotion Committee is headed by the Executive Officer Responsible for Corporate Strategy. Responsible Care activities are subject to a self-evaluation and management review process undertaken by the relevant divisions and companies relative to annual targets in the six areas of environmental conservation, process safety and disaster prevention, occupational safety and health, distribution safety, chemical and product safety and community engagement. This ensures continuous improvement geared toward risk mitigation in corporate operations.

These activities are subject to on-site auditing by an external agency to provide objective validity assessments and are linked to the Kao ESG Strategy.

We have established a promotional framework that covers the entire Kao Group, and we implement Responsible Care (RC) activities through the selection of committee members from each division.

Kao’s promotion system and activities are described below.

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Our ESG Vision and Strategy > Governance

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Responsible Care Activities

Education and promotion

To ensure that work can be carried out safely, we draft educational plans related to occupational safety and health for employees and temporary workers, and conduct training for new hires and reassigned personnel. We also identify roles that require special training, and implement training for the employees who require it as needed.

By educating our members, we are able to share information relating to occupational safety and health in the workplace, and can undertake activities aimed at achieving related targets.

In addition, we conduct periodic disaster response drills (for scenarios such as a major earthquake) and regular training to verify whether employees are safe in the event of a disaster to make sure that we will be ready for an emergency.

Collaboration with stakeholders

We strive to create workplaces where all employees can work with safety and peace of mind every day. Furthermore, in order to ensure the safety of employees of partner companies who work together with us at our worksites, we conduct events related to safety and disaster prevention, such as emergency rescue seminars and fire-extinguishing training, in cooperation with

partner companies. Every month, we share safety-related information—including case studies of occupational accidents within Kao and the steps taken in response—with partner companies, and we strive to become an enterprise characterized by safety and peace of mind through collaborative promotion of safety activities.

Risk management

Responsible Care (RC) activities are designed to ensure the environment, safety and health of employees and wider society. To this end, we implement ongoing risk mitigation activities that involve identifying risks associated with our corporate operations and putting sound countermeasures in place.

The Secretariat of the Responsible Care Promotion Committee scrutinizes the activities of the relevant divisions and group companies to identify actual and potential risks, then implements individual improvements. The results are reviewed by management and reflected in the targets for the following year. The Kao Group has built a framework for steadily implementing such activities.

Three meetings are held regularly every year: the Responsible Care Promotion Committee, the Global RC Meeting and the Japan RC Meeting. This provides the responsible officers from the relevant divisions and group companies with regular opportunities to share and exchange information and clarify risks within the Kao Group, which enables risk mitigation across the Kao Group as a whole.

We have identified large-scale earthquakes and other natural disasters as corporate risks and are engaged in ongoing risk mitigation activities. We have prepared initial response procedures in the event of a major earthquake occurring in a major city or in the Nankai Trough. Drills are carried out and verified twice

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

Our Priorities -Kirei Lifestyle Plan-

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per year. Where necessary, the procedures and their implementation are reviewed and used to improve preparedness for such a disaster. In addition, the Corporate Risk Working Group has also set the activity themes of the Corporate Risk Working Group to address new risks such as flood risks due to tsunamis and heavy rainfall, natural disasters that are expanding and becoming more severe worldwide, and the eruption of Mt. Fuji.

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

We aim to become a company that meets top-level occupational safety and health criteria on a global basis by 2030.

We have set ourselves the goals of cutting deaths and loss of function accidents to zero, decreasing the lost time frequency rate to 0.10 or less, and, with regard to work-related traffic accidents, reducing 100% negligence accidents causing bodily injury to zero, with respect to both Kao employees and employees of affiliates, by 2030.

We will be working steadily to realize these targets, with related backcasting goals and activities being adopted as annual RC targets.

2023 results

We implemented activities from the two perspectives of “Eradication of occupational accidents” and “Creating a pleasant working environment and improving the health of our employees.” More specifically, with regard to the eradication of occupational accidents, we have focused on promoting measures to prevent non-work-related accidents,

upgrading safety management systems, implementing risk assessments for facilities, operations and chemical substances, promoting near-miss reporting and improvement reporting activities, ensuring thorough implementation of safety management for infrequent operations, ensuring proper implementation of safety training, sharing information about past accidents, and working to prevent traffic accidents by expanding the provision of traffic safety education.

As for creating a pleasant working environment and improving employee health, we have strengthened management of the working environment, ensuring effective implementation and follow-up of health check-ups, undertaking health promotion activities, job stress assessments and implementing risk assessments for chemical substances. In addition, at the Health and Safety Committee meetings which are regularly held at each office, we report on activity plans as well as giving result reports, and disseminate this information to employees.

2023 targets and performance (Kao Group)

Item	Indicator	Scope	2020	2021	2022	2023	
			Results	Results	Results	Target	Results
Occupational accidents	Death / loss of function ^{*1} (persons)	Including both regular employees and temporary workers (Kao Group)☑	0	0	1	0	0
		Breakdown					
		Japan	0	0	1	—	0
		Asia	0	0	0	—	0
		Americas	0	0	0	—	0
		Europe	0	0	0	—	0
		Subcontractors (Kao Group)☑	0	1	0	0	0
		Breakdown					
		Japan	0	0	0	—	0
		Asia	0	1	0	—	0
		Americas	0	0	0	—	0
		Europe	0	0	0	—	0
	Lost time accidents frequency rate ^{*2}	Including both regular employees and temporary workers (Kao Group)☑	0.53	0.64	0.65	0.32 or less	0.71
		Breakdown					
		Japan	0.41	0.46	0.51	—	0.58
		Asia	0.07	0.38	0.33	—	0.27
		Americas	2.03	4.40	1.91	—	2.49
		Europe	2.85	1.50	2.26	—	2.25
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)	0.28	0.41	0.43	—	—
		Subcontractors (Kao Group)☑	0.66	0.23	0.77	0.17 or less	0.63
		Breakdown					
		Japan	0.85	0.38	1.28	—	0.80
		Asia	0.14	0.14	0.12	—	0.29
		Americas	5.51	0.00	6.20	—	3.11
		Europe	7.88	0.00	3.57	—	1.18
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)	0.59	0.64	0.60	—	—

^{*1} Loss of function accident: Accidents in which there is a continued loss of physical function after treatment for the injury has been completed (with a loss of physical function of Level 5 or higher)

^{*2} Lost time frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)

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GRI 403-2, 403-9, 403-10

2023 targets and performance (Kao Group)

Item	Indicator	Scope	2020	2021	2022	2023	
			Results	Results	Results	Target	Results
Occupational accidents	Total accident frequency rate*1	Including both regular employees and temporary workers (Kao Group)	1.90	1.82	1.75	0.96 or less	1.82
		Breakdown					
		Japan	2.00	1.73	1.84	—	1.89
		Asia	0.34	0.95	0.65	—	0.61
		Americas	4.05	8.00	3.19	—	2.49
		Europe	4.98	2.44	3.20	—	2.25
		Subcontractors (Kao Group)	1.43	1.07	1.39	0.52 or less	1.41
		Breakdown					
		Japan	2.18	1.78	2.85	—	2.60
		Asia	0.55	0.55	0.18	—	0.44
		Americas	5.51	0.00	6.20	—	4.66
		Europe	7.88	2.50	4.76	—	1.18
	Severity rate*2	Including both regular employees and temporary workers (Kao Group)	0.04	0.01	0.11	—	0.02
		Breakdown					
		Japan	0.05	0.01	0.15	—	0.01
		Asia	0.00	0.01	0.00	—	0.00
		Americas	0.03	0.12	0.07	—	0.10
		Europe	0.08	0.02	0.03	—	0.08
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)	0.11	0.01	0.07	—	—
		Subcontractors (Kao Group)	0.03	0.30	0.02	—	0.02
		Breakdown					
		Japan	0.06	0.03	0.04	—	0.03
		Asia	0.01	0.52	0.00	—	0.01
		Americas	0.17	0.00	0.08	—	0.02
		Europe	0.06	0.00	0.26	—	0.01
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)	0.15	0.15	0.04	—	—
	Number of employees who experienced lost work days due to occupational illness (persons)	Including both regular employees and temporary workers (Kao Group)☑	0	0	0	0	0
		Breakdown					
		Japan	0	0	0	—	0
		Asia	0	0	0	—	0
		Americas	0	0	0	—	0
		Europe	0	0	0	—	0
Traffic accidents	100% negligence accidents causing bodily injury (no. of accidents)	Sales and logistics (Japan)	1	3	5	0	3
	Accidents other than 0% negligence accidents per 100 vehicles*3		3.68	4.63	5.01	7.90 or less	5.90

*1 Total accident frequency rate: Number of persons injured in occupational accidents (including accidents without lost work days) per million hours worked

*2 Severity rate: Number of lost days / total working hours × 1000

*3 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

Targets for 2024

In order to become a company that meets top-level occupational safety and health criteria on a global basis by 2030, we have set ourselves the target of striving to prevent accidents and disasters, and we are implementing activities based on the backcasting of accident and disaster prevention targets for 2024.

Note that traffic accident targets are for Japan only.

Targets for 2024 (Kao Group)

Item	Scope	Indicator	2024 target
Occupational accidents	Regular employees and temporary workers	Death/loss of function*4 (persons)	0
		Lost time frequency rate*5	0.27 or less
		Total accident frequency rate*6	0.81 or less
	Subcontractor employees	Death/loss of function*4 (persons)	0
		Lost time frequency rate*5	0.16 or less
		Total accident frequency rate*6	0.47 or less
	Employees	Number of employees who experienced lost work days due to occupational diseases (persons)	0
Traffic accidents	Sales and logistics	100% negligence accidents causing bodily injury (no. of accidents)	0
		Accidents other than 0% negligence accidents per 100 vehicles*7	7.3 or less

*4 Loss of function accident: Accident leading to a continued loss of physical function (loss of physical function rated Level 5 or above) after treatment for injury

*5 Lost time frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)

*6 Total accident frequency rate: Number of injuries of all types (including those resulting in lost time) due to occupational accidents per million hours worked

*7 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

Reviews of 2023 results

The number of lost-time accidents and the number of traffic accidents in 2023 were about the same as those in 2022.

Employee Wellbeing & Safety GRI 403-2, 403-4, 403-5

Main initiatives

Status of occupational accident occurrences

In 2023, there were 145 injuries affecting regular employees and temporary workers due to occupational accidents. Of these, 57 injuries resulted in lost time (absence from work). There were no incidences of illness directly associated with the workplace. For occupational accidents involving subcontractors, the number of persons affected was 38, of whom 17 suffered injuries resulting in lost work days.

The most common types of accidents among regular employees and temporary workers were slips and falls arising from carelessness and insufficient checks (60 employees), accidents involving recoil movements (30 employees), and cutting and scratching (16 employees). As slip and fall accidents have been the most common type of accident in recent years, in implementing our activities we have focused mainly on strategies to prevent slip and fall accidents.

Risk assessment of chemical substances

As many types of chemical substances are handled at our manufacturing locations, the risk of damage to human health and of environmental pollution is not negligible. With this in mind, we evaluate the impacts on people and the environment and make provisions to reduce these risks. In addition, when installing additional equipment or making changes to existing equipment, and when changing the types of raw materials used, we assess the potential impact on human health and on the environment in advance. These measures have been implemented in response to the UN's Strategic Approach to International Chemicals Management (SAICM) initiative.

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Improving safety awareness with the award system for no accidents that cause lost work days

With the aim of further increasing safety awareness, starting in 2016, the scope of application of the "award system for no accidents that cause lost work days" was expanded to include not only plants inside Japan but also plants outside Japan. In addition, starting in 2021, the scope of application of the safety awards systems (including both the "award system for no accidents that cause lost work days" and the "traffic safety award system") was expanded to include sales companies and logistics companies in Japan that have had significant numbers of occupational accidents.

In 2023, a total of one plant in Japan, three plants outside Japan, one sales company and six logistics sites received awards.

Award criteria

Stage	Award criteria
1	3 years
2	5 years or 5.4 million hours
3	7 years or 8.1 million hours
4	10 years or 12.2 million hours
5	15 years or 18.3 million hours

Award system for no accidents that cause lost work days (Plant, 2023)

Country	Company / Plant	Stage
Japan	Toyohashi Plant	Stage 3 (7 years)
Indonesia	PT Kao Indonesia Chemicals	Stage 2 (5 years)
U.S.	Kao Collins Inc.	
Germany	Kao Manufacturing Germany GmbH (Germany)	Stage 1 (3 years)

"Award system for no accidents that cause lost work days" (Sales companies and logistics companies 2023.)

Company	Region / Office	Stage
KCMK	Kayabacho	Stage 2 (5 years)
Kao Transport & Logistics	Atsugi Kita Center	Stage 3 (7 years)
	Yonago No. 2 Center	
	Atsugi Minami Center	Stage 2 (5 years)
	Sagamihara Center	Stage 1 (3 years)
	Sakaide Logistics Center	
	Atsugi Logistics Center	



PT Kao Indonesia Chemicals received an award for 5 years of operation without a single accident leading to lost work days

Sharing safety messages globally

With the aim of enhancing safety awareness globally, since 2017 we have had the company's safety slogans translated into local languages at our worksites outside Japan, and the safety posters on which the President & CEO appears have been shared globally, being displayed at worksites both inside and outside Japan.

Starting in 2018, safety poster slogans have been chosen through a global competition.

Employee Wellbeing & Safety GRI 403-4, 403-5

In 2023, the winning entry came from Kao Indonesia. Safety posters with this slogan were distributed for display at Kao affiliates both inside and outside Japan.

Going forward, we will continue to promote this activity so as to strengthen safety consciousness on a global scale.



Award ceremony for the best entry
(Kao Indonesia)

Creating a pleasant working environment for employees

Besides striving to create a pleasant working environment at all worksites, in order to ensure compliance with working environment standards and relevant laws in each country, we implement surveys of the working environment on a regular basis, and undertake improvement and maintenance management of the workplace environment.



The safety poster featuring the President & CEO was deployed in 12 different local languages
(Clockwise from top left: Japanese, English, Vietnamese and Indonesian)

Responsible Chemicals Management

Kao believes that it is important for people around the world to enjoy the benefits provided by chemicals and to have safety and peace of mind in society with the proper management of the risks of chemicals. Through its ESG (environmental, social, and governance) initiatives, Kao will take the lead in responsible chemicals management to help realize a sustainable world.

Social issues

Chemicals foster our lifestyles and are essential to strive for the wholehearted satisfaction and enrichment of the lives of people globally. On the other hand, chemicals could have a negative impact on human health and the environment.

Chemical pollution is said to be a risk factor for global environmental destruction, human health damage, and ecosystem degradation and is regarded as one element of the triple planetary crisis (the other two threats are climate change and biodiversity loss) (UNEP, 2023)*¹. The international goal on chemicals management toward 2020 was not achieved; therefore, the participation of a wide range of relevant stakeholders and ambitious and concrete actions for chemicals management are required. In September 2023, a successor framework was adopted under the United Nations Environment Programme (UNEP, 2023)*². It confirmed that the growth of the chemical industry will accelerate, meaning that proper management of chemicals and waste is essential to achieve SDGs, and promised that the triple planetary crisis will be comprehensively addressed, and that all stakeholders and sectors will strengthen the coordination and cooperation efforts at all levels (UNEP, 2023)*¹.

*¹ High-level declaration on the Global Framework on Chemicals
<https://www.chemicalsframework.org/bonndeclaration>

*² Adoption of the Global Framework on Chemicals after 2020
<https://www.chemicalsframework.org/page/text-global-framework-chemicals>

Policies

Kao considers responsible chemicals management as one of the Kao Actions in our ESG strategy.

We believe in a safe society where people around the world can enjoy the benefits provided by chemicals with peace of mind. To that end, the risks associated with chemicals should be properly managed. Through our ESG initiatives, we want to take the lead in responsible chemicals management to help actualize such a society.

This policy is published on the following website.



Responsible Chemicals Management Promotion Policy
<https://www.kao.com/global/en/innovation/safety-quality/saicm/saicm-policy/>

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Our ESG Vision and Strategy > Metrics and Targets

Strategy

Risks and opportunities

Risks

As mentioned above, the United Nations has issued warnings related to the triple planetary crisis, i.e., climate change, biodiversity loss, pollution from chemicals and waste. Because they are mutually related and affected, Kao thinks that comprehensive considerations on climate change and biodiversity loss should be required when we deal with risks in the field of chemicals management. Moreover, the Chemical Strategy for Sustainability (CSS) under the European

Risk factors and risks for Kao

	Item	Risks for Kao
Environmental changes	Climate change (increased natural disasters due to temperature rises, increase in energy costs, etc.) and biodiversity loss	Suspension of plant operation
		Division of the supply chain
		Rising raw materials prices
		Lack/unavailability of naturally derived materials
Policies, laws and regulations	Introduction of environmental taxes such as a carbon tax	Increase in the price of petrochemical raw materials
	Development of a recycling system/requirement and obligation for environment monitoring	Burden of expenses for system architecture, monitoring, etc.
	Strengthening hazard-based chemical regulations	Increase in the number of chemicals that can no longer be used Lost business opportunities due to product performance degradation or discontinuation
	Inconsistency among global regulations	Response to regulations that differ among EU countries, other developed countries, and developing countries
Markets	Increasing environmental awareness/ethical preferences of consumers	Loss of brand value and decline in the share
	Growing demands from external ratings firms and investors	Loss of corporate value due to lack of information disclosure
	Growing demand from distributors	Decline in sales due to reduced transaction volume
Reputation	Reputation of specific chemicals / Reputation of companies, as greenwashing companies	Loss of opportunities to sell products
		Decrease in brand value/corporate value
		Litigation risks

Responsible Chemicals Management

Green Deal might also have a major effect on our strategy. If the rate of such environmental changes increases and regulations are strengthened, markets and consumer awareness will also change accordingly, which can be risk factors. From a comprehensive perspective, with the above issues in mind, Kao attempted to extract risks from its chemicals management. The results are shown in the table on the previous page.

Opportunities

Promoting responsible chemicals management, taking measures against expected impacts and risks in advance, and maximizing the benefits of chemicals should provide opportunities to avoid risks, including climate change and biodiversity loss, and help to achieve a sustainable world. This will also help us earn the trust of society and enable our business to grow.

Strategy

We tried to formulate resilient corporate strategies in response to identified risks and opportunities through a scenario analysis.

Scenario analysis trial in chemicals management

In the fields of climate change and biodiversity loss, scenario analyses based on the framework of TCFD*¹ and TNFD*², respectively, have already been launched. By attempting a scenario analysis based on these pioneering examples, we have examined the extent to which risks and opportunities for Kao in the field of chemicals management will generate impacts under the assumed scenario and what strategies will be effective to make us resilient, especially with respect to risks.

*1 TCFD: Task Force on Climate-related Financial Disclosures

*2 TNFD: Task Force on Nature-related Financial Disclosures

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Decarbonization > Strategy> Business impact > Estimation of business impacts by 2030

Although we have not yet established such a framework in the field of chemicals management, we created a scenario by using TCFD, TNFD, and SSP*³ scenarios as a reference and attempted an analysis based on it.

*3 SSP scenario: Shared Socioeconomic Pathways. A scenario to assess the effect of climate change, which has been developed in collaboration with the National Institute for Environmental Studies, Pacific Northwest National Laboratory, Plan Bureau voor de Leefomgeving, International Institute for Applied Systems Analysis, and Potsdam Institute for Climate Impact Research

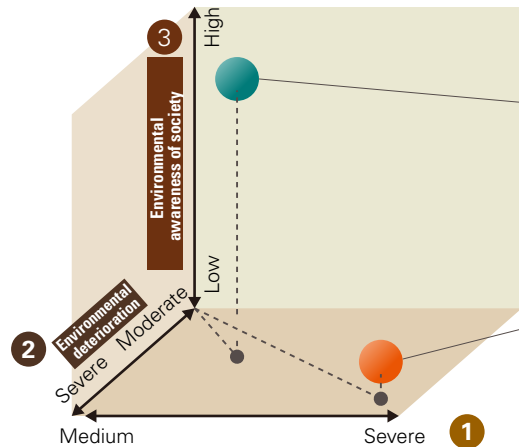
As the previous table shows, a wide range of factors affect risk and contain uncertainty. Emerged risks should vary greatly according to external circumstances and factors such as environments, regulations, and societies. For this reason, we decided to select multiple factors in external environments that are likely to be important from a medium-term perspective—instead of narrowing down to one factor or scenario—draw up multiple scenarios based on the difference in the change in those factors, and examine the scenarios.

As important factors for creating scenarios, we identified the progress in chemical regulations (level of introduced regulations and global spread), the degree of deterioration of the global environment, and the level of increase in society’s environmental awareness. We created two scenarios that are at opposite ends in a three-dimensional space with these three factors as its axes, as shown in the figure on the next page. We call these two scenarios scenario A and scenario B. We believe that, in the uncertain future, a strategy devised

after setting diametrical scenarios and examining the impact of risks will be effective for future changes in the external environment and will lead to Kao becoming resilient.

Responsible Chemicals Management

Elements of the scenarios and assumed scenarios



Scenario A

- Chemical regulations vary geographically
- Social awareness of sustainability is high and company activities are strictly scrutinized
- Climate change and biodiversity loss are suppressed to a certain level

Scenario B

- Chemical regulations on a hazard basis have spread globally
- Social awareness of sustainability is low and environmental deterioration is progressing
- Naturally derived resources are depleted due to abnormal weather and natural disasters, and supply chain disruptions are occurring

Next, we estimated the probability of the risks for Kao (which were extracted earlier as shown in the table above) actually occurring in each scenario. We then examined what strategies would be effective when those risks actually occur in each scenario. The results are shown in the table below.

In scenario B, which assumes severe global chemical regulations and environmental deterioration, we judged that the development of products and processes that can contribute to the reduction of environmental impact, stable operations, including stable raw material procurement, and realization of zero accidents due to chemicals, would be important.

In scenario A, which assumes the development of chemical regulations that differ globally and increased awareness by stakeholders, we believe it is important

Scenario analysis

(Estimation of the risk probability and effective strategies in each scenario)

	Item	Risks for Kao	Regulations differing globally / Enhanced social awareness	Severe regulations / Environmental deterioration
			Influence in each scenario	
			Scenario A	Scenario B
Environmental changes	Climate change (increased natural disasters due to temperature rises, increase in energy costs, etc.) and biodiversity loss	Suspension of plant operation	M	VH
		Division of the supply chain	M	VH
		Rising raw materials prices	H	VH
		Lack/unavailability of naturally derived materials	M	H
Policies, laws and regulations	Introduction of environmental taxes such as a carbon tax	Increase in the price of petrochemical raw materials	M	VH
		Burden of expenses for system architecture, monitoring, etc.	M	H
	Development of a recycling system/requirement and obligation for environment monitoring	Increase in the number of chemicals that can no longer be used	H	VH
	Strengthening hazard-based chemical regulations	Lost business opportunities due to product performance degradation or discontinuation	H	VH
Markets	Inconsistency among global regulations	Response to regulations that differ among EU countries, other developed countries, and developing countries	VH	L
		Loss of brand value and decline in the share	VH	L
	Increasing environmental awareness/ethical preferences of consumers	Loss of corporate value due to lack of information disclosure	VH	M
	Growing demands from external ratings firms and investors	Decline in sales due to reduced transaction volume	VH	M
Reputation	Reputation of specific chemicals / Reputation of companies as greenwashing companies	Loss of opportunities to sell products	H	M
		Decrease in brand value/corporate value	VH	M
		Litigation risks	H	H

Effective strategies in each scenario

Scenario B

Develop products and processes with reduced environmental impact

Realize stable operations and zero chemical accident

Scenario A

Appropriate risk assessments, keeping up with trends of chemical regulations, and strategic use of chemicals

Earn trust from society through effective communication

(VH: Very heavy, H: Heavy, M: Medium, L: Light)

Responsible Chemicals Management

to strategically use chemicals based on appropriate risk assessments and to keep up with trends in chemical regulations. We also think we will need to improve transparency and enhance communication so we can gain stakeholders' trust.

Based on the strategies extracted from such a scenario analysis, we decided to implement our efforts voluntarily and more strategically with a focus on the following three activities we have been engaging in.

(1) Develop products and processes with reduced environmental impact

- Minimize environmental impact throughout the product life cycle

(2) Use management systems*1 to optimize risk assessment methods, assess risks, and strengthen risk management

- Optimize risk assessment methods for efficient chemicals management
- Foster community safety and peace of mind by having zero chemical accidents

*1 Chemical information, safety information, legal information, volume and application information, etc.

(3) Proactively disclose benefits, safety and our actions, and continuously engage in dialogue

- Make information on chemicals' benefits and safety available in an accessible and easy-to-understand way
- Effectively communicate with all people around the world to earn trust

As a result of our approach to examining scenarios using a wide range of factors, we were able to derive strategies with important future "amplitude" in mind

with a multilateral approach. Accordingly, we launched Kao's resilient actions against various risks in the field of chemicals management.

Social impact

Chemicals management is deeply related to various social and environmental issues, such as resource depletion, climate change, biodiversity loss, water shortage, air and water pollution, plastic and waste problems, misinformation, and the provision of false information. By further strengthening our cooperation with the industry, government and academia and sharing the activities regarding chemicals management initiatives in collaboration with society, including risk assessment, we will contribute to ensuring the safety and peace of mind of people and solving various social problems, including environmental problems, based on our policies and strategies.

Contributions to the SDGs



Business impact

Kao will realize sustainable business growth by continuously releasing products that have minimal environmental impact throughout their entire lifecycle, from raw material procurement to disposal and recycling.

By disclosing information on chemical substances to a wide range of stakeholders, i.e., consumers, customers, employees, distributors, administrative bodies and others, and by promoting effective communication with that information, we can improve the understanding of chemicals and products containing them and promote proper handling methods. This is expected to build trust, in addition to ensuring safety and peace of mind for society, thereby enabling our business to grow.

Governance

Framework

Kao considers chemicals management to be one of the key issues to tackle in our ESG strategy. We have established the Chemical Stewardship Steering Committee as a subordinate unit of the ESG Managing Committee to more promptly reflect the decisions made by the ESG Managing Committee on responsible chemicals management promotion activities and business activities.

The SAICM Promotion Committee is taking the lead in promoting voluntary chemicals management throughout the product lifecycle under major policies formulated by the Chemical Stewardship Steering Committee.

The SAICM Promotion Committee is chaired by the Executive Officer, and the members are elected from key divisions. Proposed initiatives are reflected in the day-to-day operations of individual divisions. The Committee ensures that its decisions are reported at the ESG Managing Committee, the Management Board, or the Executive Officers Meeting through the Chemical

Responsible Chemicals Management

Stewardship Steering Committee at least once a year to maintain a sound decision-making process.

The Committee has established five teams*¹ to promote strategic initiatives. In addition to meetings of individual teams, the SAICM Promotion Committee meets four times a year to conduct planning, receive progress reports, review projects, propose and discuss new issues, and holds lectures by outside experts.

The Kao SAICM Expert Advisory Panel consists of the Chairperson of the SAICM Promotion Committee and outside experts, and Kao continues to pursue the true value of the initiatives by receiving suggestions and advice from the Panel on the concept of and methods for responsible chemicals management. In 2023, we invited a communication expert in order to reflect external perspectives in the structure and reinforced it.

*1 Minimize environmental impact, optimize risk assessment, achieve zero accidents to create safety and a sense of trust in local communities, disclose information concerning benefits and safety, and communicate for trust

P25 Our ESG Vision and Strategy > Governance

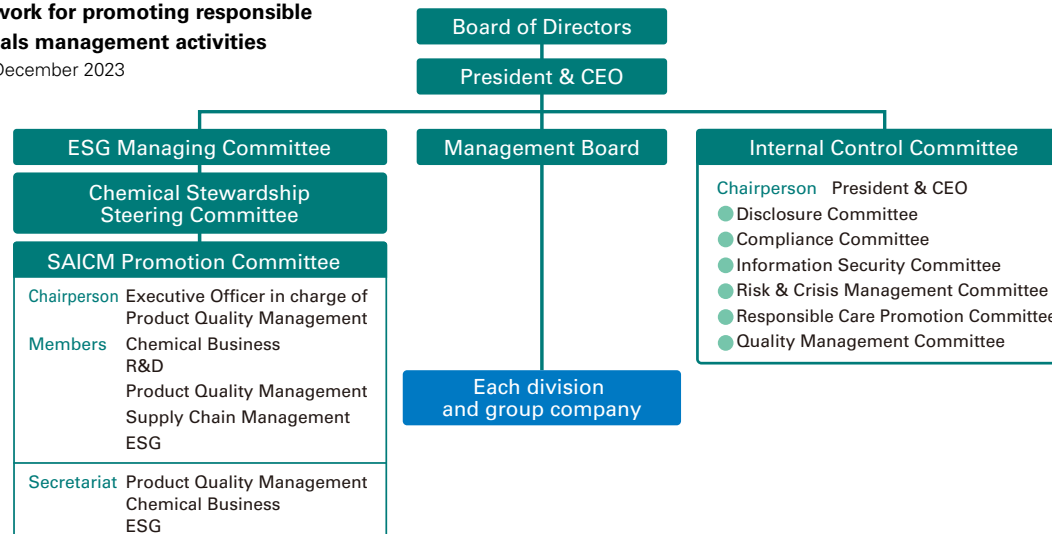
Comprehensive Management System for Chemical Substances

In addition to strengthening the chemicals management framework, Kao has developed and is operating the Kao Comprehensive Management System for Chemical Substances as a support tool.

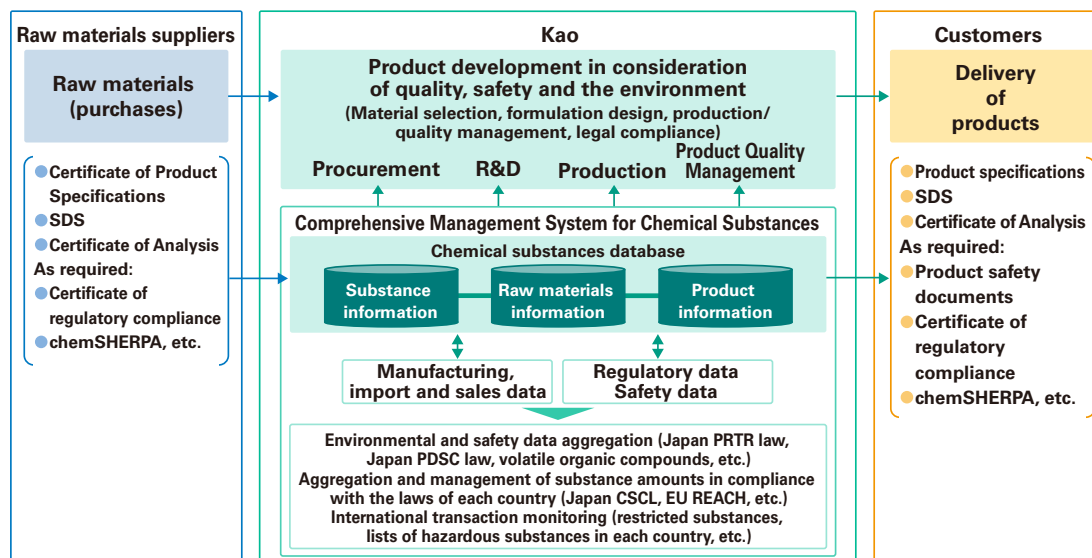
We create a database of information on raw materials, and the chemical substances contained in this system, as well as managing information on safety and regulations. This system ensures traceability. For example, once a problem with a raw material arises, this system enables us to quickly identify the impact on our business and to establish appropriate actions.

Framework for promoting responsible chemicals management activities

* As of December 2023



Comprehensive Management System for Chemical Substances



Responsible Chemicals Management

We will continue improving the system and enhancing its functions to keep up with global trends in laws and regulations related to chemical substances and changes in the business environment.

Education and promotion

To raise awareness of chemicals management and deepen correct understanding, we continuously provide education for employees, including lectures by outside experts. For example, we provide briefing sessions on chemical regulations and laws for employees who need to handle chemicals, provide training on the risks and harms of chemicals at manufacturing sites and regular lectures by external experts every year.

Collaboration with stakeholders

Mutual understanding is essential for stakeholders, including consumers, on the benefits of proper use of chemicals that will lead them to lives with peace of mind. We share information on chemical risks with stakeholders to reach a common understanding (risk communication), and ensure community safety and trust via communication.

We also cooperate with academic societies and other experts engaged in chemicals management.

Collaboration and communication with consumers

We engage in continuous communication relating to chemical risks so that products can be used safely and with peace of mind.

Collaboration with customers and distributors

Various information is transferred through the supply chain from upstream to downstream to ensure all the

relevant business partners appropriately handle chemicals complying with chemical regulations within and outside Japan. Kao also works with its customers and distributors to efficiently communicate and manage information.

Collaboration with administrative bodies

We continuously engage in dialogue and cooperate with administrative bodies within and outside Japan to earn more trust with regulatory authorities involved with chemicals management and promote more appropriate chemicals management as a company that handles them.

Collaboration with industry organizations

We participate in various activities to contribute to chemicals management in industries.

Risk management

We identify issues related to chemicals that are occurring or are likely to occur in the respective fields of science, regulation, and society worldwide. With the SAICM Promotion Committee taking the central role, we organize risks and opportunities and prioritize important issues while appreciating the views of third parties. For example, we continuously implement the PDCA (Plan, Do, Check, and Act) cycle at *Genba* where chemicals are handled, with the aim of having zero accidents.

These initiatives are regularly reported to the ESG Managing Committee through the Chemical Stewardship Steering Committee.

The activities mentioned above also contribute to ensuring business opportunities and avoiding reputational risk.

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Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

As our interim long-term targets for 2030, we set the Mid-term Plan 2025 (K25) to make Kao a company with a global presence that is valuable to society, and K27 to make it a company that runs a *Global Sharp Top* business. Measures to solve global environmental issues will be essential to meet the first target, “become an essential company in a sustainable world.” With “walking the right path” as the starting point for our activities, we set the following targets to be achieved by 2030 in order to develop our business activities in a sustainable manner by implementing responsible chemicals management.

(1) Develop products and processes with reduced environmental impact

We will contribute to the creation of a sustainable world by proposing to society the development and manufacture of products that minimize the environmental impact of chemicals in all stages of the product lifecycle, from raw material procurement to development, manufacturing, sales, use, disposal, and recycling and by promoting the implementation of such activities in collaboration with society.

Responsible Chemicals Management

(Company goal: To contribute to a 22% reduction in lifecycle CO₂ emissions in 2030 (base year 2017) and 80% as the sustainable chemicals rate in 2024)

(2) Use management systems to optimize risk assessment methods, assess risks, and strengthen risk management

We will develop optimal chemical risk assessment methods, use management systems, and promote the reinforcement of actual risk assessment and management. We will strive to achieve zero accidents at plants to ensure safety and foster a sense of trust in local communities. In addition, we will share the research results of optimization of risk assessment methods and assessment results with society to contribute to the appropriate and efficient management of chemical risk throughout society.

(Evaluation of Kao's chemicals for priority risk assessment: 100% of the goal for 2030, Implementation of risk assessment using the non-animal assessment method: Aiming for one category every year)

(3) Proactively disclose benefits, safety and our actions, and continuously engage in dialogue

We will foster the trust and confidence of society related to chemicals by providing accurate and easy-to-understand information on chemicals and our specific initiatives and by conducting ongoing communications with stakeholders.

We formulated and announced indicators (KPIs) regarding this approach in 2020.

KPI 1: Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers (Target 100% (2030))

We select chemical substances for disclosure based on their impact on people and the environment and their importance in Kao's corporate activities.

KPI 2: Percentage of areas where the impacts on health, environment, and safety from chemicals are managed responsibly and sustainably while considering their stages from raw materials procurement to disposal (Target 100% (annually))

The requirements for management vary with changes in society and the environment. We work to minimize the impact with the best realistic and available solutions for each case.

P43 Our ESG Vision and Strategy > Metrics and Targets

2023 results

We conducted activities in line with the plan for 2023. We are continuing our efforts to minimize the risk from chemicals through product and process development, safety assessments and *Genba* risk management, and to earn the public trust and peace of mind regarding chemicals through dialogue including information disclosure.

(1) Develop products and processes with reduced environmental impact

- Developed products that contribute to improving the use of sustainable raw materials, reducing LC-CO₂, conserving water, and reducing waste.
- Continued the development of environmental impact-reducing products/processes and received four awards (GSC^{*1} Environment Minister's Award, GSC Poster Award, 50th Environmental Award, CESIO^{*2} Technology Award)
- Formulated policies for using ingredients that attract a high level of concern from a regulatory and social perspective, and

created a plan for reducing the use of such ingredients, by applying the information in the Comprehensive Management System for Chemical Substances.

(2) Use management systems to optimize risk assessment methods, assess risks, and strengthen risk management

- Evaluated Kao priority assessment substances (2 categories)
- Made presentations at academic conferences and submitted papers on safety evaluation techniques that do not use animals (e.g., presentation at the Japanese Society of Toxicology (JSOT) and winning the Poster Award from the Japanese Society for Alternative to Animal Experiments), and currently making striving to meet OECD test guidelines.
- Upon adoption of the international framework (UNEP, 2022) regarding biodiversity, gained an understanding of risks and opportunities relating to biodiversity caused by chemicals and clarified what actions to take.
- Gained an understanding of the impact of chemicals management based on the TCFD on climate change (scenario analysis in the previous section).
- Continued to build a system for centralized management of environmental, health and safety information relating to chemicals in order to reinforce risk management of chemicals handled at Kao plants.

*1 GSC: Green and Sustainable Chemistry

*2 CESIO: European Committee of Organic Surfactants and their Intermediates

KPI: Percentage of areas where the impacts on health, environment, and safety from chemicals are managed responsibly and sustainably while considering their stages from raw materials procurement to disposal

We continued to manage impacts on the environment, health and safety at business sites (GHS indication, SDS updates, and risk assessments), while taking into consideration stages from raw materials procurements to disposal: 93% of Kao plants.

Responsible Chemicals Management GRI 413-1

(3) Proactively disclose benefits, safety and our actions, and continuously dialogue

- Created interactive content that supports dialogue regarding chemicals with stakeholders, and conducted verification.
- Promoted understanding of Kao's corporate activities through dialogue and confirmed awareness and behavior changes with respect to chemicals.
- Engaged in continuous communication relating to chemical risks for medical students and professors as stakeholders.
- Continuously explored content improvement and dialogue methods based on consumers' thoughts and their backgrounds in order to resolve questions and concerns about chemicals.
- Promoted communication activities relating to chemical risks to secure the safety and peace of mind of the community through symbiotic relationships between Kao plants and communities.
- Held dialogues with industry associations and administrative bodies both within and outside Japan ahead of the adoption of Global Framework on Chemicals in reaction to unachieved 2020 international goals for chemicals management, and held a series of discussions about the future direction after adoption (12 times in total).

KPI: Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers

We released two safety summaries on Kao priority assessment substances evaluated in 2021 (the release rate was 38% of the target through 2030) and 12 GPS Safety Summaries for chemical products.



Two categories: Alcohol ethoxylate and ethylenediaminetetraacetic acid
https://chemical.kao.com/global/sustainability/saicm/article_05/

Kao Receives JCIA's "JIPS Award" for the Seventh Consecutive Year for Its Chemical-Related Initiatives
https://www.nikkakyo.org/basic/page/JIPS_award.html

- Disclosed our policies relating to ingredients of high social concern and fragrance ingredient names

P72 Safer Healthier Products

P180 Full Transparency

In the above efforts, we applied the Comprehensive Management System for Chemical Substances and endeavored to manage and disclose information on the results of safety evaluations, volume management, regulations, and substances of high social concern.

Reviews of 2023 results

We implemented the 2023 plans, including two KPIs, to realize the 2030 mid- to long-term targets. In particular, the adoption of Global Framework on Chemicals in reaction to unachieved 2020 international goals for chemicals management and regulatory reforms based on the EU CSS is expected to have a global impact. Therefore, we worked to minimize the business impact on Kao and maximize the opportunity for business growth by engaging in dialogue with industry associations and administrative bodies, both within and outside Japan, and responding to public consultations in order to ensure that the regulations would be more appropriate.

We will contribute to the development of a sustainable world by comprehensively working on problem-solving through the fusion of individual activities and collaboration with society.

Main initiatives

We made ongoing efforts to communicate with a variety of stakeholders regarding chemicals as follows:

Collaboration and communication with consumers **Collaboration with university courses**

- We cooperated with the Environmental Health group in the Hygiene and Public Health Practice at Teikyo University's School of Medicine.
- We cooperated with Risk Society and Communication, a course at the Center for Creation of a Symbiotic Society with Risk, Yokohama National University.

Through these collaborations, we also examined methods of dialogue for clearing people's fears about chemicals and prompting awareness and behavioral change with respect to chemicals.



Hygiene and Public Health Practice, Teikyo University School of Medicine
<http://www.med.teikyo-u.ac.jp/~hph/education.html>

Cooperated with Risk Society and Communication, a course at the Center for Creation of a Symbiotic Society with Risk, Yokohama National University
<https://www.kao.com/jp/newsroom/news/topics/2023/sustainability-20230726-001/>

Communication with local residents

With the aim of minimizing the impact of chemical leaks from the Kao plant and of explosions there, we held regular dialogues and joint training with the Wakayama City Fire Department, so that neighborhood residents can live with security and peace of mind.



Kao Wakayama Plant—Joint Training with Wakayama City Fire Department
<http://www.city.wakayama.wakayama.jp/syoubou/news2/1008541/1050921.html>

Responsible Chemicals Management GRI 413-1, 417-1

Collaboration with customers and distributors Providing information on chemicals in products

To provide regulatory information on chemical substances contained in our industrial products and other information, we communicated efficiently with the supply chain by utilizing chemSHERPA-CI^{*1}, an industry-wide communication format, and continued to provide the latest information by updating the information twice a year.

^{*1} chemSHERPA-CI

Data entry support tool and output format for communicating information on specified chemical substances

GHS-compliant SDS^{*2} and product labeling

We issued SDSs and product labels that comply with the GHS rules of each country and region and revised them so that industrial products can be used properly in accordance with laws and regulations at the local, national and regional levels.

In Japan, we completed the revision of SDSs corresponding to the revision of the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof in 2023 by its implementation date, and provided the revised SDSs to customers.

^{*2} SDS

Safety Data Sheet

A document providing information to ensure safe and appropriate handling of chemicals, such as names of substances contained in the product, information about potential hazards and handling precautions.

Information provision and sharing via a private network

We utilized a private network with industrial product distributors to provide information online, such as on

SDSs and chemSHERPA-CI, and continuously encouraged chemicals management throughout the supply chain. In July, we held an online biennial training session for new employees at distributors and provided explanations on chemicals management. For main distributors, we also held individual online and in-person information exchange meetings on comprehensive safety management in December. In addition to explaining the latest legal and regulatory trends, we asked for understanding of and cooperation with Kao's initiatives in chemicals management.

Collaboration with administrative bodies

We held six meetings with government agencies to exchange information so that we could earn more trust with regulatory authorities and promote more sound chemicals management as a company that handles chemicals.

Themes: Post-SAICM, Regulatory science, Innovation, Mutual authentication for reliability assurance, Product safety, EU Chemical Strategy for Sustainability (EU CSS)

Moreover, we adjusted and promoted the exchange of opinions with administrative bodies and industry associations for the adoption of Global Framework on Chemicals after 2020, informed large numbers of relevant stakeholders in Japan of the information and promoted partnerships after the adoption through lectures.



NITE (National Institute of Technology and Evaluation)
NITE course (Chemicals Management)
<https://www.nite.go.jp/data/000152323.pdf>
<https://www.nite.go.jp/data/000152357.pdf>

Collaboration with industry organizations

In accordance with the EU CSS, a variety of public consultations to revise REACH and CLP regulations were conducted in 2023. We worked to collect information to minimize the future impact on our business and communicated with administrative bodies through industry groups, where we play important roles, for rational legislation.

In addition, we led discussions in each industry association ahead of the Global Framework on Chemicals, which was adopted in reaction to unachieved 2020 international goals for chemicals management. Furthermore, we made efforts to increase awareness of the value of chemicals management and earn the trust of society by transmitting initiatives of Kao as a company in the industry through industry associations' PR magazines and annual reports.



Japan Soap and Detergent Association (JSDA)
CLEAN AGE 273
https://jsda.org/w/06_clage/4clean_273-2.html

Environment Annual Report Vol. 48
https://jsda.org/w/00_jsda/9_Annual-Report/Environmental-Annual-Report_Vol.48_2023.pdf

Chemicals and Environment No. 178 (March 2023) (Organization for Research and Communication on Environmental Risks of Chemicals)
<http://ecochemi.jp/mokuji151-200.html>

Responsible Chemicals Management

Stakeholder engagement



Kazuo Matsushita

Professor Emeritus, Kyoto University

The year 2023 was the hottest year on record. U.N. Secretary-General Guterres warned that the era of global warming has ended and the era of global boiling has arrived. At the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), it was agreed that what was needed was not only decarbonization but also tripling the renewable energy capacity globally and doubling the world's average annual rate of energy efficiency improvement by 2030.

Meanwhile, in 2014's evaluation of planetary boundaries, a concept that indicates the health of the global environment, four boundaries (climate change, biodiversity loss, land-system change, and biogeochemical flows) out of nine exceeded their

thresholds. In the evaluation of September 2023, however, six boundaries (the four boundaries mentioned earlier plus freshwater use and novel entities) exceeded their thresholds.

Regarding the trend of international chemicals management, the Global Framework on Chemicals for a Planet Free of Harm from Chemicals and Waste, which aims to make the Earth a planet with no adverse effects of chemicals and waste, was adopted for a safe, healthy, and sustainable future in September 2023.

I deeply appreciate the fact that Kao has formulated Kao SAICM (responsible chemicals management), which aims to have safety and peace of mind in a society in which people enjoy the benefit of chemicals whose risks are properly managed, is leading the industry through the ESG initiatives, and has adopted the following approaches ahead of the international goals.

- (1) Minimize environmental impact throughout the product lifecycle
- (2) Foster community safety and a sense of trust by having zero chemical accidents

- (3) Optimize risk assessment methods for efficient chemicals management
- (4) Make information on chemicals' benefits and safety available in an accessible and easy-to-understand way.

- (5) Effectively communicate with all people around the world to earn trust

In approach (1), for example, it is noteworthy that Kao made concrete efforts to improve the utilization rate of sustainable materials, reduce the content of regulated chemicals of high concern, change the refrigerant at manufacturing sites, and reduce CO₂ emissions through energy saving, electrification, and use of biomass in chemical manufacturing processes. I am also struck by the fact that Kao carried out joint training with the local fire department to encourage risk communication and aimed for more practical collaboration as a concrete activity in approach (2).

I look forward to seeing how Kao will take the initiative and act as a frontrunner in chemicals management for the future.

Our Foundations

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P288	Corporate governance	<p>We formulated and released our Corporate Governance Structure Policy. Due to this, the following points were improved:</p> <ul style="list-style-type: none"> • Outside Directors comprise half or more of the Board of Directors (Strengthen monitoring functions) • Restrictions on the number of concurrent positions held by Directors and Audit & Supervisory Board Members (Ensure the effectiveness of Directors and Audit & Supervisory Board Members) • Review of the members of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers (Promote specialized and intensive deliberations by the Committees) • Encourage Directors and Executive Officers to hold the Company's common stock (Share interests with shareholders) 	Enhancement of Corporate Governance Structure discussions and improved transparency for stakeholders	P288
P293	Risk and crisis management	We selected the corporate risk themes for 2024 based on a risk survey of "Risks that may impede the achievement of the Kao Group Mid-term Plan 2025 (K25) (2027 (K27))," analysis of the external environment, and interviews with management	Clarifying main risks, including corporate risks, and strengthening our response	P293
		We selected "Geopolitics" as a corporate risk theme to address the continuing issue in Russia-Ukraine and the growing geopolitical risks in East Asia, and strengthened our response with a focus on calculating the impact on our business based on risk scenarios, ensuring employee safety, securing supply chain networks such as raw material procurement and reputation risk response.	Response to Geopolitics	P295
P300	Responsible care activities	Implemented on September 11, the report on actual performance activities in the first half of the year, the results report of the RC secretariat audit, and RC targets for the following year were adopted.	Responsible Care Promotion Committee	P301
		In July and August an audit was conducted on all promotion divisions in Japan and group companies outside Japan to grasp the progress and issues related to the RC activities.	RC Secretariat Audit	P303
		Five of the ten plants in Japan have been newly certified with integrated ISO 45001.	Certification with ISO 45001 in Japan	P305
P308	Product quality management	Educational materials were created using important regulations, internal rules, and past quality issues, and these were organized into a library on our internal portal site. This provided an environment where employees can utilize these resources at any time.	Strengthening the quality management education programs	P312
		At Kao (Taiwan), we have introduced the "Quality Management Meister System," which offers education to local staff to develop certified trainers and enable autonomous education locally.	Quality management education at Group companies outside Japan	P312
		The internal audits for GMP compliance were expanded to the Asian group factories. The scope of the internal audits for the departments managing the contract manufacturing facilities was also expanded to include the household goods and food management departments.	Verifying quality management activities through audits and voluntary inspections	P312

Our Foundations

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P314	Information security	To prevent information leaks arising from cyberattacks, we create security measure strategy roadmaps. We budget and strengthen our security measures accordingly.	Reinforcement of cybersecurity measures	P314
		We have launched a new management system for personal information. This enables us to identify: (1) what personal information we have and how much; (2) which system is used to process the data and how it is utilized; and (3) where the risks in handling personal information lie.	Strengthening personal information management	P321
		Each year, the Information Security Committee of each company outside Japan describes and submits reports on the company's awareness-raising and self-inspection activities, improvement targets, and incidents. This is how we monitor the activities of the Information Security Committee at each company outside Japan.	Monitoring activities of the Information Security Committees outside Japan	P321
		Regarding information security measures, we implement activities based on the PDCA cycle as shown in the items below. Plan: Formulate a plan and review the list of trade secrets, awareness-raising materials, self-check questions, etc. Do: Conduct awareness-raising activities Check: Implement self-checks and auditing of outsourcing partners to handle personal information Action: Set improvement targets and implement activities	PDCA (Plan, Do, Check, and Act) cycle activities for information security measures	P318
P323	Digital transformation	We have built a platform to connect directly with consumers globally, which serves as owned media and a new marketing platform.	Promotion of the concept of an "Interactive Platform"	P324
		In addition to the citizen developer training that we have been promoting, we have launched the "DX Adventure Program" for all employees.	Accelerating development of human capital for digital transformation (DX) to support promotion of DX	P326
P331	Intellectual property	Intellectual Property and Brand Legal Management (IP divisions) collaborated in the promotion of intellectual property activities, and worked together to maximize the use of technology assets, along with business and research.	IP scrum management	P331
		The relevant Business Divisions and IP Division are collaborating diligently to pursue anti-counterfeiting activities, technologies, and designs.	Anti-counterfeiting	P336
P338	Tax strategies	We ensured full compliance with laws, regulations, and other requirements in relation to taxation in all countries and areas.	Appropriate tax declaration and tax payment	P338
		We strive to comply with applicable guidelines on cross-border intercompany transactions.	Compliance with OECD transfer pricing guidelines	P338
		We perform sound tax administration by making appropriate tax payments in accordance with the relevant laws and regulations in all countries and areas, and fully disclose this information.	Disclosure of tax payment record	P340

Our Foundations

Page	Kao Action	Activity Highlights for 2023	Key Themes	Page
P343	Biodiversity	We revised and published the Action Policy on Biodiversity, which provides specific details of the Basic Policy on Biodiversity. This updated policy describes specific actions to take to reverse the biodiversity crisis for conserving, restoring and regenerating biodiversity according to the Basic Policy and our position on international information disclosure and target-setting efforts, as well as our response and attitudes to the issues of both chemicals and biodiversity and biodiversity and climate change, and so on.	Amendments to the Code of Conduct on Biodiversity	P352
		We published the results of materiality identification, LEAP analysis, and financial impact analysis.	Analysis and disclosure in accordance with the TNFD (The Taskforce on Nature-related Financial Disclosures)	P347
		The site of Wakayama Plant, which strives to conserve biodiversity, was certified as an “OECM (Other Effective area-based Conservation Measures)” under the program run by the Ministry of Environment. They were also certified as “Midorino Dendo (Hall of Fame for great green businesses)” under SEGES, the green business certification program run by a certification program Organization for Landscape and Urban Green Infrastructure.	Biodiversity conservation activities at the sites	P360
P365	Communication with consumers	Regarding Kao's response to social issues and media reports on organofluoride compounds, effects of PFAS on health, and risks of heat stroke causing cataracts, etc., we provided appropriate consultation about whether our products contain these chemicals as well as product characteristics.	Provision of accurate product information and information about reliability	P368
		We introduced LINE chat and visual IVR features for after-hours customer support. By changing the customer support method from manned, live chat on the website to LINE chat, we succeeded in preventing missed consultations due to consumers leaving the chat platform at busy times by using the visual IVR feature to lead them to the Product Q&A website for self-resolution, even after hours.	Improvement of diversity and timeliness of communication	P368
		We carried out Customer Real Voice and Experience training sessions and other activities to deliver thank-you messages from customers throughout the company. We provided opportunities to identify problems through hearing the voices of real customers, and to learn about consumers by sharing information via internal networks, including Kao Link and Play Park, and displaying messages from customers at each worksite.	Opportunities to share information on consumer consultation and improve	P368
P369	Process safety and disaster prevention	The high-pressure gas equipment management conditions were audited by the head office division and verified by the Directors.	High-pressure gas safety inspection, auditing, and verification	P372
		In 2023, two earthquake training drills were conducted as scheduled, with the aim of ensuring that the head office organization can function in an emergency.	Emergency Countermeasure Training Drills	P371
P374	Corporate citizenship activities	We inspired people around the world to take actions toward a sustainable lifestyle through holding contests and the exhibitions of paintings made by children around the world to express their wishes for the environment and future of the planet.	Kao International Environment Painting Contest for Children	P377
		We support the development of young entrepreneurs who apply business methodologies to solve social issues.	Kao Social Entrepreneurship Schools	P379
		We support the creation of a better society by utilizing funds saved by the donation organization run by our employees for donations, disaster relief, volunteer work, and other purposes.	Heart Pocket Club	P380

Corporate Governance GRI 2-9, 2-11


Strengthened in both systems and operations as a top-priority management issue

In order to sustainably enhance corporate value over the long term while working to realize a Kirei World in which all life lives in harmony, which is our Purpose of our corporate philosophy “The Kao Way,” and to become an essential company in a sustainable world, Kao positions corporate governance as a top-priority management issue and continuously strengthens governance in both systems and operations.

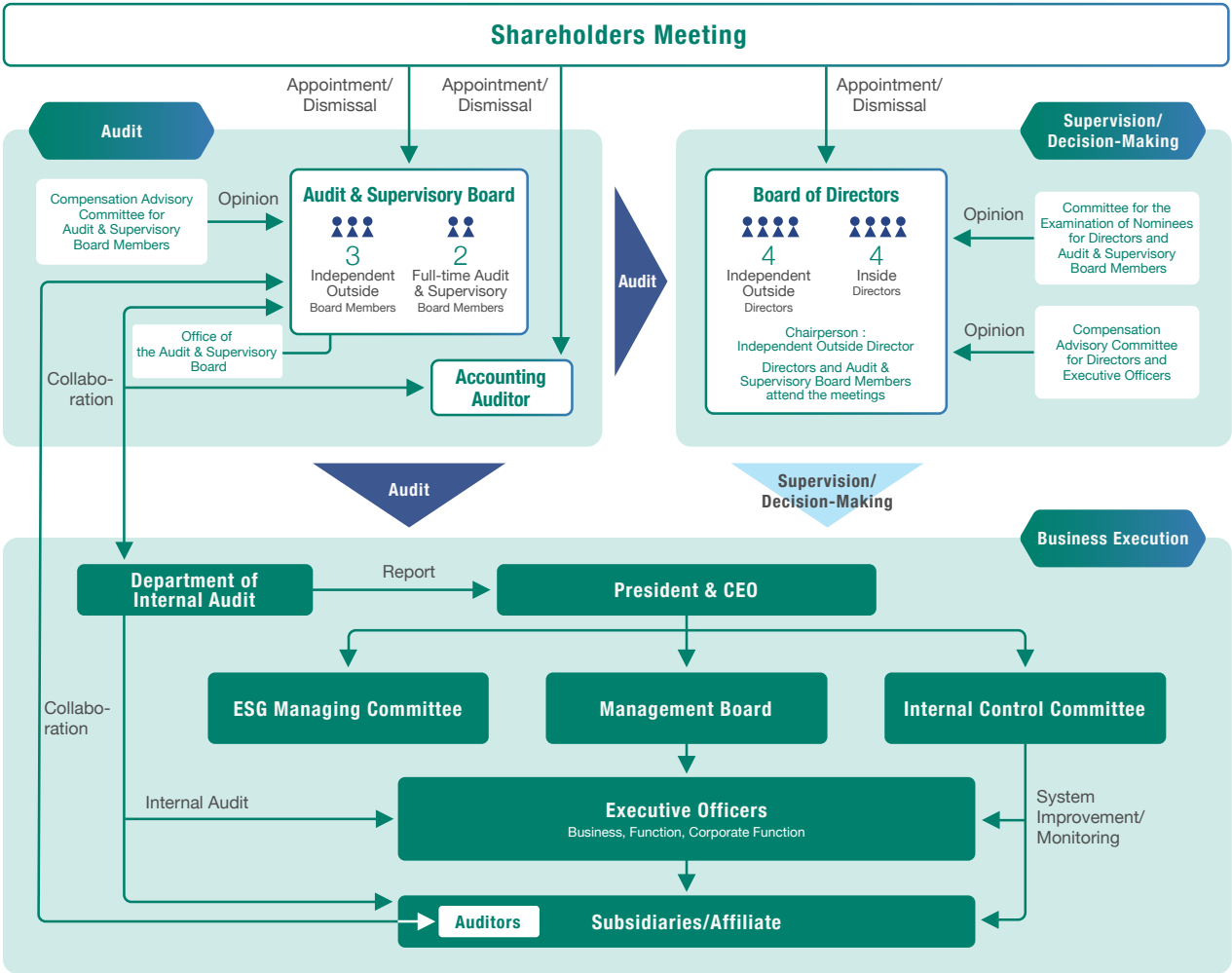
Kao’s corporate governance is a framework for transparent, fair, prompt, and decisive decision-making. It takes into account the perspectives of all stakeholders and responds in a timely and appropriate manner to changes that are increasingly diverse, complex, and difficult to predict so that we can contribute to society and continuously enhance corporate value. The foundations of our efforts to achieve this are establishing and operating the necessary management structures and internal control systems, implementing the required measures in a timely manner, and demonstrating accountability.

In addition, we work to understand social trends at all times and actively engage in dialogue with stakeholders to review the status of corporate governance from time to time and implement appropriate and necessary countermeasures and improvements.

To further enhance discussions on corporate governance and make disclosures to stakeholders easier to understand, Kao compiled in July 2023 a Corporate Governance Policy that had been disclosed in the Corporate Governance Report and other materials.

 **Kao Corporate Governance Policy**
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/pdf/governance-policy.pdf>

**Corporate Governance Structure
As of March 22, 2024**



Corporate Governance

GRI 2-9


Stance on balance among knowledge, experience and skills, and on diversity and size of the Board of Directors

At Board of Directors meetings (attended by Directors and Audit & Supervisory Board Members), Directors provide broad direction regarding business strategies and Directors and Audit & Supervisory Board Members deliberate on their appropriateness and the risks related

to their realization and other matters in an objective and multidimensional fashion.

The Kao Group Mid-term Plan K27 includes the vision of “Protecting future lives.” To accomplish this, the Company’s management is executing business in line with the Company’s strategies of (1) becoming an essential company in a sustainable world, (2) transforming to build robust business through investment, and (3) maximizing the power and potential of employees.

The Board of Directors considers it important for Inside and Outside Directors and Audit & Supervisory Board Members to complement each other with each of their knowledge, experience, and abilities, and to be able to demonstrate high effectiveness as a whole, in order to supervise that management is implementing business execution in a framework for transparent, fair, prompt and decisive decision-making accordance with the above strategies.

 Pages 21 to 23 in the Notice of the 118th Annual General Meeting of Shareholders
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/shareholders_2024_001.pdf

Directors and Audit & Supervisory Board Members Skill Matrix (As of March 22, 2024)

The areas of experience, knowledge, and expertise of each Director and Audit & Supervisory Board Member that are particularly expected of them are marked with a “✓”

		Attributes			Experience/Knowledge/Expertise										Main reasons for marking “✓”
		Term of office	Gender	Nationality	Management	Global	Consumer goods industry	Chemical industry	Human capital strategy	Research	Environment/society	IT/DX	Legal/risk management	Finance/accounting	
Directors	Yoshihiro Hasebe	8 years	Male	Japan	✓	✓	✓	✓	✓	✓	✓	✓			● Experience in the Company's Research and Development (including experience in global operations, and knowledge of fundamental and applied technologies and matter cycle research) (Doctor of Engineering) ● Experience at the Company's overseas business promotion projects ● Experience as the Company's Senior Vice President of Strategic Innovation Technology, Global ● Experience as the Company's officer responsible for Human Capital Development
	Masakazu Negoro	1 year	Male	Japan		✓		✓			✓			✓	● Experience in the Company's Chemical Business and management experience at overseas subsidiaries (Chemical Business) ● Experience at the Company's Procurement, Global (including promotion of sustainability activities in procurement) ● Experience as the Company's officer responsible for Accounting and Finance
	Toru Nishiguchi	1 year	Male	Japan		✓	✓								● Experience in the Company's Consumer Products Business ● Experience in management and global marketing at the Company's overseas subsidiaries ● MBA
	David J. Muenz	2 years	Male	United States		✓	✓			✓	✓				● Experience in research and business at the Company's overseas subsidiary ● Experience in the Company's ESG, Global
	Osamu Shinobe	6 years	Male	Japan	✓						✓		✓		● Experience as the top executive of a major international airline (including experience as Chairman of CSR and Environmental Management Committee)
	Eriko Sakurai	2 years	Female	Japan	✓	✓		✓	✓		✓				● Experience as the head of a global division and the regional head of a major U.S. chemical company ● Experience in overall human resources strategy including compensation, development, and assignment in global businesses ● Knowledge of sustainability in the chemical field
	Takaaki Nishii	1 year	Male	Japan	✓	✓	✓		✓						● Experience as the top executive of a major food company ● Experience in the management of overseas subsidiaries ● Experience in the human resources department
Audit & Supervisory Board Members	Makoto Takashima	-	Male	Japan	✓	✓								✓	● Experience as the top executive of a major financial institution ● Experience in international and corporate planning departments
	Yasushi Wada	1 year	Male	Japan		✓					✓		✓		● Experience in the Company's Product Quality Management ● Experience at the Company's global production sites ● Experience in the Company's process engineering development and plant management
	Sadanao Kawashima	3 years	Male	Japan										✓	● Experience in the Company's Accounting and Finance ● Experience in the Company's Internal Audit
	Hideki Amano	7 years	Male	Japan		✓			✓				✓	✓	● Certified Public Accountant ● Served overseas and as the head of the global audit network for the Asia-Pacific region ● Experience in human capital strategy, risk management, etc., as the COO of audit and consulting operations
	Nobuhiro Oka	6 years	Male	Japan									✓		● Attorney-at-Law ● Ph.D. in Law (Chuo University) ● Professor at Keio University Law School
	Saeko Arai	-	Female	Japan		✓						✓		✓	● Certified Public Accountant Experience as a representative of a U.S. corporation ● Experience as a partner of an IT venture company

Corporate Governance GRI 2-18

How the Board of Directors should function and evaluation of its effectiveness


How the Board of Directors should function

Kao’s Board of Directors will delegate authority to a substantial degree to the executive organizations, and further strengthen its monitoring function to encourage appropriate risk-taking and prompt and bold decision-making by management. In particular, the Board will effectively supervise the appropriate allocation of management resources, including human capital, and the adequate implementation of strategies by management. It also recognizes that it is the responsibility of the Board to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.

Evaluation of the effectiveness of the Board of Directors

On an annual basis, an evaluation is conducted at a meeting of the Board of Directors in order to make improvements aimed at enhancing the effectiveness of the Board of Directors. Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board, the Company believes that it is effective for all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to conduct evaluations using a method that entails the expression of opinions and free and open discussion.

Furthermore, the Company also recognizes the usefulness of an objective evaluation by a third party, with an eye to introducing activities that further enhance the effectiveness of the Board of Directors. At the 2023 evaluation, the Company received advice from a third party.



Corporate Governance Report
<https://www.kao.com/global/en/corporate/policies/corporate-governance/>

Please refer to the Corporate Governance Report for information on the activities of the Board of Directors and details on the evaluation of the effectiveness of the Board of Directors, as well as the evaluation of the Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers.

Agenda item selection and discussions

FY2022 Issues	FY2023 Initiatives	FY2023 Evaluation and Issues	Future Initiatives
<ul style="list-style-type: none"> The issues to be addressed in order to achieve the Mid-term Plan K25 and the interim summary needed to be discussed in greater depth, including in quantitative terms. 	<ul style="list-style-type: none"> A K25 interim summary was provided, and structural reforms and growth strategies were discussed. Focus topics for each business segment were reported. Business status indicators and the progress status of K25 were monitored through monthly meetings of the Board of Directors. 	<ul style="list-style-type: none"> Based on the results of the K25 interim summary, the Mid-term Plan K27 was reformulated, and progress was made in both discussing and implementing structural reforms. Further discussion is needed regarding growth strategies and business segments that are experiencing issues. Further improvements should be made to the monitoring of management indicators under ROIC management. 	<ul style="list-style-type: none"> Allocate time for ongoing discussions at meetings of the Board of Directors, while also being aware of the integration of growth strategies and issued businesses with ESG strategies. Evolve management indicators to be monitored and report regularly on the performance against such management indicators.
<ul style="list-style-type: none"> Stakeholder relations strategies needed to be discussed. 	<ul style="list-style-type: none"> Reports were presented at meetings of the Board of Directors before and after IR activities. 	<ul style="list-style-type: none"> Deliberations are being conducted with greater attention paid to key stakeholders, including investors. Growth strategies need to be demonstrated more clearly. 	<ul style="list-style-type: none"> Continue to engage in deliberations while paying attention to key stakeholders and how to demonstrate growth strategies.
<ul style="list-style-type: none"> Further discussions were needed regarding how human capital strategies relate to business strategies. 	<ul style="list-style-type: none"> Discussed human capital strategies and human capital structural reforms. 	<ul style="list-style-type: none"> Discussions and decisions on the structural reforms in relation to human capital have been given a positive evaluation. It is necessary to deepen discussions regarding what is required of the human capital responsible for growth strategies, and how to develop and acquire said human capital. 	<ul style="list-style-type: none"> Further discuss concrete human capital strategies linked to the growth strategies at meetings of the Board of Directors.

Structure, status of operation and deliberations of the Board of Directors

FY2022 Issues	FY2023 Initiatives	FY2023 Evaluation and Issues	Future Initiatives
<ul style="list-style-type: none"> There were times when the level of reporting was too granular, resulting in unfocused discussions. 	<ul style="list-style-type: none"> Defined the indicators that are needed in order to achieve K25 (and K27). A presentation format was used at meetings of the Board of Directors. 	<ul style="list-style-type: none"> The Board of Directors is appropriately fulfilling its supervisory functions. Presenters should make discussion points clear. 	<ul style="list-style-type: none"> Use the presentation format at all meetings of the Board of Directors, and clearly indicate the discussion points.
<ul style="list-style-type: none"> Ongoing deliberations were needed regarding the necessary elements for realizing the vision of the Board of Directors, as well as the Board’s composition. 	<ul style="list-style-type: none"> Corporate governance was discussed, and official policy was formulated and disclosed. 	<ul style="list-style-type: none"> The disclosure of the corporate governance policy is commendable. The composition of the Board of Directors was in line with the corporate governance policy. 	<ul style="list-style-type: none"> The composition of the Board of Directors, including diversity of Directors (skills, women and global human capital), will be discussed on an ongoing basis.

Results of the FY2023 evaluation of the effectiveness of the Board of Directors

Overall, it was found that the Board of Directors has adequately exercised its supervisory functions, and that its effectiveness has been maintained. However, the evaluation also identified issues to be addressed in order to further improve the Board’s effectiveness, and opinions were shared regarding future initiatives.

Corporate Governance

The Audit & Supervisory Board Initiatives

The Audit & Supervisory Board Members are entrusted by shareholders to audit the Directors’ execution of duties from an independent standpoint and, thus, are engaged in auditing activities to achieve sound and sustainable growth of the Kao Group and establish governance that meets the trust of stakeholders. Regarding our work, the specifics of its activities in 2023 will increase the transparency of the audit and the effectiveness of the dialogue with stakeholders.

Audit Policy

In FY2023, as the business environment remained uncertain in the face of rising geopolitical risks and other factors, we were required to make a major transformation toward achieving profitable growth. Under these circumstances, with a shared sense of urgency and the necessity of reforms recognized by management, the Company adopted a policy to audit the progress of implementation of management strategies and response to management environmental risks while conducting auditing activities, including ESG-related activities, in view of the requests and views of society and stakeholders.

Composition and execution of duties

The Audit & Supervisory Board consists of five Members (two Full-time Members and three Outside Members). The Fulltime Members with extensive internal execution experience and diverse knowledge, and the Outside Members with their respective expertise (certified public accountant, attorney-at-law) and abundant knowledge from experience as officers of

other companies share audit-related information in a timely manner and deliberate from various perspectives.

The Office of the Audit & Supervisory Board was established directly under the Audit & Supervisory Board to assist them with their duties and to allow the office members to serve concurrently as Auditors of subsidiaries.



On-site audits and interviews at Kao Vietnam Plant

Particularly important points in Audit & Supervisory Board Members’ activities

Lively exchange of opinions

We attend meetings of the Board of Directors, the Management Board, and other important meetings with regard to auditing the duties of Directors. They put emphasis on confirming the decision-making process for reaching resolutions and expressing their opinions as appropriate.

Dialogue with people at *Genba* (the actual sites)

In addition, we conduct on-site audits and interviews with each division, subsidiary, and affiliate. By placing importance on dialogues with people at *Genba* (the actual sites), they confirm the degree to which the corporate strategy is being shared and whether proactive efforts are being made. They also identify any issues that occur at *Genba*. At least one Outside Member has participated in approximately 60% of the interviews.

Deliberations

Number of meetings held: 11
Attendance rate: All members marked 100%
Duration: Average of 1 hour and 51 minutes
26 resolutions: Audit plans, audit reports, etc.
9 matters considered: Audit findings, revision of Audit & Supervisory Board rules, etc.

Evaluation of the effectiveness

Each year, the Board sets evaluation items, with a focus on critical auditing items, and evaluates the effectiveness of the Board from a multifaceted and objective perspective. In FY2023, through comprehensive and unfettered discussions at the Board meetings based on the self-evaluation by each Member, the exchange of opinions with Representative Directors, and feedback from Outside Directors and other related parties, it was concluded that the system of the Board as a whole was functioning effectively.

For *Genba*, the Board observed and assessed the degree of utilization of ROIC in each business segment and the progress of structural reforms, which are part of management strategies. To that end, they compiled the results of such observation and assessment into a proposal and shared the proposal with the Directors. The Board will continue to observe the ROIC in each business segment. As for the three types of Audits (Audit & Supervisory Board, Accounting Auditor and Department of Internal Audit), to further strengthen the collaboration among them, we understand that we need to share auditing plans and issues with other Audits.

The issues identified through the effectiveness evaluation will be reflected in auditing activities and critical auditing items for FY2024 so that the effectiveness of the Board will be further improved.

The Audit & Supervisory Board Initiatives
<https://www.kao.com/global/en/corporate/policies/corporate-governance/audit/>

Corporate Governance GRI 2-19, 2-20

Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

Aims of compensation for Directors, Audit & Supervisory Board Members and Executive Officers

Standards, systems and other details for the compensation and other incentives for Directors, Audit & Supervisory Board Members and Executive Officers are established on the basis of the following aims:

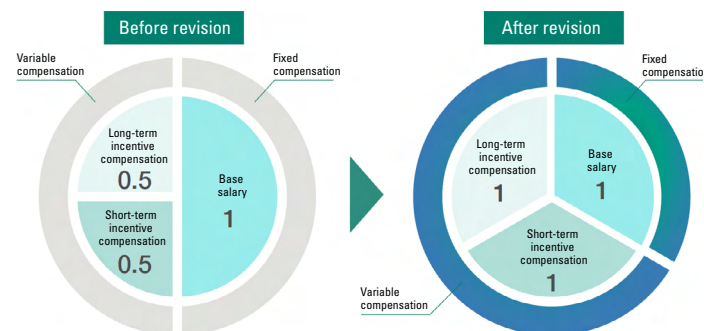
- Securing and retaining diverse, outstanding personnel to establish and enhance our competitive advantage
- Driving concerted initiatives to promote sustainable enhancement of corporate value
- Sharing interests in common with shareholders

Compensation Structure for Directors, Audit & Supervisory Board Members and Executive Officers (In the case that short-term and long-term incentive payout ratio are both 100%)

Compensation for Directors (other than Outside Directors) and Executive Officers consists of a base salary, short-term incentive compensation and long-term incentive compensation. Outside Directors and Audit & Supervisory Board Members are paid a base salary only.

To achieve the ambitious targets for supporting *Global Sharp Top* businesses in K27, we have boosted the function of incentives to encourage bolder risk taking, and we have revised the variable compensation structure to be implemented in FY2024 onward.

Compensation Structure for the Representative Director, President, and Chief Executive Officer

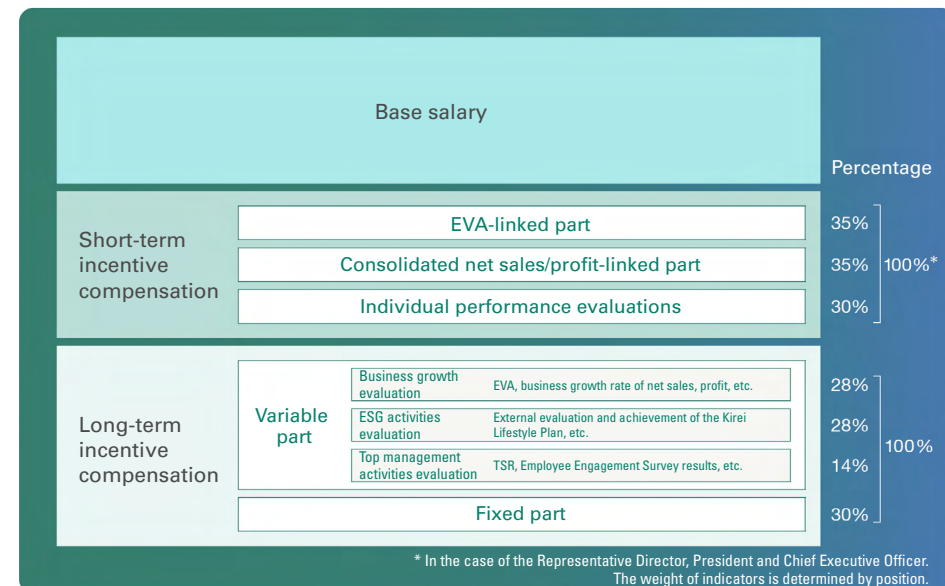


- We have not changed the base salary amount.
- We have revised the percentages of the base salary and short-term and long-term incentive compensation for the Representative Director, President, and Chief Executive Officer to be in the ratio 1:1:1.
- We have revised the percentages of the short-term and long-term incentive compensation for other Directors and Executive Officers to be 30% to 70% of the base salary in accordance with rank.

Summary of Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

The short-term incentive compensation is paid as bonuses in accordance with the degree of target achievement in a single fiscal year. The evaluation indicators consist of EVA, consolidated net sales and profit, and individual performance, and the bonus payment rate varies from 0% to 200%. The long-term incentive compensation (performance-based share incentives) is a system for delivering shares and other incentives with the aim of further enhance corporate value. This system consists of a variable part that is delivered at a rate from 0% to 200% in accordance with the relevant period and targets of the mid-term plan, and a fixed part whereby a defined number of shares and other incentives are delivered annually.

The adequacy of these incentives is examined by the Compensation Advisory Committee for Directors and Executive Officers.



To encourage further enhancement of corporate value, we have partially revised the long-term incentive compensation to be implemented in FY2024 onward.

Points of revision

- Introduced new evaluation indicators such as EVA and TSR (Total Shareholder Return)
- Expanded the scope for delivering the company's shares (foreign-national Directors, etc.)



Securities Report

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/securities-fy2023-all-01.pdf>

Risk and Crisis Management

To address various risks that may arise in all aspects of our management and business activities, we strive to make improvements to our risk and crisis management system to respond both promptly and appropriately to changes in the business environment, to prevent risks from manifesting and to minimize damage and loss in cases where risks manifest (i.e., when a crisis occurs).

Social issues

The growing severity of environmental issues, including climate change, plastic waste, and the depletion of water resources, environmental and human rights issues relating to the procurement of raw materials, and social issues such as the aging of society and increasing hygiene awareness have raised awareness of the environment and health among consumers, leading to a trend toward ethical consumption and growing customer demand for sustainability. In addition, the social environment has been changing dramatically, with the destabilization of political and social conditions and strained diplomatic relations.

On the other hand, stakeholders are also raising their expectations and what they require from companies in terms of corporate compliance, ensuring that products and services provide safety and security, secure information management, safeguarding of human rights, promotion of DE&I, and timely and appropriate information sharing and disclosure. In this era of volatility, uncertainty, complexity, and ambiguity (VUCA), Enterprise Risk Management (ERM) is becoming increasingly important for achieving the management targets.

Policies

We consider risks to be the effect of uncertainty on the achievement of management targets and the execution of business activities, which can result in opportunities and threats. As such, in our risk management, we

appropriately manage risks that pose various threats to management and business activities in general (e.g., reducing the impact and likelihood of risk manifestation).

We aim to properly manage the various risks and crises that could occur across our business in line with the response priorities for risks and crises detailed in the Kao Risk and Crisis Management Policy (1. Protection of human lives, 2. Environmental conservation, 3. Continuation of operations, and 4. Protection of assets).

The Risk and Crisis Management Committee has established risk and crisis management systems and activity guidelines, and our divisions and affiliates within and outside Japan conduct risk management by identifying and assessing risks and formulating and implementing appropriate countermeasures based on this activity guideline. In addition, when a crisis arises, an Emergency Response Team is launched corresponding to the severity of the emergency to promptly and appropriately address the crisis in order to minimize physical damage and financial losses.

Strategy

Risks and opportunities

Risks

Our business environment remains unclear due to intensifying market competition and changes in market structure, as well as fluctuations in the raw-material market and exchange rates. In addition, geopolitical

tensions are rising and environmental issues are becoming increasingly serious. It is therefore crucial to respond to the risks associated with various changes in the business environment. After deliberation by the Risk and Crisis Management Committee and the Management Board, the Kao Group has selected particularly significant risks as the main risks that could have a negative impact on its sustained profitable growth and contribution to the sustainability of the world. Managing divisions have established countermeasure policies for these risks and are managing their progress. Through “Corporate Risk Management,” which identifies and manages the risks that management should prioritize in their response from among such main risks, we aim to realize ERM that increases corporate value by integrally and comprehensively identifying and assessing all significant risks and implementing countermeasures.

We define risks with newness, risks for which there is insufficient data, or risks for which there is a lack of verifiable information and knowledge needed for decision-making as emerging risks. Emerging risks may seriously affect management over the long term. During our annual review of the main risks, we also identify emerging risks with a focus on those below.

Risks related to responses to social issues

In promoting the ESG strategy, the Kirei Lifestyle Plan (KLP), we recognize transition risks (introduction and/or raising carbon taxes, introduction of restrictions on plastics, raw material price increase, and preservation of biodiversity) and physical risks (natural disasters), especially with regard to climate change. In addition,

Risk and Crisis Management

Main risks

Main risk item	Details of risks
1. Raw material procurement	<ul style="list-style-type: none">• Risk of dramatic fluctuations in the market price or stable procurement of raw materials• Risk that our initiatives to achieve sustainable, responsible procurement will be perceived as being inadequate
2. Response to social issues	<ul style="list-style-type: none">• Risk of products and services not being accepted by consumers and customers due to initiatives that are inadequate or perceived as inadequate for resolving social issues, such as climate change and human rights issues.• Risk of being perceived as “greenwashing”^{*1} by not being able to adequately show progress on the ESG strategy, Kirei Lifestyle Plan <p>^{*1} Greenwashing</p> <p>“Washing” is exaggerating or overstating the environmental and sustainability aspects of a company’s products or services, or making unsupported claims about the environmental or sustainability actions it takes.</p> <ul style="list-style-type: none">• Transition risks (introducing and/or raising of carbon taxes, introduction of restrictions on plastics, raw material price increases, and preservation of biodiversity) and physical risks (natural disasters) associated with rising average temperatures due to climate change• Risk of human rights violations or lack of consideration for human rights that may hinder the Kao Group’s business activities, such as maintaining its supply chains
3. Geopolitics	<ul style="list-style-type: none">• Risk of deterioration in the business environment due to destabilization of political or social conditions, diplomatic tensions, conflicts or other reasons in countries or regions where we do business or procure raw materials• Risk of human casualties, temporary suspension of operations, and changes in consumer purchasing due to conflicts between countries or regions
4. Large-scale earthquakes, other natural disasters, and accidents	<ul style="list-style-type: none">• Risk of obstacles emerging that hinder our ability to supply our products to the market owing to harm to employees, facilities and supply chain as a result of large-scale earthquakes, large typhoons associated with climate change, floods and other natural disasters• Risk of major harm to employees and the surrounding area due to a plant fire or explosion, etc.
5. Quality of products and other items	<ul style="list-style-type: none">• Risk of occurrence of serious quality problems• Risk of delayed response to new safety or environmental issues, or sudden changes in laws and regulations in each country or region
6. Information security	<ul style="list-style-type: none">• Risk relating to trade secrets leakage or personal information disclosure, as well as temporary disruption of business activities through an error or intentional action, including cyberattacks
7. Reputation	<ul style="list-style-type: none">• Risk of the spread of negative evaluations of inappropriate or careless expressions in information provision and marketing activities through social networking services, etc.
8. Pandemics	<ul style="list-style-type: none">• Temporary suspension of operations due to a pandemic outbreak• Shrinkage of the cosmetics market, etc., due to changes in purchasing behavior brought about by restrictions on daily life, such as going out
9. Changes in the retailing environment	<ul style="list-style-type: none">• Risk of not being able to develop appropriate sales and marketing activities in response to the diversification and complexity of the retailing environment and purchasing behavior• Risk of failure to respond appropriately to changes in the retail environment, resulting in delivery delays and a significant increase in logistics costs
10. Business outside Japan	<ul style="list-style-type: none">• Risk of significant business planning delays due to slow economic growth, political and social instability, sudden changes in laws, regulations and tax systems, an influx of counterfeit products, reputational risk, and others
11. Business investment	<ul style="list-style-type: none">• Risk of being unable to generate the expected results, due to worse-than-planned performance, etc. in relation to capital investment and M&A, and others
12. Compliance	<ul style="list-style-type: none">• Risk of serious compliance violations at Kao Group companies, contractors, etc.
13. Securing human capital	<ul style="list-style-type: none">• Risk of being unable to implement systematically the acquisition and cultivation of human capital with high-level specialist skills, leaders able to guide change, etc.
14. Currency exchange rate fluctuations	<ul style="list-style-type: none">• Risk that fluctuations in the exchange rates between the Japanese yen (as a functional currency) and foreign currencies will be greater than anticipated
15. Litigation	<ul style="list-style-type: none">• Risk relating to litigation trends and others

regarding human rights issues, we recognize the risk that human rights violations or lack of consideration for human rights may hinder the Kao Group’s business activities, such as maintaining its supply chains. Furthermore, if our efforts to solve these social issues are inadequate or perceived as inadequate in relation to


our targets, our products and services may not be accepted by consumers and customers, and we may not achieve our sales and market share targets as a result. Failure to adequately show progress toward the KPIs committed to in the KLP may lead to a fall in corporate value, such as being perceived as

greenwashing. The lack of response to these issues could significantly affect management over the long term.

Risk and Crisis Management GRI 2-16, 2-24, 2-25

Risks related to geopolitical risks

Geopolitical risks have remained high in Europe and East Asia, where the Kao Group conducts business. Geopolitical risks may also increase in the countries and regions where the Kao Group procures raw materials. The business environment in these countries and regions may deteriorate due to the destabilization of political and social conditions, diplomatic tensions, conflicts or other reasons. In such a case, if the Kao Group corporate activities are affected by human casualties, temporary suspension of operations due to supply chain disruptions, or changes in consumer purchasing due to friction among countries or areas, we may not be able to achieve our sales and profit targets. Not responding to these issues properly is a risk that could significantly affect management over the long term.

 “Business Risks and Other Risks” section of our Financial Report 2023
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/securities-fy2023-all-01.pdf#page=37>

Opportunities

Faced with social issues and a changing business environment, we clarify the main risks that we face, strengthen our response to them, earn a strong sense of trust from our various stakeholders, and provide products and services deemed necessary by society. This helps us contribute to the execution of business activities, and consequently to make Kao a company with a global presence, valuable to society.

Strategy

- Clarifying and responding to main risks based on changes in the internal and external environment
- Responding to risks that may hinder the achievement of the Kao Group Mid-term Plan
- Prompt and appropriate response when risks manifest

Social impact

Risk and crisis management plays an important role in supporting sustained profitable growth and contributions to the sustainability of society. Such management contributes to providing even better products and services in a continuous manner and maintaining good relationships based on trust with consumers, customers, business partners, and other stakeholders.

Business impact

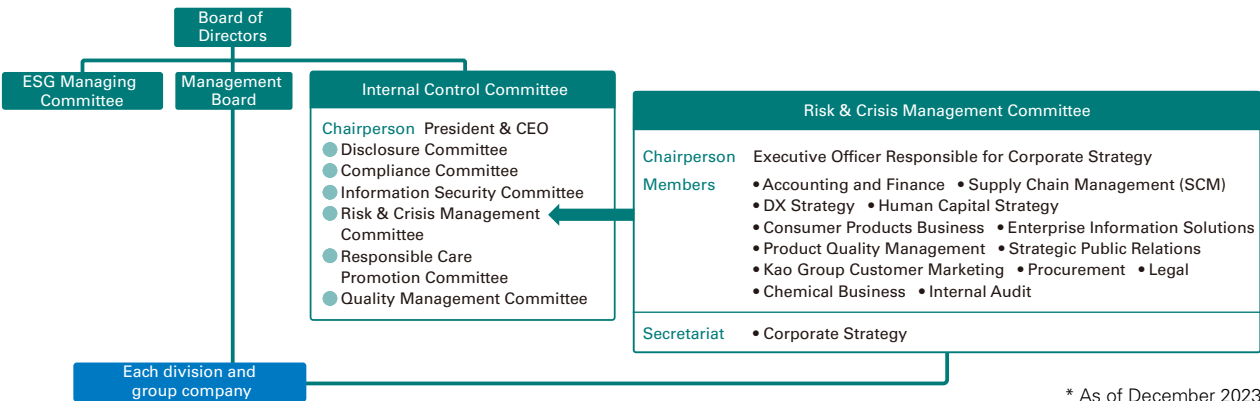
Preventing crises from occurring and minimizing any damage or losses in the event of an occurrence will contribute to achieving our business activity goals and sustained profitable growth.

Governance

Framework

Risk and crisis management is managed by the Risk & Crisis Management Committee (which meets four times per year), one of the related committees under the Internal Control Committee (meeting twice a year), which establishes management systems and activity guidelines. Risk & Crisis Management Committee is headed by the Executive Officer Responsible for Corporate Strategy. Divisions and affiliates conduct risk

Risk and crisis management system



* As of December 2023

Risk and Crisis Management GRI 2-16, 2-24, 2-25

management by identifying and assessing risks and formulating and implementing appropriate countermeasures based on this activity guideline. In addition, we have established the Risk and Crisis Management Promotion Council, which is held once a month as a subordinate organization of the committee. It discusses proposals with the committee and promotes committee decisions.

In addition, we review main risks at least once a quarter based on changes in the business environment. Among these main risks, the Kao Group determines themes for and addresses risks that would have a major impact on management and require an enhanced response as “corporate risks.” With respect to corporate risks, once a year, the Management Board revises the risk themes and risk owners (with an Executive Officer responsible for each risk theme) based on an analysis of internal risk surveys and the external environment, as well as interviews with management, and the Risk & Crisis Management Committee manages the progress.

Conversely, in the event of a crisis, in the case of corporate risks, those risk owners, or in the case of other risks, those divisions and affiliated companies responsible for addressing them, play a central role when it comes to establishing an organization for countermeasures. In addition, depending on the magnitude of the impact on the Kao Group as a whole, we also establish Emergency Countermeasure Headquarters with the President & CEO as its general manager to respond to the impact to reduce physical damage and financial loss as much as possible. The Risk Management & Responsible Care, which operates independently of our individual businesses, promotes effective management of risk and crisis in the Kao Group. Besides submitting proposals for improvement, the group also works to identify emerging risks and

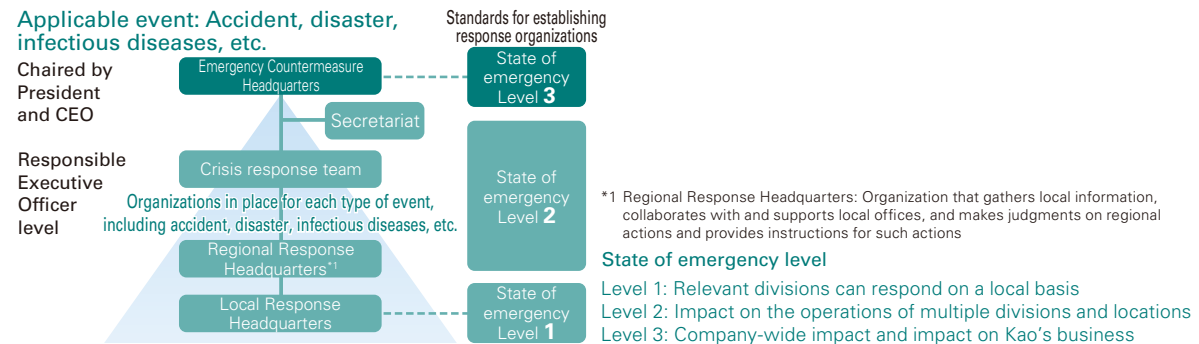
risks for which the responsible unit is unclear, and formulate response strategies. The Management Board undertakes verification of risk and crisis management activities on a periodic basis (once a year) and as needed, and this verification is approved by the Board of Directors. The Internal Control Committee monitors the status of the risk and crisis management activities and verifies the effectiveness of the activities.

The performance evaluation of the executive officer in charge of risk and crisis management and the Risk Management & Responsible Care will reflect the degree to which targets for the aforementioned activities have been achieved. The performance evaluation of the

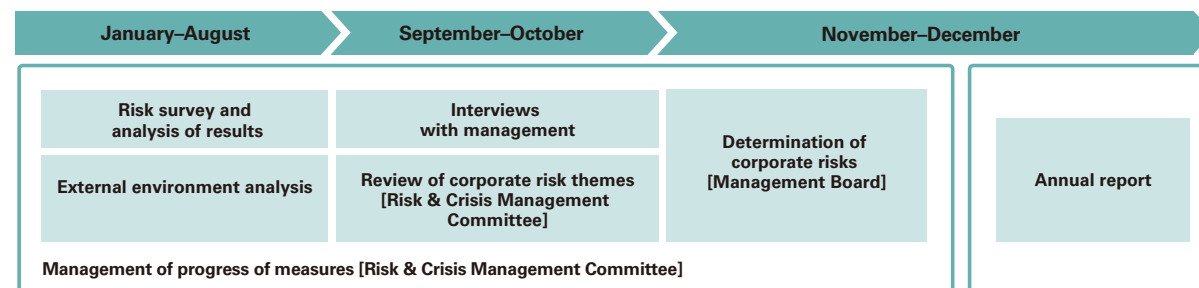
executive officer in charge of main risks and corporate risks and the lead division will also reflect the degree to which the initiatives have achieved their targets.

Management framework during times of crisis

Within the Kao Group, when a crisis occurs, the head of the crisis response team will evaluate the state of emergency level on the basis of the potential impact on the Kao Group (designating the crisis as level one, level two, or level three depending on the severity of the accident, disaster, infectious diseases, etc. in question), and an appropriate organizational framework will be established for dealing with the crisis in accordance with the level of severity.



Risk and crisis management activity process



Risk and Crisis Management GRI 2-24, 2-25

Education and promotion

Spreading awareness of the risk management system and activity guidelines

The Risk & Crisis Management Committee’s Secretariat disseminates information about the designated risk management system and activity guidelines formulated by the committee to individual divisions and affiliates. Then, through self-audits, we confirm how well each division and company, including affiliated companies outside Japan, understands basic policy and activity guidelines, as well as the implementation progress of our activities. Additionally, through the use of our internal portal site, we inform employees about our risk management system, response flow, emergency contacts, guidelines and so on when crises occur.

Risk surveys

Risk surveys, including both comprehensive surveys and surveys with questions on designated topics, are conducted at each division and subsidiary to identify significant risks and facilitate the revision of countermeasures where necessary. The results of the surveys are reported back to each division and subsidiary to promote ongoing improvement and strengthening of the risk management capabilities of the organization and its employees. For cross-organizational risks and common risks, we are working with each division in charge to strengthen our ability to address these, and if necessary, respond to them as corporate risk themes.

Providing information on and building awareness of risks

On our internal portal site, we provide employees with an emergency contact and response structure to be

used when a risk becomes apparent. In addition, to promote an understanding of risks and an immediate, appropriate response in the event of a crisis, we also provide information and education about topics such as how to prepare for and respond to large-scale earthquakes, natural disasters, pandemics, information security risks, or reputational risks, as well as key points to note when using social media, while building awareness of various risks.

Crisis response training

We conduct regular emergency response training, comprehensive prevention drills, safety confirmation drills, media training, risk communication training, etc.

Collaboration with stakeholders

When it comes to risk and crisis management, in order to quickly and properly address these situations it is necessary to conduct activities that deepen mutual understanding with our stakeholders through communication.

For instance, when it comes to maintaining product safety and good quality, stable supply, and fulfilling our responsibility toward social issues, working with suppliers and contractors is essential. To ensure stable procurement of raw materials, we are strengthening cooperation with suppliers, including human rights protection and environmental conservation in the supply chain, by increasing facilities at our main suppliers, developing second suppliers to diversify risks, reviewing contracts, and collaborating with suppliers.

In the event of crises such as large-scale earthquakes and typhoons, it is necessary to collaborate with the government, local governments and industry

groups in order to provide relief aid to the affected areas and ensure the continuous supply of needed products and services.

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

By implementing the strategies stated above, we achieve risk and crisis management that helps us achieve the vision for 2030: to make Kao a company with a global presence, valuable to society.

2023 results

- Prompt and appropriate response when risks manifest
- Identifying and responding to significant risks and issues through conducting a risk survey regarding risks that would hinder the Kao Group Mid-term Plan 2025 (K25 (K27))
- Clarifying main risks, including corporate risks, and strengthening our response
- Strengthening risk management activities of divisions and subsidiaries
- Major drills for a state of emergency
- Strengthening measures against information disclosure
- Considerations for shifting to an endemic response to the COVID-19 pandemic, etc.

Risk and Crisis Management GRI 2-24, 2-25

Key themes and responses for corporate risk in 2023

Theme	Details of risks	Response
Response to social issues	Risk of initiatives to resolve social issues being perceived as inadequate. Risk of failure to adequately show progress toward the KPIs committed to in the KLP being perceived as “greenwashing”	<ul style="list-style-type: none"> ● Understanding the evaluations of our initiatives for social issues by stakeholders and other parties on a global scale and reducing reputation risks
Response to geopolitics	Risk of deterioration of the business environment in countries and regions where we develop business and procure raw materials, and risk of human casualties, temporary suspension of operations, or changes in consumer purchasing	<ul style="list-style-type: none"> ● Developing risk scenarios and response systems, and monitoring political and social conditions ● Establishment of guidelines for ensuring employee safety ● Strengthening the supply chain network for raw material procurement, etc.
Pandemic response	Risk of temporary suspension of operations due to a pandemic outbreak Risk of shrinking cosmetics market, etc., due to changes in purchasing behavior	<ul style="list-style-type: none"> ● Reviewing the guidelines, action plans, etc., in preparation for the next pandemic, based on past responses to the COVID-19 pandemic
Large-scale earthquakes and other natural disasters and BCP response	Risk of harm to employees and damage to assets, including facilities, and difficulties in supplying products resulting from large-scale earthquakes and other natural disasters such as large typhoons and floods brought on by climate change	<ul style="list-style-type: none"> ● Enhancing hardware and software measures based on flood risk surveys at each site, and providing disaster prevention education to protect employees and their families ● Formulating BCPs for long-term suspension of operations in Japan and strengthening BCPs at sites outside Japan
Response to serious product quality issues	Risk of serious product quality issues arising that would cause the loss of social credibility	<ul style="list-style-type: none"> ● Strengthen company-wide response in the event of serious damage arising due to product quality issues ● Strengthen internal awareness-raising to prevent serious quality issues from arising
Response to cyberattacks and personal information protection	Risk of leaks of confidential information or personal information due to an error or to intentional actions including cyberattacks. Risk of temporary suspension of business activities such as supply chain management activity	<ul style="list-style-type: none"> ● Reinforcement of security measures and the response system in case of incidents ● Strengthen global protection of trade secrets, personal information, and information security
Response to reputational risks	Risk that causes brand value and social credibility to decline due to the spread of negative evaluations about Kao on social media	<ul style="list-style-type: none"> ● Strengthen the emergency response system in the event of contingencies ● Strengthen the social media monitoring system ● Establishment of a pre-checking system and in-house training for using advertising and social media

Clarifying main risks, including corporate risks, and strengthening our response

- The details of these main risks are disclosed in “Business Risks and Other Risks” in Annual Securities Report.
- The Risk & Crisis Management Committee managed the progress of the eight corporate risk themes for FY2023.
- Based on internal and external risk analysis, the Management Board has decided on the management system for the eight corporate risk themes for 2024.

Reviews of 2023 results

We used a risk survey to identify risks that could hinder the achievement of the Kao Group Mid-term Plan (K25 (K27)), an ongoing theme since FY2021, and reflected them in our corporate risk review. Going forward, we will continue to strengthen our response by addressing the factors that cause risks in order to achieve the Kao Group Medium-term Plan (K27).

Risk and Crisis Management

GRI 2-25

Main initiatives

Clarifying main risks, including corporate risks, and strengthening our response

Regarding our 22 major divisions and 4 major subsidiaries within Japan, we conducted a risk survey regarding our ongoing themes from FY2021 of risks that would hinder the Kao Group Mid-term Plan K25 (K27). As a result, the significant risks identified included risks related to business and policies including new businesses, risks related to ESG, geopolitical risks, and risks related to AI. For subsidiaries outside Japan, we identified and strengthened the management of corporate risks through risk surveys. Based on the results of surveys conducted within and outside Japan, analyses of the external environment, and interviews with management, we have selected our corporate risk themes for 2024.

Strengthening risk management activities of divisions and subsidiaries

- We have strengthened the practical ability of sites outside Japan to respond to risks by checking the status of management of selected critical risks and strengthening collaboration with the Kao head office as necessary.
- At the Risk and Crisis Management Promotion Council, we shared and discussed the risk management activities of 10 divisions in Japan in order to promote improved collaboration and strengthen our risk management activities.

Strengthening risk management activities through the use of third-party organizations

- We are working to strengthen our human rights risk management by conducting Sedex assessments in our supply chain and SMETA audits for high-risk suppliers.
- We are working to strengthen our business continuity capabilities by identifying issues and enhancing our response to business continuity management (BCM) for risks that may hinder business continuity, such as large-scale earthquakes, other natural disasters, and accidents, by bringing in a third-party organization.
- We conduct third-party risk surveys to prevent and minimize the impact of fire and explosion accidents at each plant and distribution site.
- Each plant is ISO 14001 (environment) and ISO 9001 (quality) certified.

Major drills for a state of emergency

- Comprehensive prevention drills (implemented at major plants around the world)
- Emergency response training and BCP training presumed for a large-scale earthquake (Japan)
- Safety confirmation drills presumed for a large-scale earthquake (Japan)

Responsible Care Activities

We vigorously implement Responsible Care (RC) Activities, which are self-monitoring activities by companies engaged in the chemical industry, to ensure safety and environmental conservation in daily operations.

Social issues

Maintaining a stable supply of products and ensuring the quality and safety of those products, along with providing safe and hygienic working environments and reducing the environmental impact of business activities, are important social responsibilities. These must be fulfilled through our capacity as a company with a chemical business that offers diverse materials, products, and systems to wide-reaching industries with bases both within and outside Japan.

Policies

As we are engaged in the manufacture, sales and distribution of chemical products, we strive to earn enhanced trust from society by ensuring environmental conservation, health and safety across the product lifecycle (from product development and manufacturing to use, consumption, recycling and disposal), continuously making improvements to these efforts, improving quality of life (QOL) and contributing to a sustainable world.

To achieve this goal, we have established our Basic Principle and Basic Policies on Environment and Safety and the Kao Group Responsible Care Policy, and conduct business activities accordingly.

The group as a whole remains committed to promoting RC activities, having participated in such activities since the 1995 establishment of the Japan Responsible Care Council. In 2008, then-President and CEO Motoki Ozaki signed a declaration of support for the RC Global Charter, and again in 2014 then-President and CEO Michitaka Sawada signed the revised RC Global Charter. To achieve the objective, we have

established the Kao Group Responsible Care Policy based on the basic pillars of RC activities*1, which are self-monitoring efforts governing the environment, safety and health set out by the chemical industry. We set targets each year for our group as a whole, including subcontractors, and implement those activities based on an annual plan.

We have been actively promoting the Kao Group Responsible Care Policy enacted in 2012; however, in 2014 the International Council of Chemical Associations revised the RC Global Charter and in addition to this, the Japan Chemical Industry Association revised its RC Basic Policy in 2016, and so we have also revised our policy in December 2020 to determine activities and targets for 2030. These revisions included updating the content, adding continuing education and giving each item a title to make it easier for employees to familiarize themselves with them.

*1 Basic pillars of RC activities: Five objectives of environmental conservation, process safety and disaster prevention, occupational safety and health, chemical and product safety, distribution safety, and communication with society.



Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

Strategy

Risks and opportunities

Risks

As all of the Responsible Care Activities are important both for inside and outside our company, neglecting any

one of them will produce mid- to long-term risks. Specifically, such neglect will make it difficult to achieve our goal of becoming a company with a global presence that is valuable to society by 2030, and it will damage the image of our products and our credibility.

Opportunities

Mid- to long-term opportunities are building a strong relationship of trust with stakeholders by promoting Responsible Care Activities, which Kao Group companies autonomously pursue, to get closer to our goal of becoming a company with a global presence, valuable to society by 2030 and to further build trust in our product brand image and the company.

Strategy

For Kao Actions toward 2030 in the Kirei Lifestyle Plan (KLP), that is, decarbonization, zero waste, water conservation, air & water pollution prevention, and employee wellbeing and safety, we set targets for 2030 with annual backcasting goals for these targets to be incorporated into our daily activities.

In addition, all Kao Group companies will promote Responsible Care Activities, namely self-monitoring activities by companies engaged in the chemical industry, by implementing a PDCA (Plan, Do, Check, and Act) cycle, and enhance these activities by utilizing the ISO 14001 and ISO 45001 international certification systems, etc.

Responsible Care Activities GRI 403-1

Social impact

We have driven Responsible Care Activities that incorporate an Environmental, Social and Governance (ESG) perspective in our business strategy to autonomously ensure aspects of environment, health and safety in the chemical industry. As such, the promotion of these activities is helping to create a sustainable world while building trust-based relationships with society from an ethical perspective. As a result, consumers and corporate customers are able to use our products with confidence, our employees can work in safety and with a sense of wellbeing, and communities neighboring our plants and worksites are able to live in safety and with peace of mind.

These leave the door open to positive influences such as reduced environmental impact, better hygiene, and returns to local communities in the areas of business activities, which bring a higher QOL to stakeholders, including residents of communities.

Contributions to the SDGs



Business impact

Employees can work safely and with peace of mind because we promote Responsible Care Activities. In

addition, business activities can take place normally with a stable supply of products while unnecessary costs are trimmed. In addition, these activities not only make it possible for stakeholders, including consumers and corporate customers, to use our products with peace of mind but also include legal compliance. By improving our social reputation, we can expect a rise in product and brand popularity as well as expansion of our business.

Governance

Framework

The Responsible Care Promotion Committee is positioned as one of the Internal Control Committees chaired by the President and CEO, reporting to the

(biannual) Internal Control Committee. The Internal Control Committee gives an overview activity report for its subsidiary committees to the Board of Directors. The Senior Vice President (Managing Executive Officer) serves as the chairperson of the Responsible Care Promotion Committee, which is composed of 14 members: representatives from four divisions, in addition to representatives of the eight promotional divisions within Japan, and the Product Quality Management staff, meeting once per year. The Risk Management & Responsible Care and Product Quality Management serve as the secretariat of the committee.

Each company involved in Chemical in the Kao Group, including Kao Corporation, participates in planning at the chemical industry association in their respective countries to promote Responsible Care Activities.

Responsible care activities framework



Responsible Care Activities GRI 403-1

PDCA to promote the Responsible Care Activities

The eight promotional divisions within Japan and all affiliated companies outside Japan promote the Responsible Care Activities using the following PDCA cycle based on our RC targets set by the Kao Group RC Promotion Committee, through drafting activity plans aligned with various operational requirements, industries and business categories.

The Kao Group RC Promotion Committee (September)

At the Kao Group Responsible Care Promotion Committee meeting held in September of each year, members discuss initiatives to clarify courses of action and strengthen the management system, and deliberate on the following year's numerical targets and activity targets based on the group's mid-term targets and on the results of the RC secretariat audit conducted in August.

Global RC Meeting (October to November)

At the Global RC Meeting held from October to November, the Responsible Care Promotion Committee Secretariat explains the group's mid-term targets and targets for the upcoming year, as decided by the Kao Group RC Promotion Committee, and requests each company to devise its respective targets and to plan for the upcoming year. Representatives from each company present the status of their RC activities and share information within the group.

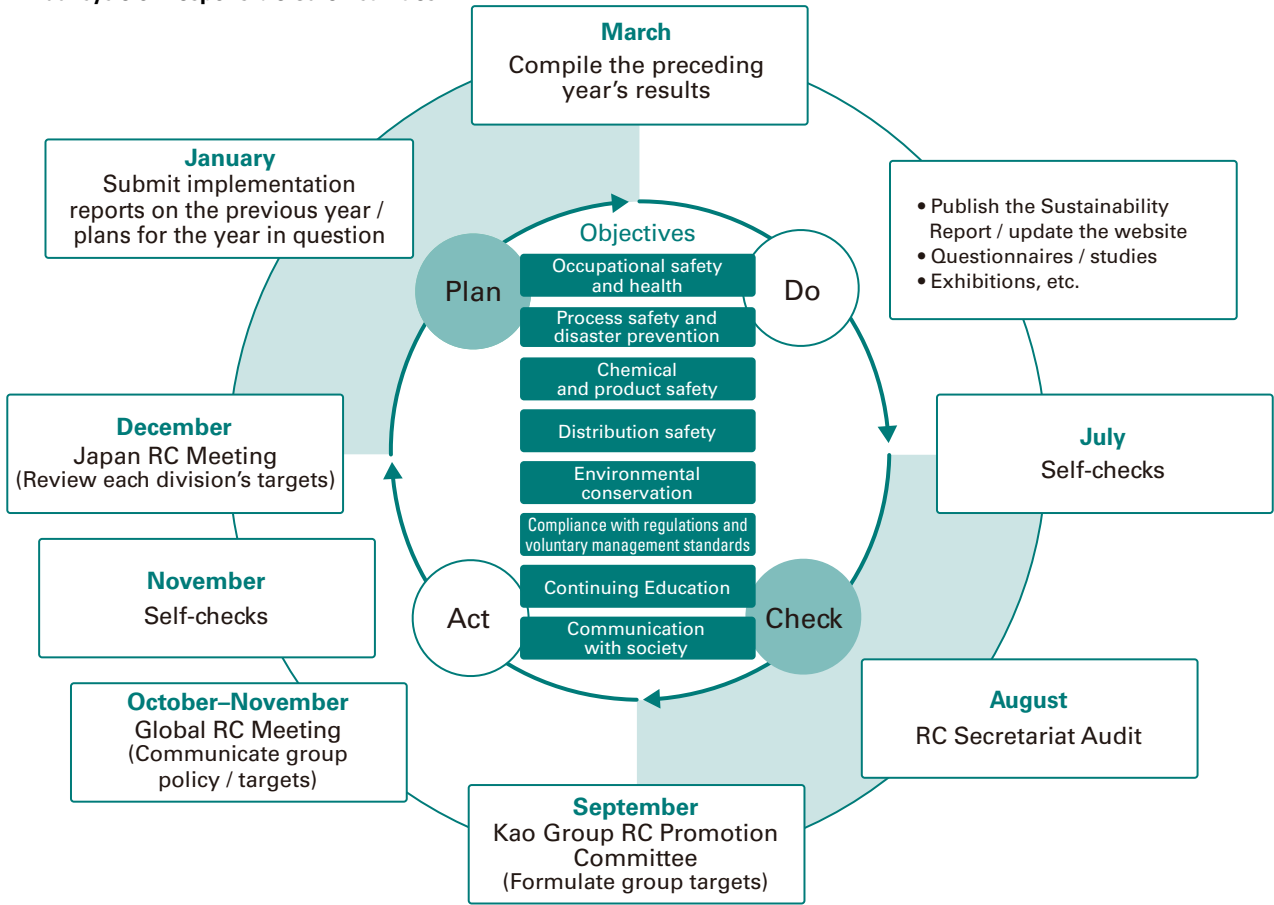
Japan RC Meeting (December)

At the Japan RC Meeting held in December, based on these numerical targets and activity targets for the Kao Group decided at the Kao Group RC Promotion Committee, Responsible Care Promotion Committee members of promotional divisions announced their

respective division's plans for the upcoming year, which are discussed by the committee. The RC Promotion members convey the deliberation results to their

respective divisions, relating the content in detail to their activity units in an effort to improve and enhance RC activities closely connected to each worksite.

Annual cycle of Responsible Care Activities



P304 Standardization of RC activities

Responsible Care Activities GRI 403-1

RC Secretariat Audit

At Kao, individual divisions in charge of RC promotion conduct self-checks in July, and the audit team selected by the Responsible Care Promotion Committee Secretariat implements an audit of individual divisions in Japan in charge of RC promotion and affiliated companies outside Japan in August to determine the progress of Responsible Care Activities and challenges to be addressed.

These results are reported at the Kao Group RC Promotion Committee held in September and Global RC Meeting held in November and these help formulate the following year’s numerical targets and activity targets.

In addition, the audit involves evaluations conducted by scoring the implementation status (implemented / not implemented; implementation rate) by survey item on the checklist used for the audit, as it is carried out based on company-wide regulations (B-02-00 Rules for RC Secretariat Audit).

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Implementation status of the RC Secretariat Audit

Utilization of the environmental and safety database

We have developed the Environmental & Safety Data Management System (“*Kanchan*” System)*1 to further reduce both environmental impact and occupational accidents.

The *Kanchan* System automatically calculates our total GHG emissions and the annual frequency and severity rate of occupational accidents, along with other data-based practical information used to reduce environmental impact and eliminate occupational accidents.

We are currently exploring a practical system for the efficient use of environmental and safety data by the

group with relevant divisions, as part of deliberations on transitions to new systems.

*1 Environmental & Safety Data Management System (*Kanchan* System)
Data shared among the group under this system includes that related to energy consumption, greenhouse gas (GHG) emissions, soot and dust emissions, water use, wastewater discharged, wastewater concentration measurements, soil and groundwater measurements, amounts of handling, release and transfer of chemical substances subject to PRTR, waste generated and discharged, and final disposal of waste, occupational accident statistics, and traffic accident statistics.

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Our ESG Vision and Strategy > Governance

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Corporate Governance

Education and promotion

The philosophy and policy of RC activities to ensure environmental conservation, health and safety in the product lifecycle must be shared with all Kao employees as well as the staff of its business partners. To do this, the Responsible Care Promotion Committee Secretariat and RC promotion staff from the individual divisions in charge of RC promotion regularly provide education on Responsible Care Activities, including environmental conservation, occupational safety and health activities and their policy for Kao employees and the staff of its business partners.

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Standardization of RC activities

Collaboration with stakeholders

Communication with society is a fundamental aspect of RC activities, and all Kao Group companies proactively

disclose their policies in relation to the environment, health and safety, and the status of activity implementation, and proactively engage in communication with customers, consumers, employees, local communities, etc., striving to secure the support and trust of all stakeholders.

Risk management

In the process of assessing risk, the Responsible Care Promotion Committee Secretariat identifies risks in light of the results and actual performance of the activities in the previous year and the first half of the current year with regard to each of the eight objectives that form the basic pillars of the Responsible Care Activities, assesses and prioritizes the identified risks, and reflects them in the following year’s RC targets. The Kao Group holds the Responsible Care Promotion Committee meeting around September every year, where each member deliberates on and approves such RC targets and reports them to the Internal Control Committee.

Regarding cross-organizational risks and common risks, we address them as corporate risk themes if necessary.

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Our ESG Vision and Strategy > Risk management

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Risk and Crisis Management

Responsible Care Activities

GRI 403-4

Metrics and targets

Mid- to long-term targets and 2023 results

We are promoting day-to-day RC activities to become a top-level global corporation for safety and environmental conservation by 2030.

In order to achieve this, we are striving to take our RC activities to an even greater level and expand their scope while enhancing the management system.

Therefore, we set our mid- to long-term targets until 2030 as Kao Group RC targets, with annual backcasting goals for these targets to be incorporated into our daily activities.

2023 results

In 2023, we convened the Kao Group RC Promotion Committee on September 11, and the Japan RC Meeting on December 22. In addition, the RC secretariat audit was conducted between July and August at each group company within and outside Japan and in individual divisions in charge of promoting RC.

As part of the RC secretariat audit, the Responsible Care Promotion Committee Secretariat attends annual self-checks conducted by multiple RC promoting divisions to confirm that the RC self-checks are being conducted correctly in line with regulatory and other requirements.

Although we had conducted and attended many audits remotely until 2022 due to the COVID-19 pandemic, we used a hybrid style in 2023, combining in-person and remote auditing.

However, documents and data were shared in order to achieve a common understanding, similar to 2022, instead of the Global RC Meeting in November, when

RC personnel from each company had initially planned to meet together.

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Corporate Governance

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Implementation status of the RC Secretariat Audit

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Education about RC activities

Reviews of 2023 results

In the area of environment, we met our targets for energy consumption, greenhouse gas emissions, combined landfill disposal and incineration rate, and water use. For the targets set in line with the mid-term targets of the Kirei Lifestyle Plan (KLP), we achieved our targets for the rate of renewable energy from purchased electricity and for the rate of disclosure of wastewater COD emissions, but did not reach the target for the rate of disclosure of wastewater VOC emissions.

In the area of safety, we did not achieve the targets for lost time frequency rate, total accident frequency rate, and on-site fires and explosions. However, we did achieve all targets concerning death and loss of function accidents, lost work days due to occupational illness and logistics-related leakage accidents, and there were zero incidents.

While we were again unable to achieve some targets in 2024, we are not changing our initial target values and will aim to make further improvements.

Main initiatives

Standardization of RC activities

Kao Group RC Promotion Committee (September)

The Kao Group RC Promotion Committee was held in hybrid style on September 11, 2023. The RC Promotion Committee Secretariat announced the first half-year actual performance for our group's 2023 RC targets, as well as the results of the RC secretariat audit and the high-pressure gas safety audit. In addition, the promotion divisions also announced the current status of their promotional activities, and finally the group's targets for 2024 were agreed upon for major topics deliberated.

Global RC Meeting (October to November)

Initially, we had planned to hold the Global RC Meeting in person at the Head Office on November 6 and 7 with the participation of RC promotion staff from each country, but this was canceled again due to the COVID-19 pandemic. The meeting took place instead, where we confirmed the status of companies' Responsible Care Activities and shared best practices by sharing documents from each plant, aiming to energize and improve the Activities.

Japan RC Meeting (December)

At the Japan RC Meeting, held both online and in person on December 22, RC Promotion Committee members from promotional divisions reported on their 2023 activity results and announced 2024 draft plans for their divisions. The plans were then deliberated on and approved. The RC Promotion Committee Secretariat then reported on the group's 2023 environmental and safety actual performance.

Responsible Care Activities

GRI 403-2, 403-4

Information exchanges with overseas

As we have not been able to hold direct opinion exchanges with RC promotion staff in countries outside Japan due to the COVID-19 pandemic, we held thirteen information exchanges remotely with individual areas from April to July 2023. At these information exchanges, the secretariat provided a summary of 2022 and reports on activity topics as well as information on 2023 targets and activities, while RC promotion staff in each country reported on their 2022 activities and topics. Participants also exchanged general opinions about RC.

Implementation status of the RC Secretariat Audit

From July through August 2023, the RC secretariat audit was conducted by using the checklist sheet at eight promoting divisions in Japan and 20 group companies*1 with plants outside Japan, with consideration to the degree of safety and environmental impact. In 2021, we revised portions of the checklist to reflect requirements in ISO 14001 and ISO 45001, as well as the self-assessment tool items of the International Council of Chemical Associations and also made improvements to

the evaluation content concerning the performance of Responsible Care Activities.

In Japan, the status of various items was confirmed at in-person meetings with RC promoting divisions, such as the current status of compliance with regulatory requirements and standards, the progress of planning, and achievement of numerical targets. Outside Japan, we conducted a paper audit using the same checklist. It has also been confirmed that all findings from the 2022 audit have been addressed.

Overall, the results of the 2023 RC secretariat audit produced almost the same scores as in 2022. As there was a large number of findings on the management system and occupational safety, which are areas where ongoing monitoring is necessary, we have requested further improvements (see the table below).

*1 Kao Corporation Shanghai, Kao (Hefei) Co., Ltd., Kao (Shanghai) Chemical Industries Co., Ltd., Kao Huludao Casting Materials Co., Ltd., Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao Incorporated, Kao Industrial (Thailand) Co., Ltd., Fatty Chemical (Malaysia) Sdn. Bhd., PT Kao Indonesia, PT Kao Indonesia Chemicals, Kao USA Inc., Kao Specialties Americas LLC, Quimi-Kao S.A. de C.V. (Mexico), Kao Manufacturing Germany GmbH, Kao Chemicals GmbH (Germany), Molton Brown Limited (UK), Kao Corporation S.A. (Spain), KAO CHIMIGRAF, SOCIEDAD LIMITADA, Kao Chimigraf, S.L., Kao Collins Inc.

Actual Performance of the RC Secretariat Audit (FY2023)

	Supply Chain Management	R&D	Business divisions	Corporate divisions	Group companies in Japan*2	Group companies outside Japan*3
No. of evaluation responses	246	211	282	510	744	6,537
Average evaluation score [out of 5]*4	4.25(4.21)	4.75(4.53)	4.84(4.83)	4.33(4.52)	4.40(4.49)	4.51(4.54)
No. of items requiring further monitoring	2(1)	0(0)	0(0)	4(5)	5(6)	—

*2 Group companies in Japan
Kao Professional Services Co., Ltd., Kao Group Customer Marketing Co., Ltd., Kao Logistics Co., Ltd.
*3 Group companies outside Japan
20 companies (11 in Asia, 9 in AEMEA (the Americas, Europe, the Middle East and Africa))
*4 () indicates 2022 results.

Status of international management system certification

Kao has put an RC management system in place throughout the group. We have received ISO 14001 certification, the global environmental standard, as well as ISO 45001 certification, which is the standard for occupational safety and health, in addition to other certifications in individual countries.

Environmental certifications (ISO 14001, etc.)

Ninety-five percent of our plants have received ISO external certification, and 4.5% have received external certification from the government and other authorities (on a total production volume-weighted basis).

Certifications obtained at 15 individual plants in Japan and Asia have been integrated to standardize and upgrade operations. We will expand the scope of certified plants on an ongoing basis and increase the number of integrated plants.

Occupational safety and health certifications (ISO 45001, etc.)

Obtaining the occupational safety and health management standard is being prioritized for plants outside Japan where enhancement of labor management is needed. The ratio of externally certified plants is 62% (on a total production volume-weighted basis).


Certifications obtained at eleven individual plants in Japan and Asia have been integrated to standardize and upgrade operations. We will expand the scope of certified plants by increasing the number of integrated plants and taking other measures.

Responsible Care Activities GRI 403-5

Product quality certifications (ISO 9001, etc.)

Ninety-nine percent of our plants have received external certification (on a total production volume-weighted basis). We will continue to expand the scope of certified plants.

List of externally obtained certifications



Certification Status of ISO and Other Standards
<https://www.kao.com/global/en/sustainability/pdf/environment-activity-data/certification/>

Education about RC activities

The Responsible Care Promotion Committee Secretariat and RC promotion staff in individual divisions in charge of RC promotion regularly provide education on Responsible Care Activities, including the environment, occupational safety and health, and process safety and disaster prevention for Kao employees and staff at business partners. In 2023, we also provided education by effectively deploying an online learning (e-learning) format so that employees can learn easily, for example, when working from home.


In 2023, the Responsible Care Promotion Committee Secretariat carried out RC training for employees 12 times, reaching a total of more than 600 employees.

We will continue to actively use e-learning and other means to provide RC-related education.

Responsible Care (RC) activity data links

Also see the following for the framework of RC activities, details of the major activities, and 2023 actual performance.

Occupational Safety and Health




Employee Wellbeing & Safety

Process safety and disaster prevention



Process Safety and Disaster Prevention


Chemical and product safety



For Safer Use of Chemicals
<https://www.kao.com/global/en/innovation/safety-quality/saicm/>


Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Product Quality Management
<https://www.kao.com/global/en/innovation/safety-quality/>



Responsible Chemicals Management

Environmental conservation




Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>

Kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>

Environmental Activities and Data
<https://www.kao.com/global/en/sustainability/pdf/environment-activity-data/>


Responsibly Sourced Raw Materials
<https://www.kao.com/global/en/sustainability/we/procurement/>

Making the world healthier & cleaner
<https://www.kao.com/global/en/sustainability/planet/>




Biodiversity

Compliance with regulations and voluntary management standards



Effective Corporate Governance

Communication with society



Corporate Citizenship Activities
<https://www.kao.com/global/en/sustainability/society/>

Responsible Care Activities

TOPIC

External evaluation

Supply Chain Management receives the Jury’s Special Award in the Responsible Care Awards

Supply Chain Management (SCM) received the RC Jury’s Special Award in the 17th Annual Responsible Care Awards, sponsored by the Japan Chemical Industry Association, for its development of leaders who support Kao manufacturing divisions (Kao Techno School).

Some of the aspects that were highly appreciated include the unique curriculum, such as the qualification and education course and seminars that the Techno School has continued for a long time; the human capital development based on career plans and the responses to its issues; and the global success of human capital development with over 1,000 attendees making their mark within and outside Japan.




Product Quality Management

We implement *Yoki-Monozukuri* in order to create a Kirei life from a consumer and customer perspective. At all stages, from raw materials to research and development, production, transportation and retail and sales, we pursue thorough product safety at a high level from a consumer and customer perspective, and strive to keep raising the quality of our products, in order to realize a safe and harmonious world for all life.

Social issues

Expansion of climate change, environmental pollution, and the resulting loss of biodiversity have exceeded the permissible level for the planet. On the other hand, hygiene issues such as drug-resistant bacteria, viruses, and mosquito-borne vector diseases are becoming the most worrisome health problems. In addition, the issues of falling birthrates and population aging are spreading from developed countries to developing countries. Their impact on environmental and social issues is an urgent challenge that must be addressed on a global scale, so rapid and global deployment of developed solutions is needed.

Policies

The foundation of our quality management activities is *Yoki-Monozukuri*, which is expressed by our corporate philosophy, the Kao Way. Additionally, we perform activities according to the first principle of the Kao Business Conduct Guidelines, our code of conduct: “We shall always strive to develop and provide socially beneficial and high-quality products and services that place emphasis on the health and safety of our consumers and customers to realize sustainable economic growth and to resolve social issues.”

Furthermore, to rapidly and globally deploy our unique products that address changes in turbulent global and social environments, we optimize quality in line with global customer needs, build a flexible quality management system to quickly respond to rapid changes, and contribute to *Monozukuri* that protects future lives.



Basic Policies for Quality Management Activities
<https://www.kao.com/global/en/innovation/safety-quality/safety-quality-policy/>

Safety management across the product lifecycle

We ensure a high level of product safety and quality so that our products can be used safely, securely and comfortably, through company-wide efforts at every stage, from research and development, through commercialization, production and sales, to the after-sales stage. As to raw materials for the product development stage and product ingredients after product launch, we regularly collect information on legislation and safety within and outside Japan. We evaluate a wide range of information from industry sources, NGOs, NPOs, etc., from multiple perspectives including the scientific approach and society’s concerns, and formulate necessary countermeasures.

In addition, we earnestly listen to all consumer feedback following product launch, confirm the specifics, and implement precise safety checks and safety management in collaboration with a network that includes medical professionals and governmental authorities. We exchange information with managers in Asia, the Americas, Europe, the Middle East and Africa (AEMEA) on a regular basis to utilize consumer feedback from all over the world, and undertake activities to enhance our overall level of product safety from a global perspective.

Regarding our consumer products, cosmetics and food products, we set standards with the aim of ensuring a high level of safety. This is because the consumer’s safety and security is always the highest priority. We regularly conduct a wide range of tests and detailed safety inspections in accordance with the Kao Safety Standards for Household Products. In the event

of any concerns, we respond swiftly and appropriately, with consumer safety as the top priority.



Safety Standards for Household Products
<https://www.kao.com/global/en/innovation/safety-quality/houseware-quality/>

Safety Standards for Cosmetic Products
<https://www.kao.com/global/en/innovation/safety-quality/cosmetics-quality/>

Safety Standards for Food Products
<https://www.kao.com/global/en/innovation/safety-quality/food-quality/>

Animal Testing Policy
<https://www.kao.com/global/en/innovation/safety-quality/animal-testing-policy/>

Strategy

Risks and opportunities

Our market is facing various changes, including the diversification of consumer values, growing awareness of environmental issues and concerns regarding the safety of chemical substances, and greater demands for disclosures that promote corporate transparency. In addition, global goods distribution is being driven by an increasingly borderless approach. In the midst of this, countries and areas have begun to build new legal frameworks with the aim of realizing a sustainable world and protecting consumers.

In this changing environment, we believe we can gain opportunities for business growth by addressing the following risks as promptly as possible.

1. Occurrence of serious quality issues.
2. Delayed disclosures and responses to new safety and environmental issues.
3. Delayed compliance with regulatory changes in each country and area, delayed establishment of systems for

Product Quality Management

- product quality management and consumer support, and an increased burden on operations as a result.
4. Delayed response to the diversification of consumer values due to a reliance on conventional quality management systems.
 5. Loss of timely product provision opportunities due to delayed establishment of quality management systems in new businesses and new business categories.

Strategy

- To address the stated risks and seize opportunities, we are engaging in the following initiatives.
1. Strengthening company-wide capabilities to minimize serious damage caused by quality problems, and raising internal awareness to prevent serious quality problems from arising.
 2. Promoting product developments in anticipation of social concerns, safety concerns of chemical substances, and environmental issues in each country and area; diversifying means of communicating product value with the aim of providing appropriate product information; making quality management activities more visible and strengthening communication with stakeholders by proactively disclosing information.
 3. Analyzing the impact of new laws and regulations in various countries and areas, developing a system that enables rapid verification of legal compliance, and introducing a system to centrally consolidate consumer feedback from each country and area.
 4. Transitioning to a quality management system that is suited to the times and areas and can respond to diversifying values.
 5. Providing products in a timely manner with new businesses and new business categories and searching for and acquiring external resources to develop a quality management system.

Social impact

By responding to urgent environmental and social issues through our reliable product quality management, not only do we reduce the risk of consumer and customer incidents, but we also enhance the health and well-being of the entire society. Our reliable product quality management also reduces environmental impacts and contributes to the creation of a sustainable world.

We also disclose appropriate quality information to stakeholders to provide security and benefit to the entire society.

Business impact

- Reducing financial loss on product recalls, etc.
- Acquiring new customers and increasing our number of loyal users by conveying the value of our products and services through efficacy claims and advertisements, and gaining consumer affinity to influence their purchasing behavior.
- Contributing to the expansion of business outside Japan by establishing a strategic quality management system for complying with regulatory changes in each country and area, as well as diversifying of supply chains by becoming borderless.
- Contributing to business enhancement by starting new businesses swiftly and using edgy products.

Governance

Framework

We also maintain a corporate governance structure that includes internal control systems, and we hold quarterly

meetings of the Quality Management Committee, which is a sub-body of the Internal Control Committee with the President & CEO serving as chairperson. Following the policies decided on by the Quality Management Committee, we hold annual Quality Management Meetings for each business field and confirm the quality management activities policy, product quality issues and the progress of our quality management activities. At the end of each fiscal year, based on a summary of the Quality Management Meetings for each business division and product quality management audit reports, the Quality Management Committee confirms the efficacy and reliability of the company-wide quality management system and reports to the Internal Control Committee.

Before a product launch, we adopt gate control to check quality and to verify the evidence comprehensively at the searching, development, commercialization and production stages, thus sufficiently ensuring our high safety and quality standards. After a product is launched, the head of each business division holds a quality improvement study meeting attended by all managers from the business and functional divisions (R&D, product quality management, procurement, Supply Chain Management, sales, and Consumer Communication Center), where opinions and suggestions from consumers and customers are carefully reviewed and applied to improve products, information, and services. We then work to improve our products, information and services based on the results of the reviews. We also hold joint Quality Improvement Study Meetings between Japan and China in product areas such as diapers, sanitary products, and cosmetics.

The Product Quality Management Division oversees and promotes company-wide quality management activities, from research and development, to marketing, production, distribution, and sales. The directors, audit & supervisory board members and executive officers in

Product Quality Management

charge of quality management supervise the division's activities, submitting periodic reports on these activities at meetings of the Management Board, and reporting on important issues as appropriate. The directors, audit & supervisory board members and executive officers also participate in discussions regarding important management issues in general.

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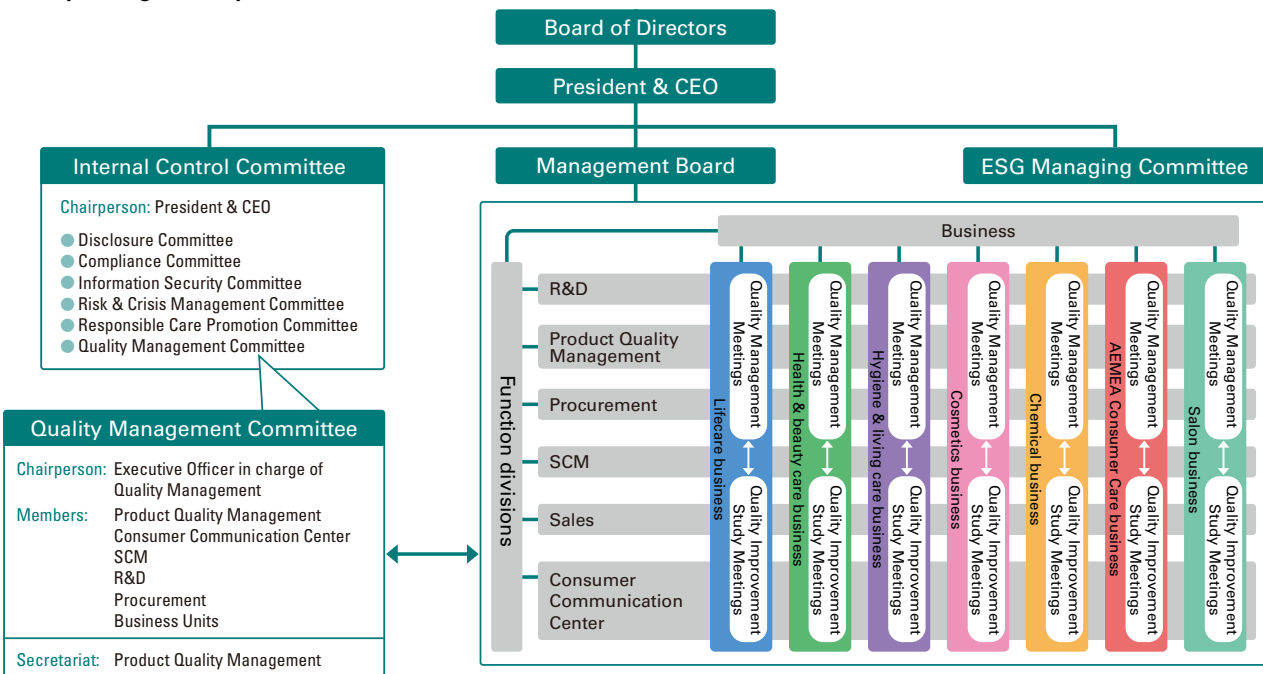
Our ESG Vision and Strategy > Governance

Education and promotion

So that our corporate philosophy permeates throughout our group, we provide education and training based on the Kao Way and Kao Business Conduct Guidelines, which are the foundations of our quality management activities. We are further strengthening education on quality awareness and regulations such as the Pharmaceutical and Medical Devices Act, Good Quality Practice (GQP) and Good Vigilance Practice (GVP). We also provide education for Good Manufacturing Practice (GMP) and various ISO standards. At our Manufacturing Division, we continue our own QC circle activities based on the number of consumer and customer contacts as an indicator. We provide various education and awareness-raising initiatives through day-to-day quality management activities and Quality Improvement Study Meetings to ensure the permeation of our quality management activities policy. We are also strengthening education for those who are planning to work overseas and group employees outside of Japan, and are working to raise the level of quality management activities of our entire group. In addition, in order to increase motivation, we reward employees who make outstanding efforts toward quality management.

Furthermore, we have made the Kao Group Critical Product Trouble Management System available on the

Quality management system



* As of December 2023

company intranet along with emergency contact information. Quality management education is performed periodically at group companies within and outside Japan; this education includes the Kao Group Critical Product Trouble Management System.

Collaboration with stakeholders

We believe that collaborating with stakeholders is essential to promote legal compliance and achieve sustainability in the world through “ESG-driven *Yoki-Monozukuri*.” As such, we are promoting collaboration

with stakeholders while ensuring reliability with respect to the following.

Making good use of consumer feedback in *Yoki-Monozukuri*

We use consumer feedback to improve our products, information and services by promptly sharing this feedback through the Kao ECHO System.

Initiatives to Make Good Use Of Customer Feedback
<https://www.kao.com/global/en/innovation/safety-quality/improve/>

Product Quality Management GRI 416-1

Collaboration with contractors

We hold quality-related meetings with contract manufacturers and raw material suppliers to promote consumer- and customer-driven quality improvement activities. We will collaborate with more business partners to develop consumer- and customer-driven quality management activities.

Actively engaged in industry initiatives

We actively participate in industry activities in each country and area. By actively participating in efforts such as the establishment of new standards for quality and safety as well as new test methods, we strive to provide products that can be used with peace of mind anywhere around the world.

Collaboration with administrative agencies

We share our viewpoints and make proposals in administrative meetings held in each country and area to contribute to the establishment or revision of standards. We also proactively contribute to the discussions on safety and new regulations at international conferences.

Risk management

We manage risks related to the occurrence of serious product incidents, and safety and environmental concerns associated with products, and related to the inability to appropriately address changes in regulatory requirements in each country, and demands for transparency regarding product composition and safety.

We review feedback from consumers at Monthly Quality Improvement Study Meetings and monitor product quality directly after launch and quality issues arising from design and production factors.

In addition, we monitor the quality management system for our group factories in Japan by conducting internal audits for GMP compliance and production management by contractors.

We have also set up the Kao Group Critical Product Trouble Management System to respond in the event that significant safety- or quality-related issues emerge, and our group companies both within and outside Japan respond to risk events based on this system.

Furthermore, we conduct surveys and collect information on an ongoing basis to ascertain risk trends surrounding chemical substances in the fields of science, regulations, and society. Based on the findings, discussions are held within working groups affiliated with the Chemical Stewardship Steering Committee under the ESG Managing Committee attended by members of relevant divisions within and outside Japan. Risks are then determined from a broad perspective, and the policies for the use of each substance are decided. In addition, we disclose our science-based approach for substances deemed to be of high importance and work to gain the understanding of our stakeholders, for example, by preparing to disclose a list of raw materials that are not to be mixed into Kao products.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

1. Lead a sustainable world by pursuing high levels of safety and quality together with stakeholders
2. Advance “ESG-driven *Yoki-Monozukuri*” by ensuring legal compliance as well as innovating the way we communicate our products’ value to consumers
3. Build bonds of trust with stakeholders via full transparency and responsible communication
4. Grow *Genba* through passion for change and the vitality of the organization, which comes from diversity

2023 results

Company-wide promotion of quality management activities

- Quality management education
Within and outside Japan: A total of 10,100 employees
- Education relating to GMP standards and ISO standards, etc.: 770 sessions
- Quality Improvement Study Meetings: 247 sessions (116 in Japan, 131 outside Japan)
- QC Circle activities: Three QC conventions per year (involving nine countries and a total of 1,441 participants)



Certification Status of ISO and Other Standards
<https://www.kao.com/global/en/sustainability/pdf/environment-activity-data/certification/>

Product Quality Management

GRI 404-2, 416-1, 416-2

Product recalls over the last four years*1

Year	2020	2021	2022	2023
Cases	0	0	2	1*2

*1 Voluntary recalls from consumers and the market with announcements via press release

*2 Applicable product: Bondi Sands Mineral Zinc Sunscreen SPF50+ Face Lotion 60mL
Bondi Sands Mineral Zinc Sunscreen SPF50+ Body Lotion 120mL (Bondi Sands)

Reviews of 2023 results

We implemented the following actions related to quality management education:

- To comply with the revision of the Japanese Medical Device QMS requirements in March 2021 (fully implemented in March 2024), we established new software validation procedures and revised operational procedures such as the quality manual. We also conducted education for the relevant departments on the revisions.
- The regulations on stealth marketing based on the Act against Unjustifiable Premiums and Misleading Representations were implemented in October 2023, and internal education to address this was conducted.
- In China, the Cosmetic Supervision and Administration Regulation was significantly revised in January 2021, leading to the issuance of numerous subsidiary regulations. To address this, we established an internal system in Japan, documented operational procedures, and provided education to relevant departments.

We promptly developed teaching materials for quality management education using e-Learning, creating an environment where everyone can learn anytime, as many times as they need.

For the 2023 voluntary recall, we are promptly conducting a retrieval of the products to minimize the impact on customers. We will continue to make every effort to prevent the recurrence in the future.

Main initiatives

Enhancement of quality management education

Quality management education using examples of quality issues related

So far, we have established an e-Learning system to enable learning about quality management-related regulations, internal rules, and our corporate culture, which prioritizes quality.

In 2023, educational materials were created using past examples of significant quality issues, organized into a library on the internal portal site, and made accessible. This enables employees to voluntarily acquire knowledge about the causes and measures for quality issues, thereby strengthening their on-the-ground capabilities.

Quality management education at group companies outside Japan

Previously, quality management education for our Asian group companies has been conducted by our Japanese headquarters. However, we believe that for the establishment and advancement of quality management activities, it is desirable to autonomously conduct quality management education locally.

Starting in 2023, we have begun to develop the capabilities of staff to conduct quality management education locally. After confirming the capabilities of the trained staff through certification exams, we will grant them certification as trainers and then allow these trainers to educate local staff, a system that is called the “Quality Management Meister System” and that was initiated at Kao (Taiwan).

We plan to introduce this system to Asian group companies in the future.

Verifying quality management activities through audits and voluntary inspections

In addition to regular quality audits and voluntary inspections, we conduct discussions from various perspectives in the Quality Audit Promotion Meeting, which is composed of various departments, to deliberate and determine annual audit themes and to ensure that no quality risks are overlooked, strengthening the effectiveness of audits.

In 2023, we expanded the internal audits related to GMP compliance, which were previously conducted at domestic group factories, to the Asian group factories.

For the internal audits of the department managing the contract manufacturing facilities, we expanded the scope to include not only the quasi-drug and cosmetic management departments but also the household goods and food management departments.

The statuses of these internal audits and external audits that group companies received were reported to the Quality Management Committee and Internal Control Committee.

Product Quality Management

Employees’ opinions

Quality Management Meister system



Liu, Hsiu Ping
Kao Taiwan
(E.O.) Vice President Consumer
Product Business Division

“Kao Quality” is what we Kao (Taiwan) employees are always proud of. It is very important for all Kao employees to better understand how Kao’s PQM system operates—not only inside Japan, but also outside Japan. Therefore, Kao Taiwan pioneered this PQM Meister System, in which six certified PQM trainers conduct PQM education for all employees at their respective organizations over a period of approximately three months. Employees who received the training commented that they had a better understanding of PQM and that they were able to memorize the three important elements of safety, quality and legal compliance. It takes time to instill a culture of quality among all employees, but I am very happy to see that the mind of each and every employee is steadily moving toward “Quality First.”

Information Security

We have established 30 Information Security Committees in various countries, areas, worksites and companies. These Information Security Committees take action to strengthen information security in order to protect information assets that include cybersecurity measures, trade secrets, and personal information as well as IT hardware, software and many kinds of data records.

Social issues

The “Information Security White Paper 2023,” issued by the Information-technology Promotion Agency, Japan (IPA) provides the following examples:

“An increasing number of companies and organizations are falling victim to ransomware attacks. Observed methods of attack involve double extortion, where stolen data is disclosed, along with DDoS attacks targeting victim organizations, and extortion tactics such as blackmailing victims by suggesting that the attack would be revealed to their customers and stakeholders.”

“A ransomware attack targeting an automobile parts company in February 2022 resulted in shutting down an automobile factory that purchased parts from the affected company for one day. In another ransomware attack targeting a medical center in Osaka City in October of the same year, the attacker gained access through a VPN-connected food service provider, damaging the electronic health record system in the medical center via the server.”

Although these are examples from Japan, the situation is similar overseas. Cyberattacks targeting companies and organizations have resulted in a significant number of incidents, including the leakage of trade secrets and personal information and the halting of production activities and business activities due to ransomware. Consequently, security measures to prevent cyberattacks are recognized as social issues.

Also, protection of personal information has been reinforced in recent years under the EU General Data Protection Regulation (GDPR) and the laws of individual countries. We are aware that responding to the increasingly rigorous protection of personal information in each country is a social issue.

Policies

We seek to implement security measures that will prevent cyberattacks and to build and maintain mechanisms and systems that can minimize damage even if we are subjected to such attacks.

At Kao, the ISC in Japan plays a central role in establishing incident response structures and preparing for incidents in collaboration with the Risk & Crisis Management Committee. For technical measures, Enterprise Information Solutions takes the initiative in assessing risk, creating a roadmap for security measures, and implementing measures in line with it.

In Japan,

- Information Security Policy
- Guidelines on Handling Trade Secret Information
- Guidelines on Handling Personal Information
- IT Security Guidelines (for Administrators)
- IT Security Guidelines (for Users)
- Website Application Security Guidelines

Overseas,


- Information security policy
- Global Trade Secret Regulation
- IT security guidelines (currently being formulated)

We have formulated policies and guidelines including those above to carefully manage cybersecurity measures, trade secrets (TS), and personal information in accordance with them. Such efforts are not only carried out in accordance with laws and regulations and the guidelines set forth by government agencies and committees, but are also designed to clarify our policies for the management framework and management methods.

The definition of personal information and the obligations of companies to handle personal information

vary from country to country, depending on their laws. We ascertain the details of these laws that are enacted and amended, implement the measures that the Kao Group should take, and comply with the laws of each country.

Regarding our personal information handling policy and contact information, we have released the “Kao Group Privacy Policy” on the websites of our domestic and overseas companies.



Kao Group Company Privacy Policy

Japanese version
<https://www.kao.com/jp/privacy/>

English version
<https://www.kao.com/global/en/privacy/>

For EMEA (Europe, the Middle East and Africa) (GDPR compliant)
<https://www.kao.com/emea/en/privacy/>

Kao Group Company Inquiries and Complaint Reception Desk Regarding Personal Information

Japanese version
<https://www.kao.com/jp/privacy/privacy-contact/>

For the EU (GDPR compliant)
<https://www.kao.com/global/en/EU-Data-Subject-Request/>

Strategy

Risks and opportunities

Risks

The occurrence of cyberattacks that can cause the long-term suspension of production, sales, marketing and R&D activities, along with the loss of corporate trust due to leaks of information including TS and personal information, is a major risk.

Information Security GRI 2-28

Opportunities

By strengthening cybersecurity measures and the management of information assets including TS and personal information, such data can be utilized in new ways, new business can be created, and new work-styles will become possible through the use of the ICT.

Strategy

We have implemented cybersecurity measures in line with the security strategy roadmap, considering their urgency and budget. In 2023, we rendered email attachments and links harmless, prevented email spoofing, implemented measures to prevent account hacking, and introduced Endpoint Detection and Response, which is security software that detects suspicious behaviors on PCs and servers and provides prompt responses to them.

We are also globally expanding a Security Operation Center (SOC) that monitors the networks, servers, and PCs 24 hours a day, 365 days a year, detects suspicious behaviors including cyberattacks and viruses, and responds to them immediately. In August 2023, we started blocking the transmission of email with password-protected zip files attached to prohibit PPAP. In addition to these efforts, we provide a security education program to our employees.

Social impact

Kao helps improve security measures in the industry and of all companies in Japan by sharing information on the cyberattacks Kao Corporation experienced through the information-sharing network.

For this purpose, we participate in the following initiatives:

- the Initiative for Cyber Security Information Sharing Partnership of Japan (J-CSIP) of the Information-technology Promotion Agency, Japan (IPA)
- Cyber Intelligence Information Sharing Network of the National Police Agency and
- the Japan Computer Emergency Response Team Coordination Center's (JPCERT/CC) Information Security Early Warning Partnership scheme.

We also participate in the Security Information Management Subcommittee established by the Japan Chemical Industry Association, an industry organization, and are working to exchange information with other companies.

Carrying out cybersecurity measures for the entire supply chain also plays a part in improving cybersecurity for the entire industry and for Japanese companies overall.

Contributions to the SDGs



Business impact

By using cybersecurity measures to fend off business interruptions and the leakage and exposure of TS and personal information due to cyberattacks, we can prevent the loss of trust on our company. At the same time, we can avoid compensation payments and costs

associated with cause location, measure implementation and the like in the event that damage does occur. Also, damage can be minimized if measures are in place to respond to cyberattack incidents and the leakage of TS and personal information.

The Kao Group can enhance trust in security measures and facilitate new ways to use data, new businesses, and diverse styles of working using the ICT by putting strong security measures against cyberattacks in place.

Governance

Framework

Information security management framework

The Information Security Policy, which is the primary provision regarding information security, stipulates that the President & CEO shall appoint a Chief Information Security Officer (CISO) to take command of, and be responsible for, supervising the formulation and maintenance of information security measures. The CISO is an Executive Officer and takes on the position of chairperson of the ISC. The ISC supports the protection of information assets (including hardware, software and various types of data files) such as trade secrets and personal information, in order to achieve management goals, takes measures against cyberattacks on the Kao Group as a whole, and responds to the personal information protection laws of each country.

In Japan, we have appointed executive officers to serve as Chair and Vice-Chair of the ISC, and both the committee members and the staff of the committee's secretariat are appointed from different divisions,

Information Security

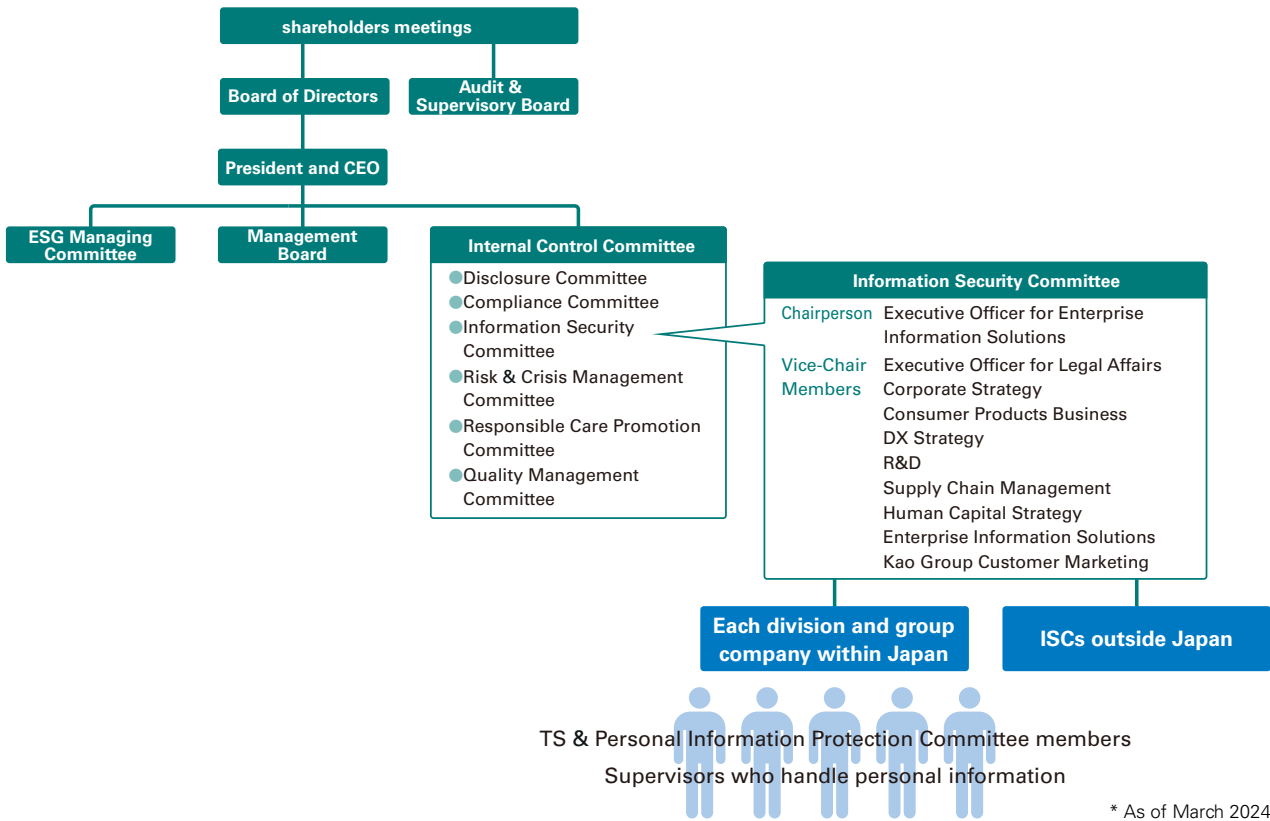
including Human Capital Development, Enterprise Information Solutions, Marketing, Research and Development, Intellectual Property Management, Supply Chain Management, and Legal. This enables us to benefit from a wide range of perspectives when determining policies, formulating internal rules, putting management systems in place, and implementing awareness-raising activities.

The ISC provides a report to the Board of Directors through the Internal Control Committee every quarter. The report contains the activity targets of the current fiscal year, progress status and performance evaluations, and in the fourth quarter, the activity targets for the coming fiscal year are also reported. In the event of an incident that requires an emergency response, the ISC works in collaboration with the Risk

& Crisis Management Committee and reports to management immediately.

Overseas ISCs comprise members of the Management Boards of each company, and the ISCs are positioned under Japan's ISC. As is the case with Japan, the activities of the ISCs include quarterly activities based on the PDCA cycle, and ISCs are required to submit reports to the ISC in Japan in March of each year.

Information security management framework



Report format for submission to the ISC in Japan

No.	Item	Content
1	Self-awareness raising activities	Conducted for all employees. Describe the details of awareness raising and the targets.
2	Self-checks	Describe the details of self-checks and the respondents. Which of the following patterns does the respondent belong to? <ul style="list-style-type: none"> • Respondents are selected through sampling of employees in each division • Managers ascertain conditions in their divisions and respond • Other
3	Setting improvement targets and taking action	Based on the results of self-checks, set improvement targets for those items with poor results and describe an improvement plan.
4	Number of incidents	State the number of cases of theft, loss, erroneous transmission of trade secrets, and theft or loss of information equipment for each type. Describe the details in an incident report.
5	Information relating to personal information	State the amount of personal information that is held, the number of complaints regarding personal information, and the number of requests to delete personal information.
6	Other	Describe reports relating to TS, personal information and cyberattacks, if any.

Information Security

Establishment status of Information Security Committee

Division	Number	Company / Region
Headquarters	1	Kao Corporation
Consumer Products	2	Kao (Taiwan)
	3	KPSS Taiwan Ltd.
	4	Kao (Hong Kong) Limited
	5	KPSS Hong Kong Ltd.
	6	Kao Industrial (Thailand) Co., Ltd. / Kao Consumer Products (Southeast Asia) Co., Ltd.
	7	PT Kao Indonesia
	8	Kao Singapore
	9	Kao (Malaysia) Sdn. Bhd.
	10	Kao Vietnam Co., Ltd.
	11	Kao Consumer Products (EMEA)
	12	Kao Consumer Products (EMEA) U.S.
Chemical	13	Kao Penang Group
	14	Pilipinas Kao, Incorporated
	15	PT Kao Indonesia Chemicals
	16	Kao Corporation, S.A. (Spain)
	17	Kao Chemicals GmbH
	18	Quimi-Kao, S.A. de C.V.
	19	KAO Chimigraf, Sociedad Limitada
	20	Kao Specialties Americas LLC
China	21	Kao Collins Inc.
Kanebo Cosmetics Inc.	22	Kao Group companies in China
	23	Kanebo Cosmetics (Europe) Ltd.
	24	Kanebo Cosmetics Deutschland GmbH
	25	Kanebo Cosmetics Italy S.p.A
	26	Taiwan Kanebo Cosmetics, Co., Ltd.
	27	Kanebo Cosmetics (Thailand) Co., Ltd.
	28	Kanebo Cosmetics Malaysia Sdn. Bhd.
	29	Kanebo Cosmetics Korea Co., Ltd.
	30	Kanebo Cosmetics Rus LLC

Kao's incident response members and their roles

Name	Members	Roles, tasks, etc.
Top management	<ul style="list-style-type: none"> Representative Director Audit & Supervisory Board Members 	<ul style="list-style-type: none"> Identifying major incidents Determination and approval of response measures, disclosures and measures to prevent recurrence
Risk & Crisis Management Committee	<ul style="list-style-type: none"> Chairperson Secretariat 	<ul style="list-style-type: none"> Escalation by the cyberattack / personal information protection response team
Emergency Countermeasure Meeting CSIRT Computer Security Incident Response Team	<ul style="list-style-type: none"> ISC Chairperson ISC Members ISC Secretariat Risk Management & RC Strategic Public Relations Employee Services & General Affairs MK Platform Consumer CC Responsible divisions 	<ul style="list-style-type: none"> Identifying and responding to incidents Immediate response: determination of network isolation, suspension of server operation, suspension of accounts and other related issues Report to top management: Preparation, reporting and implementation of immediate response measures and measures to prevent recurrence, decisions on disclosure to stakeholders and relevant external organizations
SOC Security Operation Center	<ul style="list-style-type: none"> Enterprise Information Solutions: Networks, servers and security services Strategic Public Relations: Responses to mass media, preparation of news releases Risk Management & RC: Social media monitoring Customer Success: Management of memberships and campaign-related website Consumer CC: Management of external reports ISC Secretariat: Management of reports from the National Police Agency, IPA and JPCERT/CC 	<ul style="list-style-type: none"> Implementation of various types of monitoring and detection of outliers. If an outlier is detected, report to CSIRT, investigate the cause, and implement technical responses Receive external reports, confirm facts and report to CSIRT
Stakeholders / Relevant external organizations	<ul style="list-style-type: none"> Suppliers Employees Consumers Mass media Supervisory authorities Police IPA JPCERT/CC Information-sharing networks 	<ul style="list-style-type: none"> Disclosure of information to stakeholders, reporting to supervisory authorities Request for support to police, IPA and JPCERT/CC Provision of information to information sharing networks

Note: Risk Management & RC: Risk Management & Responsible Care, Consumer CC: Consumer Communication Center, MK Platform: Marketing Platform

Kao's incident response flow

	Detection	Identification	Response
Top management and Audit & Supervisory Board Members Risk & Crisis Management Committee		<div>Day of initial report</div>	<ul style="list-style-type: none"> Report Response measures, announcement, approval of measures to prevent recurrence <div>Next day and later</div>
ISC (CSIRT)	<div>Immediately</div>	<ul style="list-style-type: none"> Understanding the facts Decision on urgency Emergency Countermeasure Meeting Preparation of management report Requests for external support <div>Day of incident</div>	<ul style="list-style-type: none"> Response measures, warnings, announcement, recurrence prevention measures, examination of responses to inquiries, etc., preparations
SOC	<ul style="list-style-type: none"> Monitoring Reports from employees Reports from outside Social media posts 	<ul style="list-style-type: none"> Continuous analysis Investigation of causes 	<ul style="list-style-type: none"> Response measures, warnings, announcement, recurrence prevention measures, responses to inquiries
Stakeholders Stakeholders (Relevant external organizations, security companies)		<ul style="list-style-type: none"> Request for support to police, IPA and JPCERT/CC Coordination with contract counterparties 	<ul style="list-style-type: none"> Warnings, announcements, incident reports, information sharing

Information Security

Incident response system

An incident response system has been established and measures are taken to minimize damage in preparation for potential cyberattacks, leaks of information, and other such incidents. To prepare for actual incidents, tabletop exercises are conducted multiple times each year.

Education and promotion

Internal education is conducted by each division to ensure that employees throughout the group fundamentally understand the issues of protecting TS and personal information, in principle. To this end, a general meeting is held in Japan each November with Trade Secret & Personal Information Protection Committee members and Personal Information Controllers from each division to:

- (1) provide lectures and training on TS, personal information and information security;
- (2) analyze the number of incidents and trends related to Kao's TS and personal information and provide feedback;
- (3) set improvement targets; and
- (4) discuss topics on promoting TS and personal information protection and information security.

The 2023 meeting took place both offline and online with 266 TS & Personal Information Protection Committee members and Personal Information Controllers participating. (134 people viewed the meeting video.) Company-wide educational materials are posted and timely warnings for all staff are provided via the company intranet portal site. Also, to evaluate the effectiveness of the internal education, self-checks are performed. On the basis of the results obtained, any problems that may exist are identified, improvement

targets are set, and improvement activities are implemented.

Overseas, each ISC prepares an education and self-inspection plan, carries it out, and submits a report to Japan in March.

Collaboration with stakeholders

Cybersecurity measures

Kao has conducted the security evaluations listed below in collaboration with contractors and suppliers as security measures for the entire supply chain.

- Security evaluation of third-party logistics (17 sites in Asia and 20 sites in the Americas/EMEA) in 2020
- Security evaluation of 107 packaging suppliers and 86 raw-material suppliers in 2022 (Procurement has consultations on effective measures for suppliers that are considered high-risk.)
- Security check evaluation of nine contract manufacturers in 2023

Paper audits of outsourcing partners handling personal information in Japan

We conducted paper audits of 200 service provider companies, confirmed the status of personal information management systems, rules and security management measures, and supervised service providers.

Website Application Security Guidelines

To present Kao's security requirements to system development contractors and ensure they meet the requirements when carrying out design and development, we have formulated and implemented the Website Application Security Guidelines.

These guidelines contain internal procedures and points of consideration related to the security of system personnel, development personnel, and operations personnel.

Risk management

Activities to promote TS and personal information protection conducted in Japan using the PDCA cycle were as follows.

Plan: Plan formulation and review

- Review of the promotion system and updating of information access authorizations
- Review of trade secrets lists
- Sharing of implementation plans for awareness raising and self-checks
- Report from the Information Security Committee outside Japan (previous year's results and this year's plan)

Do: Awareness-raising activities

- Re-inspection of the confidentiality level of trade secrets
- Secure written pledges from supervisors who handle personal information
- Awareness-raising activities for employees

Check: Self-checks and auditing of outsourcing partners

- TS and personal information
- Auditing of outsourcing partners that handle personal information

Information Security

Act: Improvement activities

- Summarizing incidents related to TS and personal information
- Feedback of TS and personal information self-checks
- Setting improvement targets

Risk identification

- Kao identifies whether trade secrets, personal information, and security are managed and operated according to rules through self-checks.
- Kao plans to identify risks associated with operations that handle personal information with risk scores in

the new personal information management system that began operating in July 2023.

Risk reduction

- Kao reduces risks identified through self-checks by providing feedback and setting improvement targets in plenary meetings.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

- Protection of information assets such as TS, personal information, hardware, software and many kinds of data records, including cybersecurity measures
- In the event of an information leak or other emergency, confirmation of facts, implementation of an emergency response, and formulation and implementation of measures to prevent recurrence

2023 results

At Kao, there were no serious incidents related to information security, including TS and personal information protection. No claims relating to personal information were directed to inquiry desks. Overseas, we received and promptly addressed 25 requests for deletion of personal information in the EU.

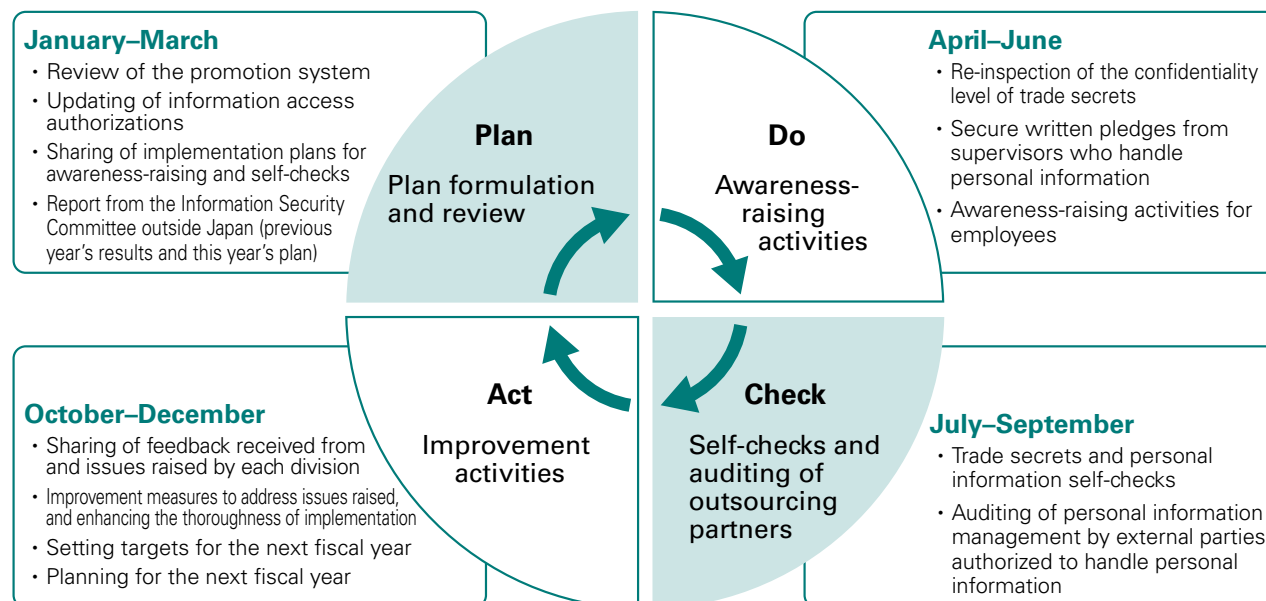
Plan: Plan formulation and adjustment

- Reviews of 316 TS Promotion Committee Members and 296 Personal Information Controllers
- Review of trade secrets lists by 125 divisions, departments and affiliated companies in Japan
- Reports received from 28 ISCs outside Japan (Kanebo Cosmetics Rus LLC is currently inactive.)

Do: Awareness-raising activities

- Submission of pledges on personal information from 2,391 people
- Conducted awareness-raising activities in 139 divisions, departments, and affiliated companies in Japan

PDCA cycle for information security activities



Information Security

Check: Self-checks and auditing of outsourcing partners

- Self-checks on TS in 146 divisions, departments and affiliated companies in Japan
- Self-checks on personal information in 116 divisions, departments and affiliated companies in Japan
- Audits of 200 outsourcing partners that handle personal information

Act: Improvement activities

At Kao, there were no serious incidents related to information security, including TS and personal information protection.

- On November 22, 2023, a plenary meeting was held both offline and online with 266 TS & Personal Information Protection Committee members and

Personal Information Controllers participating. (134 people viewed the meeting video.)

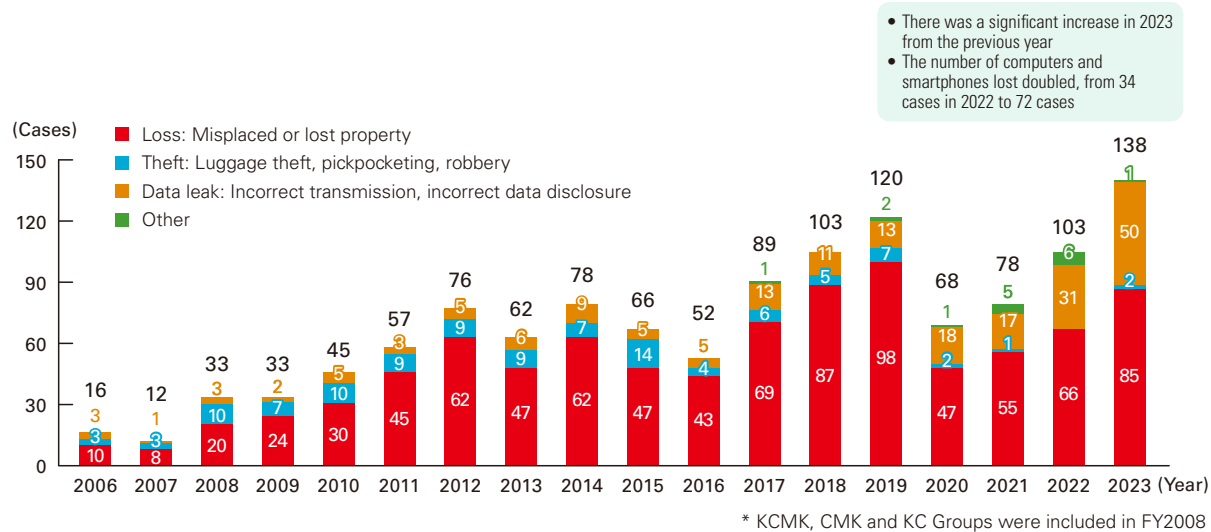
- The number of incidents related to TS and personal information in 2023 was 104 by the end of October. Out of these incidents, 67 were losses, with the majority involving the loss of company cell phones. Since company cell phones and company PCs are encrypted, the loss of these devices does not result in information leakage.

Reviews of 2023 results

Since even those who fully understand TS and personal information protection lose clarity in their knowledge over the years, the risk of an incident occurring increases. Therefore, carrying out activities to protect TS and personal information on a continual basis every year is essential. It is important that all employees, including new hires and mid-career hires, understand and follow our TS and personal information protection rules.

In addition, 29 ISCs have been established overseas in overseas regions, corporate groups, and individual companies to promote the protection of TS and personal information throughout the Kao Group. We check the contents of the activities of ISCs outside Japan with activity reports they submit every March.

Change in the number of incidents in the Kao Group in Japan



Information Security

Main initiatives

Activity targets for the Information Security Committees (ISC)

The following ISC activity targets for 2023 were set and measures were taken to achieve them.

(1) Reinforcement of cybersecurity measures

- To enhance security, we strengthened security measures in accordance with the security strategy roadmap.
- We enhanced email security, website security, account security and endpoint security.
- Prohibition of PPAP

Because password-protected zip files attached to email cannot be checked for viruses, Kao has been blocking such email since August.

(2) Renewal of cyber insurance

- Coverage of cyber insurance
 - Crisis management costs
 - Third-party liabilities
 - Costs related to authorities in countries outside Japan
 - Economic damage to the Company (including data damage)
 - Costs related to business interruptions

(3) Interviews with suppliers about security measures

In July 2023, we considered conducting security checks at nine contract manufacturers but confirmed that they had already undergone checks during the supplier security check in 2022.

(4) Identification of main activities of the 29 Information Security Committees overseas

- Kanebo Cosmetics Rus: Inactive
- Conducting awareness-raising activities: 28

- Conducting self-checks: 26
- Setting targets: 26
- Incidents occurred: 22 cases from 6 companies
- Request for deletion of personal information: 25 (already addressed)
- Request for deletion of EU cookies: 84
- Complaints about personal information: 0

(5) Strengthening of domestic personal information management

The new personal information management system started in July. This system identifies the contents and amount of personal information, systems that processes the information, how the information is applied, and the locations of risks associated with the handling of personal information.

(6) PDCA (Plan, Do, Check, and Act) cycle for information security

1. Trade secrets lists, awareness-raising materials and TS and personal information self-check questions reviewed
 2. Awareness-raising activities implemented (by individual divisions)
 3. TS and personal information self-checks and audits of personal information outsourcing partners conducted
 4. The Trade Secret and Personal Information Protection Promotion Meeting was held in November
- Video presentations of awareness-raising activities and explanation of measures implemented by Kao
 - Report on incidents related to TS and personal information in Japan
 - Summary of self-checks
 - Setting of improvement targets
 - Explanation of changes to the scope of pledges on the handling of personal information

Information Security

Employees’ opinions

Establishing a global secure infrastructure environment that supports DX



Shiho Amamiya

Enterprise Service Management,
Enterprise Information Solutions,
Kao Corporation

As a member of the Enterprise Information Solutions security team, I am in charge of planning security strategy, introducing solutions, monitoring, responding to incidents, and other activities across the entire Kao Group including overseas sites. In 2023, we completed global deployment of the authentication infrastructure that serves as the foundation of our security, establishing an environment where employees can securely use the IT anywhere, including overseas and work-at-home environments.

As cyberattacks become increasingly sophisticated and diversified each day, we will collaborate with IT staff not only in Japan but also overseas to establish a system that protects our company and employees.

Employees’ opinions

Promoting global security enhancement



Tateki Nakaji

Legal,
Legal,
Kao Corporation

I am in charge of operations of the Information Security Committee’s secretariat and of promoting personal information protection measures.

The Information Security Committee discusses new measures and other topics from various viewpoints, determines policies, formulates rules, maintains an internal management system, supervises periodic audits targeting external outsourcing partners, and promotes the implementation of awareness-raising activities every month except for August. In particular, regarding awareness-raising activities, the committee runs awareness-raising and educational activities for all employees in the Kao Group, and has observed that the awareness of every employee has increased through interactions such as question-and-answer sessions. The committee also closely liaises with the Information Security Committees outside Japan to globally promote security enhancement. Although measures to address increase every year as time marches forward, all employees will address them as a team.

Digital Transformation (DX)

Kao promotes DX as a way to accelerate our transformation into a *Global Sharp Top* Company. With the power of diverse data and digitalization, which enables communication that is not limited by place or time, we will upgrade our *Yoki-Monozukuri* (heartfelt UX co-creation), which is the origin of our corporate activities, and contribute towards realizing a prosperous and inclusive society.

Social issues

The rapid evolution of digital technology has resulted in easier access to information and promoted the development of various digital tools, and this has dramatically changed the lifestyles and purchasing behavior of consumers. In response, companies must apply digital technology to swiftly meet customer needs, promote innovation, and construct sustainable business models. Meanwhile, corporate activities themselves are undergoing upheaval, which include streamlining business operations with digital technology and data, improving business processes, and instigating work-style reform.

In the future, we can expect further evolution of AI and IoT, along with advancements in the application of big data. Therefore, securing a competitive advantage by constructing sustainable business models that have adapted to the development of the digital society, along with agile UX improvement activities, will be crucial.

Policies

For Kao, Digital Transformation (DX) offers a multitude of opportunities for business growth, strengthening competitiveness, improving business efficiency, and reforming work-styles.

In this increasingly fast-moving digital society, we will promote DX within the following three policies to accelerate Kao's transformation into a *Global Sharp Top* Company:

- (1) User experience (UX) Centric: Through applying digital elements, we will understand consumers more deeply and further advance what we learn from them. In turn, this will be reflected in products and services for agile improvement.
- (2) Co-creation: We will promote co-creation with internal and external stakeholders by applying the strengths of digital elements that transcend various boundaries.
- (3) Problem 1st: Without making DX our goal, we will first clarify problems to solve before incorporating technology and applying data.

Strategy

Risks and opportunities

Risks

In an environment where the digital society continues to advance, delays in promoting DX may hinder sustainable growth and put a damper on competitiveness due to delays in responding to consumer needs, lost opportunities for innovation, and decreased efficiency in corporate activities. Furthermore, as the evolution of AI and IoT is expected to accelerate, speeding up corporate activity reform to apply digital technologies and data will be more important than ever.

Opportunities

Applying digital technology enables development of new business models, reinforces competitive strengths in the market, and also results in promotion of

innovation. As a result, direct benefits such as higher corporate value and profitability can be expected. Moreover, we can expect digitalization to dramatically improve operational efficiency, reduce costs, and increase productivity. Additionally, incorporation of elements such as remote work boosts work-style flexibility. This is expected to raise employee satisfaction and contribute to attracting quality human resources.

Strategy

Staying close to consumers through the power of digitalization

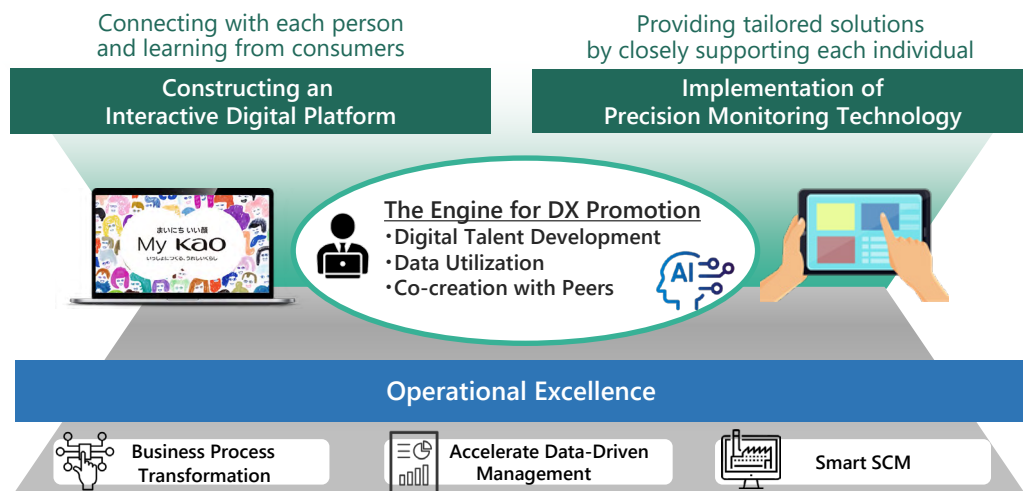
Based on changes in consumer lifestyles and purchasing behavior due to the rapid evolution of digital technology, along with trends among platformer/retailers, Kao recognizes the urgency in establishing business models that connect directly to consumers, and will foster digitally capable personnel and use digital technology to evolve *Yoki-Monozukuri* that stands with each and every consumer.

While making steady progress in streamlining corporate activities, we will accelerate our transformation into a *Global Sharp Top* Company through deepening business models from mass-focused business models to business models from an ESG perspective that meets diverse values by utilizing digital technology and big data.

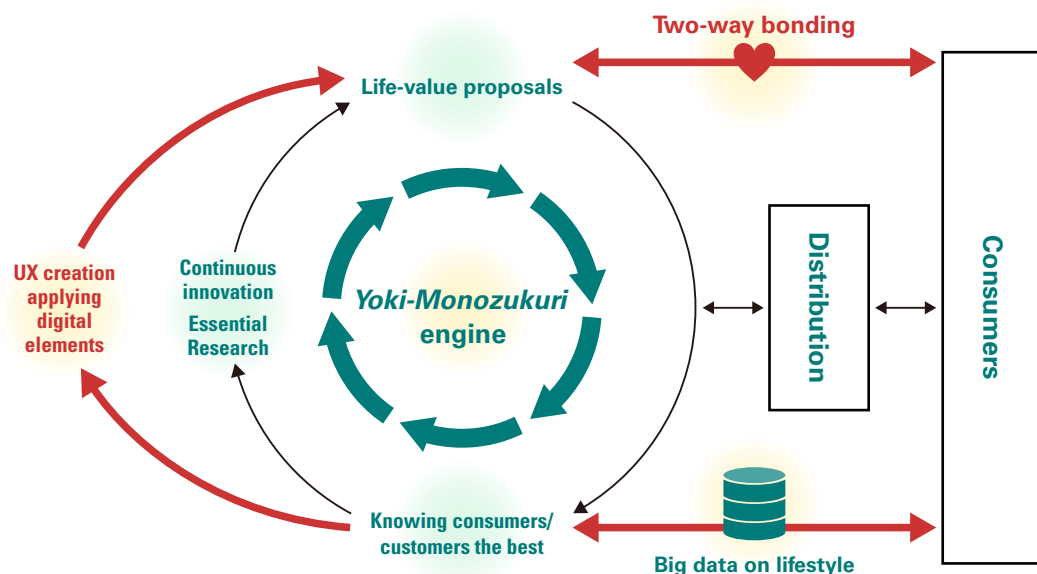
Our ESG Vision and Strategy	Realization of the Kao Way	Making My Everyday More Beautiful	Making Thoughtful Choices for Society	Making the World Healthier & Cleaner	Walking the Right Path	Our Foundations	Appendix
Our Priorities -Kirei Lifestyle Plan-							

Digital Transformation (DX)

Utilization of DX to transform Yoki-Monozukuri



Upgrading Yoki-Monozukuri

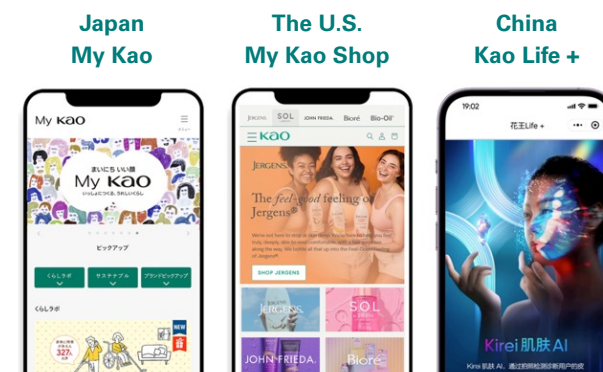


Connecting with consumers around the world via a two-way platform

Kao has been proceeding with establishing an interactive digital platform called “My Kao,” which directly connects Kao to each consumer. It is owned media that provides reliable information and thoughts behind product development communicated from the manufacturer, while also serving a role as a new marketing foundation.

By offering community functions and establishing a mechanism in which various divisions in the company can hold direct dialogue with consumers, agile *Monozukuri* and marketing become possible, and providing personalized UX (user experiences) contributes to achieving a Kirei Lifestyle for each consumer.

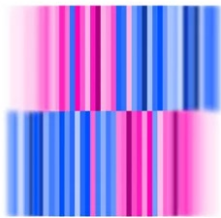
The concept of a two-way platform is being promoted globally. In Japan, My Kao was launched in December 2022, followed by My Kao Shop in the U.S., and Kao Life + in China, and we are gradually expanding functions for these platforms.



Digital Transformation (DX) GRI 2-28

Accelerating creation of new arenas through co-creation that transcends corporate boundaries

In March 2024, Kao and istyle Inc., jointly established the RNA Co-creation Consortium, which is centered on Kao's unique sebum RNA monitoring technology. We have welcomed leading companies in their respective fields as coordinators to integrate their data and research expertise to enable the industry as a whole to create mechanisms that enable consumers to select sustainable products and services with higher levels of satisfaction than before and accelerate creation in new arenas.



RNA共創
コンソーシアム
RNA Co-creation Consortium

Promotion of operational excellence through digital utilization

Kao has accumulated a large quantity of data acquired through its activities up to this point. This data will be evolved into intelligence to be used for decision-making, to speed up management and optimize value chains. Furthermore, we will also continue to improve and create efficiency for workflows in various operations in our efforts to maximize company-wide profits.

Some major activities that are to be promoted include business process reform, the acceleration of data-driven management, and smart SCM. We will also maximize our use of various digital and AI tools across the company to promote these activities.

Fostering DX human capital which will act as the engine for strategy promotion

We have been actively promoting citizen developers*¹ to be a powerful engine for DX strategies. Along with this, we have also introduced the DX Adventure Program to promote the improvement of digital skills in all employees. We will reinforce efforts to discover and foster DX human capital to accelerate new value creation and the transformation of business processes across the company and business divisions. The visualization of skills through the introduction of the Open Badge digital certificate will also contribute to boosting employee motivation. This program has started in Japan and will be expanded globally from 2024 onward.

*1 Activities to promote *Genba*-driven business improvement with employees who are not IT specialists using low-coding/no-coding as citizen developers

Social impact

Kao has been shifting towards a sustainable business model (a shift from quantity to quality) against the backdrop of environmental protection and social responsibility. From a DX perspective, we will contribute to the shift from a conventional mass-production/mass-consumption model toward a business model rooted in ESG that is consistent with diverse values through the evolution of digital technology and various data applications. This initiative will contribute to promoting sustainability and further innovation.

One example is the sale of stagnant stock through an outlet launched within our e-commerce site in 2023. This has helped to reduce product waste and CO₂ emissions.

Contributions to the SDGs



Business impact

First of all, we anticipate operating a two-way platform that will result in improved products and services through consumer dialogue, increased lifetime value through personalized CRM, and a contribution to good financial results. Moreover, direct connections with consumers are expected to reduce marketing costs including those for advertisements and research. Additionally, the platform will help to bring down our e-commerce sales costs, and launching an online outlet will reduce the number of unsold products discarded.

Next, the newly established RNA Co-creation Consortium will seek the further participation of companies that support the initiative to create systems that will enable consumers to select sustainable products and services with higher levels of satisfaction than before based on RNA information. At the same time, we will strive to attain sustainable consumption cycles that are people- and environmentally friendly through balancing supply and demand by eliminating situations in which consumers are not able to find ideal products that fit their needs. In this way, having supporting companies maximize the use of Kao's technology aims to improve business results for Kao and related companies, and also to help improve the wellbeing of society as a whole and of all consumers.

Digital Transformation (DX)

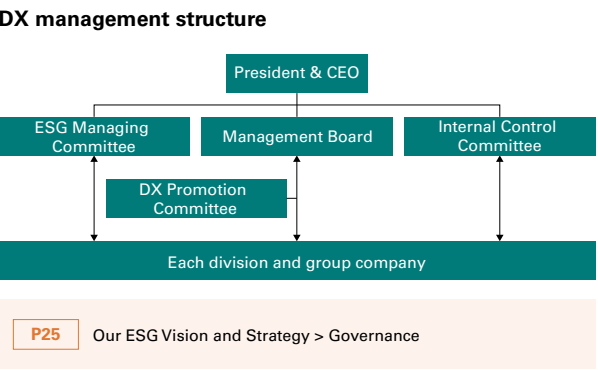
The improvement of business processes and work styles through the effective and timely introduction of digital tools also can be said to be the results of operational excellence. Furthermore, the spread of citizen developer activities are expected to reduce cash outflows through *Genba*-responses for long-tail projects. These initiatives will provide positive impacts on businesses through organization-wide efficiency and the improvement of business processes.

Governance

Framework

In January 2023, we integrated three DX-related divisions to form DX Strategy, a company-wide division. Under the supervision of the President & CEO, who is in charge of DX, DX Strategy will lead all aspects of DX activities with Managing Executive Officers supervising the division. In January 2024, we established the Data Intelligence Strategy Center which promotes data intelligence within DX Strategy. Along with the DX Strategy Design Center and the Interactive Platform Center, DX promotion will take place under this structure of these three centers.

Adding to this, checks of strategies and investments related to DX at Kao are reported and resolved at the monthly DX Promotion Committee meetings. The DX Promotion Committee is chaired by the Managing Executive Officer in charge of DX Strategy and advised by the President & CEO. Important matters are deliberated on by the Management Board and reported to the Board of Directors.

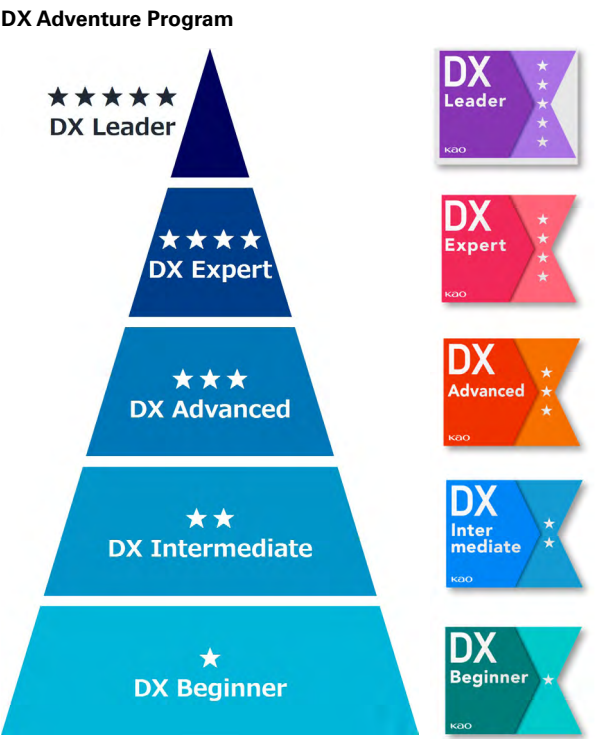


Education and promotion

Since 2018, Kao has moved ahead with human capital development that promotes DX. Although up to 2022 we had provided educational programs through a selective method or to those requesting it, from 2023, we have started a new DX educational program targeting all employees on a global scale.

The new DX educational program—the “DX Adventure Program”—started as a training program for all from November 2023, to improve digital skills according to the needs and skill level of each individual and their work divisions. This program comprises three layers and five skill levels, and offers a customized program for each employee.

From 2024, a program to train DX promotion leaders in each division will start, and the plan is to train 300 division DX promoters and 150 company-wide DX promoters by the end of FY2027. This program uses the digital certificate “Open Badge” to visualize employee skills and disclose this information within and outside the company as a way to boost employee motivation.



Digital Transformation (DX)

Collaboration with stakeholders

In terms of co-creation with consumers, we will cooperate with them to develop innovative products and services by establishing various communities on the two-way platform My Kao. For co-creation with external partners, we will move forward by providing value for “Things + Experiences” in a wide range of life situations and contribute to realizing the Kirei Lifestyle for consumers. We launched collaborations with ASAHI BREWERIES, LTD. in December 2023, and with Ajinomoto Co., Inc. in April 2024. We plan to expand partnerships in the future to continue proposing new value for diverse lifestyles.

At the RNA Co-creation Consortium, Kao, which provides the technology, and istyle Inc., which is the largest platform provider specializing in beauty in Japan, have taken upon the role as directors and organized a management committee. Leading companies from various industries, such as KOSÉ Corporation, Matsukiyo Cocokara & Co., Kirin Holdings Company, Limited, Perfect Corp., and Healthcare Systems Co., Ltd. have been welcomed as coordinators for this initiative. We invite the participation of companies from a wide range of industries including beauty, health, and food for sustainable development, not only for Kao but for other industries as well, through problem-solving and value creation via the integration of data and research.

Risk management

Within the promotion of DX, we have identified the following as major risks and are taking countermeasures for them.

<Major countermeasures>

1. Leakage or falsification of personal information

- Thorough management of handlers of personal information, including employees and business partners, along with regular awareness-raising
- Ensuring that work is conducted in dedicated rooms with guaranteed security

2. Online unauthorized access and data falsification

- Implementation of audits when forming partnerships with contractions and regularly thereafter
- Reinforcement of monitoring systems and construction of a quick response flow in the event of an incident

3. Cloud environments and network failures

- Collaboration with external vendors to reinforce operation and maintenance frameworks
- Continued maintenance of system backup environments

4. DX delays due to lack of human capital

- Promotion of company-wide DX education along with promotion of individual DX human capital development programs tailored to the characteristics of each division
- Reinforcement of external networks and selection of external specialists

5. Leakage of trade secrets and compliance violations due to misuse of AI

- Promotion of awareness and thorough implementation of the “Kao Guidelines for Generative AI Use”
- Use and application of the dedicated system “Kao AI Tools,” which guarantees information protection

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

Towards 2027, Kao aims to use DX to accelerate its transformation into a *Global Sharp Top* Company, leveraging digital technology and data that will play a role in transforming the dimensions of its corporate activities. To achieve this, we have configured four major outcomes (Key Results) to manage targets.

1. Fostering a culture of digital application through training DX human capital: We will accelerate new value creation and transformation of business processes across all divisions by internal adoption of citizen developer activities and further deepening the DX Adventure Program.
2. Acceleration of data application in decision-making: We will support data-driven management by evolving various data accumulated within the company into intelligence that aids decision-making for management and business operations.
3. Construction of a global two-way platform that directly connects to consumers: The platform will play the role of strengthening the functions of owned media to attract Kao fans and as a new marketing foundation to deepen *Yoki-Monozukuri*.
4. Promotion of digital accessibility: We will promote improvement of UX/UI to make websites and online services more accessible to all people, including those with disabilities. Our target level is Level AA under the Web Content Accessibility Guidelines 2.1 published by the World Wide Web Consortium (W3C). [Number of target sites: 700 (global), 100% are scheduled to be completed by the end of FY2027]

Digital Transformation (DX)

2023 results and 2027 targets (Global)

1. DX human capital development

(2023 results)

- 1,000 citizen developers
- 30 company-wide DX leaders / 30 division DX promoters

(2027 targets)

- 3,000 citizen developers
- 150 company-wide DX leaders / 300 division DX promoters

2. Application of data to decision-making

(2023 results)

- Launch of a company-wide promotional project (October)

(2027 targets)

- A: 5 (strategic) cases / B: 30 (immediate) cases

3. Promotion of initiatives to attract more Kao fans through constructing a two-way platform

(2023 results) * Within Japan

- 10 million My Kao visitors / 0.25 million My Kao members

(2027 targets) * Within Japan

- 30 million My Kao visitors / 3 million My Kao members

4. Promotion of digital accessibility

(2023 results)

- Approximately 30% completed of all 700 target websites

(2027 targets)

- 100% completion of target websites

Reviews of 2023 results

1. DX human capital development

- Citizen developers

We are progressing as planned due to endeavors for improving motivation with reskilling and newly establishing an annual award system.

- Company-wide training of DX leaders

Steady progress is being made through a higher-level training program.

2. Application of data to decision-making

A dedicated division has been established in 2024, for full-scale operations.

3. Attracting Kao fans by constructing a two-way platform

We are progressing as planned through expanding content and enhancing shopping mall functions.

4. Promotion of digital accessibility

We are progressing as planned.

Reference: User rate of Kao website in Japan: Approximately 8.0% (Kao's estimation based on Internet Usage, a survey conducted by the Ministry of Internal Affairs and Communications)

Digital Transformation (DX)

Main initiatives

[Deepening Yoki-Monozukuri] Promotion of the My Kao two-way platform

My Kao, launched in December 2022, has steadily been growing in both visitors and members as a two-way platform with consumers, and plays two key roles: the role of owned media to attract Kao fans, and the role of a new marketing foundation that supports Kao's *Monozukuri*. Regarding owned media, we provide reliable and useful information from manufacturing sources and heartfelt content on our thoughts behind product development. Additionally, with the full-scale development of community functions for My Kao, we will strengthen its role as a new marketing foundation and aim for *Yoki-Monozukuri* that grasps the real needs of consumers through direct dialogue. Furthermore, My Kao Mall makes the most of the benefits of direct sales with new marketing challenges such as sales of limited or test products, and initiatives to reduce disposal of unsold products through its outlet sales.



[Deepening Yoki-Monozukuri] Launch of My Kao Mall OUTLET

At Kao, we use limited resources effectively for *Monozukuri* and are progressing with a system that produces and delivers only the absolutely necessary quantity of products that best suit each individual. As part of these efforts, we are promoting initiatives to reduce product disposal by incorporating demand forecasting and reviewing methods at product switches.



However, in reality, there was stagnant inventory left over at plants and distribution centers, including outdated products left due to improvements and package changes, along with product inventory left due to discontinuations and efforts made to ensure a stable supply.

In this environment, as a part of ESG-driven management, we launched the My Kao Mall OUTLET on our e-commerce site and started selling these products, regarding which we had no choice but to discard them before, at a discounted price. With this, we are helping to achieve a recycling-based society by reducing product disposal and CO₂ emissions.

Our ESG Vision and Strategy	Realization of the Kao Way	Making My Everyday More Beautiful	Making Thoughtful Choices for Society	Making the World Healthier & Cleaner	Walking the Right Path	Our Foundations	Appendix
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Digital Transformation (DX)

[Operational excellence] Promotion of company-wide application of generative AI

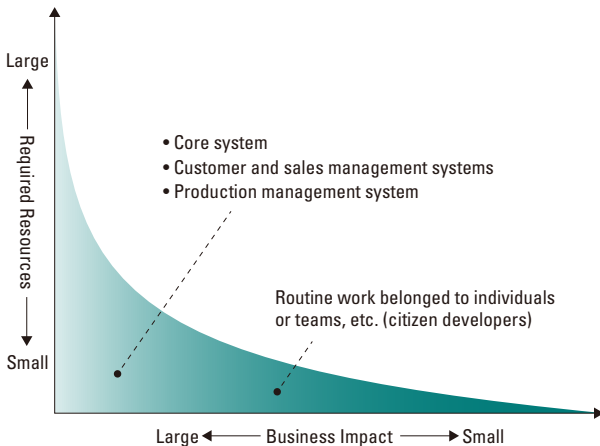
In May 2023, Kao introduced the company-wide use and application of a generative AI tool that guarantees the protection of in-house confidential information. With this, an environment has been created in which employees are now able to use generative AI with peace of mind. Furthermore, formulation and full application of the “Guidelines for Generative AI Use” prevents misinformation and acts as a security measure while also preventing copyright infringement and ethically inappropriate use. In the six months since the introducing of this tool, users have increased from 1,700 to 17,000. As a result, the tool has been applied in various categories and work efficiency has improved. There is also a growing movement of sharing information, such as effective prompts, within the organization.

From FY2024, we will make efforts to boost efficiency even further by incorporating generative AI into business processes. Some examples are the development of algorithms with check functions that comply with laws such as the Pharmaceutical and Medical Device Act and the Act against Unjustifiable Premiums and Misleading Representations, and promotion of more efficient legal checks. These initiatives are expected to accelerate and refine business processes associated with legal and regulatory compliance, and prompt more effective advertisement expressions.

[Engine for DX promotion] Grassroots DX by citizen developers

Kao has two approaches for system development to boost business efficiency. One is a large-scale project led by Enterprise Information Solutions. Another is having non-manager employees who are not IT specialists use low-coding/no-coding as citizen developers to promote *Genba*-driven business improvements. Kao fully encourages these activities, and by the end of 2023, there were 1,000 citizen developers active at each *Genba*, acting as the driving force of Kao’s DX promotion. Since 2023, we have been running the Citizen Developer Expo, which will recognize outstanding endeavors in our efforts to boost motivation and case-sharing within the company through offering awards. Our future goal is to train 3,000 citizen developers by the end of 2027.

Development of systems to streamline business efficiency



Employees’ opinions

Citizen development initiatives through reskilling



Kaoru Matsushita

DX Promotion Division,
DX Strategy Design, DX Strategy,
Kao Corporation

After reaching the mandatory retirement age, I transferred to my current division as a senior partner. Presently, I use low-code developing tools as a citizen developer to create applications. Some of my signature applications include the “Infectious Disease Report Application” and the “Digital Work Status Display”.

When developing applications, I work within a team with members who want to renew current work operations based on Excel or email, or want to challenge themselves to a workflow incorporating new ideas, or want to try application development with their own hands.

I believe there are still many employees who want to learn something new and apply this knowledge to their work, so I hope to play a key role in promoting company-wide reskilling.

Intellectual Property

To act on our goal of “contributing to business and society through intellectual property,” our R&D, business divisions, and the Intellectual Property Division (IP Div.) work together to create and protect intellectual property and strategically utilize intellectual property rights.

Social issues

Although there are demands for technological innovation and the rapid delivery of new and diverse values to address global social issues such as global warming, climate change, and infectious diseases, the problem of counterfeit products, particularly in the Asian region, is becoming more complex and sophisticated. The changes in the distribution of counterfeit products with social shifts have also been reported in *Illicit Trade Global Trade in Fakes A Worrying Threat* (June 2021), summarized by the OECD and the European Union Intellectual Property Office. The report notes in detail that counterfeit products made up 2.5% of global trade in 2019, and that there was an increase in counterfeit products within e-commerce due to the surge of demand with the pandemic. In reality, Kao has confirmed counterfeit products on online mail-order sites and flea market websites passing for products such as *Bioré UV Aqua Rich* and *Curél Intensive Moisture Care Face Cream*.

Policies

In order to resolve social issues, develop industries and contribute to society, we are working to promote activities in line with our ESG Strategy, the Kirei Lifestyle Plan (KLP). We employ technologies created through our fundamental values of *Yoki-Monozukuri* not only in our own products, but also in ways that lead to early resolution of social issues, the development of industries, and contribution to society. We believe there is a need to acquire intellectual property (IP) and

appropriately enforce rights in order to achieve adequate social implementation and prevent counterfeiting. The IP Div. will continue to build an IP portfolio that is optimized in terms of both quantity and quality, and will not only make strategic use of Essential Research results that can give birth to diverse product value globally and across categories, but also provide strong IP support to business and R&D divisions to realize the Kirei Lifestyle Plan. In addition, there is a need for a high degree of reciprocal use of intellectual property in collaboration with external parties to solve social problems. This is the fundamental concept announced in the Co-creation Innovation and IP Strategy to Accelerate ESG Management presentation that the Senior Vice President of the R&D gave at the Global IP Strategy Forum 2020 held by the Japan Patent Office (JPO) on January 28, 2020. In addition to helping to advance technology by publicly releasing inventions that we create, we seek maximum utilization of Kao IP by undertaking open innovation in collaboration with outside parties. We will co-create new technologies in collaboration with industry and government, and will also flexibly license them and provide access for others to use Kao’s technological assets.

Strategy

Risks and opportunities

Risks

- There is the risk that Kao’s original technologies will be imitated and sales and profit goals will not be attained due to missed timing for IP activities and failing to

- secure technological developments as IP that result in industry and public benefit
- There is the risk of failing to meet consumers’ expectations of products’ values and damaging the value of the Company and brands due to the appearance of low-quality counterfeit products
- There is the risk of delays in providing desired products and services due to sluggish social implementation of research results

Opportunities

- Securing Kao’s unique technologies as intellectual property, which results in the provision of one-of-a-kind products and services, results in consumer loyalty and enhancement of our brand value
- Reinforcement of internal and external collaboration will create new solution technologies that otherwise would not have been born by the R&D divisions or from Kao alone.

Strategy

Based on these risks and opportunities, we will develop intellectual property activities that capture the entirety of our business and R&D activities.

R&D at Kao conducts management to leverage the core technology groups it has created in many business divisions in accordance with various aspects of business development. With this, we aim for more efficient R&D investments and utilization of technology assets. Meanwhile, for product and service development, small teams with members from various domains including business divisions, R&D, Manufacturing Division, and Product Quality

Intellectual Property

Management, work in a scrum system for speedy commercialization. To protect the results of research and development born from these activities, along with names that were conceived as symbols of products and services, the IP Div. also participates in the scrum to carry out timely IP activities. The division conducts the comprehensive and integrated acquisition and utilization of industrial property rights such as patents, utility model rights, design rights, and trademark rights, along with intellectual properties, including copyrights and trade secrets, which are strategically combined to construct a system that holds rights from various perspectives. Additionally, we will further expand the system so we can co-create solutions to social issues that Kao aims to address with a variety of like-minded partners outside the company.

- Establishing a system to apply created technology assets in various business domains
- Establishing contact points in both business and research divisions, and create a system to engage in swift business development (scrum system)
- Building a strategic IP portfolio that is based on each of our business strategies that make up Another Kao and Reborn Kao for effective application in business activities
- Implementing regular clearance, respecting the rights of others including patents, designs, and trademarks, and reinforcing a system to prevent infringement of the rights of others on a global scale, from initial steps of product development to right before new product launches
- Advancing with rights acquisition on a global scale, and taking strict action in accordance with laws and regulations regarding infringement of rights in cases such as counterfeit products

- Establishing an IP MIX strategy for multi-faceted protection by combining intellectual property rights such as patent, design, and trademark rights for each product or technology

Examples of technologies publicly released: Shampoo bottle notches

We have been placing a notch with a jagged shape on the sides of shampoo bottles since 1991. This enables people with visual impairments, as well as people with normal vision who wash their hair with their eyes closed, to identify the bottle by touch.

Believing that a lack of uniformity in the industry concerning the use of these notches would lead to consumer confusion, we withdrew our utility model application and worked through the Japan Cosmetic Industry Association to call on other companies to adopt an industry standard. As a result, the agreement of numerous companies in the industry was obtained. Now, most shampoo bottles have notches, and the use of notches has become an international standard due to Japan taking the initiative (ISO 11156: 2011).



Notches first developed in 1991 (left) and current notches (right)

- Ensuring appropriate retention of intellectual property rights from a ROIC perspective
- Fostering a co-creation mentality within Kao and endeavoring to expand business profits by expanding co-creation frameworks

Social impact

We create value that contributes to industry and society and transform IP into assets by pursuing its true nature through particular attention to fundamental technology research and product development research. Intellectual property that has become assets as a result of reinforced collaboration within and outside the Company will be used as unique technologies and names to expand business domains and solve social issues. In turn, these will contribute toward attaining the K27 vision of “Protecting future lives.” Also, the public release of socially beneficial inventions contributes to the public good.

Contributions to the SDGs



Business impact

By protecting Kao’s unique technology and names as IP and providing consumers with one-of-a-kind products and services that are unrivaled in the industry, we will contribute to enhancing the value of our brands.

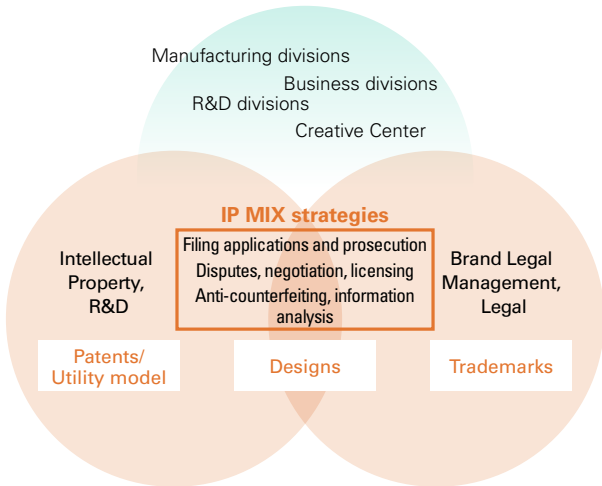
Intellectual Property

Furthermore, since Kao is a prolific product developer, we can apply Essential Research results to product development in a broad range of fields, making it possible to increase the efficiency of R&D through appropriate IP protection. This will enable us to increase product revenues. At the same time, we aim to become an indispensable entity with a *Global Sharp Top* business that a sustainable world expects us to be by making sincere efforts to help solve social issues.

Governance

Framework

Major operations and related divisions for the Intellectual Property Department



The IP Div. (the combined name of Intellectual Property Department (IPD) under R&D and Brand Legal Management (BLM) under Legal) conducts company-wide management of business-related IP.

The IPD plays a key role in strategically applying for and exercising rights relating to patents and technology-based designs, which are indicators of key company values from the perspective of technology development capability in a broad range of fields. The Senior Vice President of R&D is in charge and adds weight to collaborations with research divisions to work on a global scale.

BLM collaborates closely with business divisions to provide brand value protection through trademark rights for product names, logos, and catchphrases which differentiate our products and technologies, and design rights for packaging, which are symbols of our products. The responsible party is the Senior Vice President in charge of Legal.



Through regular meetings, both the IPD and the BLM leverage their positions in discussions and engage in increasingly sophisticated IP activities for factors including design rights, which are common to both, IP MIX strategies and coordination of anti-counterfeiting

measures in response to changes in the diversified use of technology, and how information should be disseminated as IP Div.

Important matters are proposed to and discussed by the Management Board and, if necessary, by the Board of Directors. Most recently, the Management Board deliberated and decided to revise the regulations regarding compensation for inventors, etc., as this is the source of Kao's technological strength and an important investment in intellectual property. Once each year, useful patents and other IP rights that have contributed to business are reported to the Management Board, which deliberates rewards for employee inventions. The results of the deliberations are also reported to the Board of Directors. We have also established an IP Technology Award aimed at honoring outstanding technologies (that are *Global Sharp Top*) that can be No. 1 in specific fields, even if the technology did not make a significant contribution to businesses.

Our group as a whole works closely together on R&D activities. In addition to existing IP operations (applications, rights acquisition, contracts, management, information analysis, IP education) conducted while collaborating with business divisions and group companies outside Japan, taking steps to fight counterfeit products and engaging in open innovation, we are also leveraging our IP from more strategic perspectives.

Looking to initiatives aimed at solving social issues, we are examining the feasibility of building an organizational team and external structure able to monetize not only IP in our existing business frameworks but also IP in new business domains.

On the other hand, these activities related to intellectual property involve various risks and opportunities, and risk management is carried out by

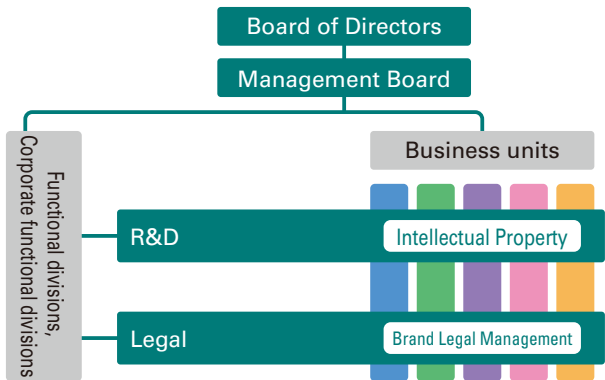
Intellectual Property

the Internal Control Committee and the ESG Managing Committee under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

The Internal Control Committee (which meets twice a year) and its subordinate Risk & Crisis Management Committee (which meets four times a year) also manage risks related to countermeasures against counterfeit products outside Japan.

These committees are headed by the Executive Officer Responsible for Corporate Strategy.

IP management framework in Japan



* As of December 2023

Education and promotion

We conduct IP educational programs around the world that are carefully designed to meet the years of experience, roles, and other employee elements, with the expectation of enhanced researcher IP literacy. The technologies and products developed as a result will become the sources of creation of functions and qualities that differentiate them from competitors.

For researchers, not only do we provide seminars on the patent system as well as seminars and practical training for creating patent specifications, but we also provide education that fosters IP management that takes business into account and strategic thinking utilizing patents. In 2023, a total of around 330 researchers participated in IP education and training programs. We also make effective use of e-learning programs to enhance the effectiveness of our educational activities. Online learning has already been adopted as a tool for IP education and training by our researchers in Asia, the Americas and EMEA.

As a result, researchers have been taking more initiative in acquiring IP rights for technologies and in building an IP portfolio. Through repeatedly taking these educational programs according to the number of years of experience, we have been able to maintain high standards of annual applicant numbers and registration rates among our researchers.


For business divisions, basic knowledge about trademarks is provided via e-learning for new marketing employees within and outside Japan. Furthermore, we have updated the content of past trademark seminars to develop and implement new educational programs according to characteristics such as years of experience and brands. Comprehensible and practical seminars are held for each business division, and there was a total of approximately 280 participants at the 2023 basic trademark seminar.

Collaboration with stakeholders

To realize “What Kao Aims to Be by 2030,” we will take a firm stand against counterfeiting, which is a challenge in the field of intellectual property. By collaborating with IP industry organizations and other companies in our own industry, we have reinforced our measures and are helping to advance the IP industry as a whole.

As a part of those initiatives, we have created opportunities for direct dialogue with management levels in the JPO and European Patent Office, as well as in patent offices in emerging countries, in order to allow us to maintain an accurate grasp of the latest trends in IP administration. In 2023, we exchanged opinions with patent office examiners on the level of examination practices. Through this type of dialogue, while gaining an understanding of recent developments related to examination, which is useful for establishing more stable IP rights, we also request government support for solutions to the social issues we have identified.

We have also devised opportunities for direct dialogue with patent attorneys in major countries and areas (including EMEA, the Americas, South Korea, China, and Taiwan) and multiple emerging countries to deepen our understanding of global IP practice and acquire rights in accordance with the legal systems of each country.


[Management Strategy and Mid-term Plan 2027 \(K27\)
https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/](https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/)

Risk management

Business activities involve a variety of risks, and it is important to quickly identify and assess these risks and feed them back to business activities.

IP Div. recognizes occurrences of counterfeit products as a risk, as they may threaten consumer safety, and so monitor e-commerce websites for counterfeit products. When suspicious products are discovered, we obtain the actual item and judge its authenticity with the cooperation of relevant divisions such as business divisions. If there is a high possibility of a product being counterfeit, BLM takes the lead in

Intellectual Property

efficiently responding to eliminate counterfeit products through paths such as raids, lawsuits, and takedowns of the sales page on e-commerce sites.

The results of the study are compiled into a casebook for use within Kao. We are also strengthening our injunction framework with customs authorities and other government agencies, while sharing information in the anti-counterfeiting subcommittee of an external organization, and collaborating not only with all arms of the Kao Group but also with the government and other companies to develop activities to minimize risk.

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

- Creating new businesses that apply technology assets
- Implementing measures to inhibit the counterfeit products industry
- Along with inhibiting the counterfeit products industry, also protecting consumers from trouble stemming from counterfeit products to improve corporate and brand value and contribute towards building trust

2023 results

Regarding patents, the number of new patent applications in 2023 remained at the previous fiscal year's high level thanks to the active development of new inventions. The filed applications are held as appropriate IP rights through the process of rights acquisition.

In November 2018, we held a technology innovation session and gave explanations of five innovations with the aim of creating a forum for open innovation, expanding technology exits, and providing an even more diverse range of products. Following these explanations, we have encouraged external collaboration relating to

these technologies and encouraged activities for their social implementation.

Regarding trademarks, we promote the implementation of flexible trademark clearances and the acquisition of necessary trademarks according to the characteristics of each brand, product, and service to deal with changes in the business environment.

Furthermore, to protect our brands, which are Kao assets, and enable them to grow stronger, we also endeavor to prevent bad-faith applications by third parties—a problem that has been increasing in recent years—along with initiatives to prevent brand name trademarks, which are protected by trademark rights, from becoming genericized common names. We actively pursue an increase in staff, construction of a global framework, and development of a monitoring system for improved efficiency as countermeasures for counterfeit products, to protect consumers and act as a major element of brand protection. This will enable all consumers to use Kao products with peace of mind.

Reviews of 2023 results

By engaging in close communication with research laboratories, collaborating with business divisions, and forming scrums with members of new Another Kao projects, this year we were able to submit the necessary applications, acquire rights, avoid infringement of the intellectual property and other rights of other companies, and deal with counterfeit products.

With the aim of becoming a company with a global presence and rapidly providing new and diverse value in the future, we will apply for additional new patents and other rights and encourage their use globally with an eye toward broad deployment, including overseas.

When responding to social issues in the past, we publicly released technologies developed at our company. In recent years, we have likewise gradually provided

access to our packaging technology with the aim of reducing the amount of plastic used. Moreover, we have been promoting collaboration with several of our partners, including the recycling of plastic packaging, and are aiming for further co-creation with partners for faster and more reliable social implementation.



Smart Holder and Raku-raku Eco Pack Refill, which aim to reduce resource waste

Since all of these IP activities are investment activities, we believe that it is necessary to build an optimized IP portfolio for Kao. We also appropriately abandon IP rights that are done playing their role, and conduct activities that enable cost allocation for filing and rights acquisition for new technologies. When we develop new technologies and formulations, we employ a mechanism to check clearance implementation concerning the patents of other companies to prevent omissions and avoid IP disputes with other companies.


On the other hand, regarding personnel who support IP activities, we recognize that aging members and the restructuring of member education to improve the environment in preparation for generational change are new issues that we have started to address.

Intellectual Property

Main initiatives

Initiatives in response to entering new business fields

We have entered into a comprehensive collaborative research agreement with NANO MRNA Co., Ltd., a company that has deepened Kao's research in the field of life science and given birth to immunoregulatory technologies that can be applied to mRNA pharmaceuticals. These innovative technologies will be applied through our collaborative partnership to promote drug discovery.



Kao and NANO MRNA
Agree on a Comprehensive Collaborative Research for mRNA Drug Discovery

<https://www.kao.com/global/en/newsroom/news/release/2023/20231114-001/>

IP Div. and Legal are working together with Another Kao project members on the development of new business in the field of drug discovery, which will involve applying Kao's IP (technology assets) by establishing appropriate partnerships through contracts, and obtaining trademark rights for the technical name "SNAREVAX™" as a brand, and also patent the technological strengths created through the research divisions.

Anti-counterfeiting

When expanding business outside Japan, especially in emerging countries, the more locally accepted a product (namely, a popular product) is, the higher the risk of counterfeit products and their rapid spread becomes. This makes quickly identifying counterfeit products and taking appropriate countermeasures ongoing priorities.

Some counterfeit products are associated with safety concerns. In such cases, this is not merely a question of protecting the brand value of the products marketed by Kao being counterfeited; we must employ countermeasures without fail to ensure the health and safety of local consumers.

To combat counterfeit products, we have established a cross-sectional framework of affiliates and divisions within and outside Japan, and continue to take appropriate and prompt action to deal with cases outside Japan, where counterfeit products are frequently discovered. We believe it is also vital to take a firm stand by filing lawsuits to deter the manufacture and distribution of counterfeit products.

In addition, to prevent counterfeit products from being imported, we have submitted petitions for injunctions to the Customs Office, and arranged for Kao personnel to act as instructors at Customs training sessions, teaching Customs personnel the key points to identify counterfeit items. In addition, we have been actively involved in the seizure of imported counterfeit products (border protection).


For counterfeit products that have unfortunately been discovered after infiltrating Japan, we swiftly alert consumers as necessary, eliminate touch points between customers and suspicious products, and request cooperation from government agencies such as the police as necessary. Because this is a major threat facing the industry as a whole, we also collaborate with other companies through industry organizations to eliminate counterfeit products within the market.

Efforts to prevent trademarks from becoming genericized

When a famous registered trademark is used by a third party as a generic name, its functions as a trademark become diluted and the value of the products that use these names is compromised. This is why preventing this is a particularly important activity of ours.

There was concern that our bleach brand "*Haiter*" would be genericized by being listed on the same level as the common term "bleach."

For this reason, to prevent genericization, in Japan we have clearly identified "*Haiter*®" as a registered trademark for websites introducing this product. Furthermore, in Thailand, where there is strong concern about name genericization, in addition to clarifying the registered trademark, we have announced in a news release that "*Haiter*" is a registered trademark of our company.



Kao Thailand | Kao asked for cooperation to business sector and people do not use the trade name "*Haiter*" for review or promote to other brands

<https://www.kao.com/th/en/news/2023/20230410-001/>

In addition, although "Ambroxan" is a registered trademark and a Kao chemical product, and despite having the common name of "ambroxide," we uncovered cases in which the name was genericized as the name of a fragrance in a perfume or a chemical compound. For this reason, we are collaborating with our European bases to prevent this type of use.

Intellectual Property

Initiatives for new business strategies and response to the times

We actively endeavor to apply new IP systems and protect online targets to deal with new business strategies and the changing times.

Previously, only articles were protected under the Design Act of Japan, but after its 2019 revision, images themselves, apart from goods, were also recognized as targets for protection. Consequently, we have been working to acquire rights to the image designs in the “Images for retail store search” and “Images for product search selection” on our “My Kao Mall” e-commerce site.

Additionally, to ensure that our trademarks are appropriately protected in the metaverse as well, we have filed for trademark registration of products to be used in virtual spaces online.

Establishment of a scrum structure

At the IPD, which is one of our research divisions, a patent officer is assigned to each research laboratory to establish an IP portfolio for the effective application of the created technologies. From FY2023, in addition to this, we have also established contact points for each business division and built a framework to clarify business strategies and design IP portfolios based on new business models to accommodate the changing times.


This initiative will prompt faster business development.

Tax Strategies GRI 207-1

We ensure transparency regarding taxes, as well as compliance with the tax laws and regulations in every country and region. Furthermore, we also provide various types of education on proper tax management, with each and every employee working to raise tax compliance awareness.

Social issues

Kao believes that good tax administration and payment in accordance with the relevant laws and regulations in each country will contribute much to the growth of the local economy and society. We understand that international efforts such as the OECD’s Base Erosion and Profit Shifting project are important measures in maintaining tax transparency and preventing aggressive tax avoidance. For example, between related parties, transfer pricing is determined under the arm’s length principle according to their contribution and in accordance with OECD transfer pricing guidelines, calculated based on the functions, assets, and risks involved.



OECD: Corporate Tax Statistics 2023

<https://www.oecd-ilibrary.org/sites/f1f07219-en/index.html?itemId=/content/publication/f1f07219-en>

Policies

The Kao Group Tax Policy is outlined below and is based on Kao’s core value of “walking the right path.”

• Tax governance

We respond quickly to tax reform or changes in the tax environment in each country by structuring its operations, organizations and systems for risk mitigation to maintain a low tax-risk profile.

• Tax compliance

We commit strongly to compliance with tax laws and regulations. In addition, we disclose information in a timely and proper manner and cooperate with tax

auditors on a good faith basis when tax audits are conducted.

• Actions for aligning with the international tax landscape


We commit to securing and maintaining a transparent tax position by abiding by the tax laws of the countries where we operate and structuring our tax governance framework in line with the spirit of international measures.

• Tax planning

We only expand our business internationally and implement global business structures that align with our commercial purposes. We commit not to engage in any aggressive tax avoidance or abusive tax planning involving tax havens, harmful tax incentives or treaty shopping.

• Tax risk mitigation

When we identify any tax risk, we take institutionally available measures to mitigate the tax risk proactively. Please see the Kao Group Tax Policy for more information.



Kao Group Tax Policy

https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/corporate-governance/policy/pdf/governance_004.pdf

Strategy

Risks and opportunities

Risks

We believe that improper tax payment based on interpretation and application that deviates from the intent of laws and regulations or that undermines tax equity through excessive tax savings will result in the loss of social trust in the company from consumers and customers.

Opportunities

We believe that sound tax management and tax payment in compliance with the relevant laws and regulations of each country, as well as appropriate disclosure and accountability to stakeholders, will foster a sense of trust in the company.

Strategy

As a global company, we will develop transfer pricing policies and operational regulations, and establish a system that minimizes taxation risks in each country by propagating these policies to subsidiaries/affiliates and related departments.

Regarding BEPS2.0, which is becoming a global trend, our commitment includes the proper handling of Pillar 2, the goal of which is to implement a minimum tax on multinational enterprises. We will also construct a framework of Pillar 1, which aims for a certain level of profit distribution in market economies, while closely observing trends in each country.

Tax Strategies

GRI 207-1, 207-2, 207-3

Social impact

With regard to income generated from business activities in emerging and developing countries, we will not infringe on local taxation rights and will ensure fairness by implementing sound tax management in accordance with the relevant laws and regulations of each country and area, and will pay taxes appropriately. We also believe that the use of tax havens or tax planning that is not aligned with either commercial purposes or business substance impedes the appropriate payment of taxes in each country and region in which we operate.

Contributions to the SDGs



Business impact

We believe that acting in accordance with laws and ethics, paying taxes appropriately, and contributing to the creation of social value that enriches the lives of people through sincere and sound business activities, will result in the growth of brands and companies.

Inappropriate tax payment due to interpretation or implementation that deviates from the purposes of laws, regulations, and the like will not only result in financial impacts such as additional taxation, but may also compromise the sustainability of Kao's corporate value.

Governance

Framework

The Senior Vice President of Accounting and Finance does business with Tax Accounting Group and tax officers in each country or region. We share information with tax officers in each country or region on a quarterly basis to comprehend current and future tax risks and resolve issues. By regularly compiling tax issues in each country or region to understand the current situation, our system receives information on urgent tax issues in a timely manner. In addition, a system has been established to coordinate solutions in cooperation with external experts.

Furthermore, important tax issues and strategies are reported or discussed at regular Management Board and Board of Directors meetings. In addition, the Kao Group Tax Policy has been approved by the Directors.

P25 Our ESG Vision and Strategy > Governance

Global accounting and finance collaboration

We regularly hold meetings that bring together global leaders in the accounting and finance functions. In the meetings, leaders share company-wide policies, ensure their implementation and discuss new tax issues while communicating with tax officers at our overseas subsidiaries.

Education and promotion

At Kao, we believe that it is important for both management and employees to promote tax compliance awareness in order for the tax compliance system to function properly.

We strive to reduce tax risks through proper tax processing. This is done through basic education courses for other divisions and publishing sample questions on daily business operations for Q&A sessions on the in-house portal, along with information sharing and consultation, while ensuring thorough legal compliance.

Collaboration with stakeholders

We provide timely and appropriate information to the tax authorities and strive to build relationships of trust by responding to all inquiries expediently and in good faith. To minimize tax risks, we periodically consult with tax authorities and external tax advisors in order to address tax filing accuracy.

Additionally, we work with the business community through industry groups in to assist with tax reform requests that contribute to enhancing the international competitiveness of Japanese companies.

Collaboration with the Japan Chemical Industry Association (JCIA)

Through JCIA, we are actively working on tax reform requests that contribute to improving tax practice efficiency and enhancing corporate competitiveness.

Tax Strategies GRI 207-2, 207-4

Risk management

Kao's Tax Accounting Group works closely with related divisions and Group companies to collect information in a timely manner in order to detect and minimize tax risks at an early stage. If a tax risk is identified in the process, they will act quickly and seek advice from external experts as required. For significant tax risks, approval will be obtained based on the company's internal decision-making criteria.

P40

Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Performance report and tax payment record

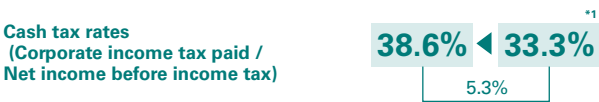
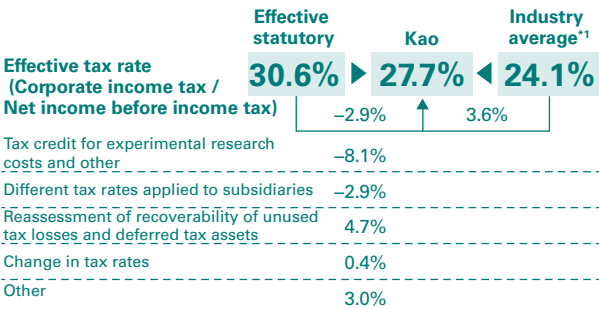
Our effective tax rate for FY2023 was 27.7%. The difference of −2.9% compared to the statutory rate is mainly due to the impact of a tax credit for experimental research costs in Japan, different tax rates applied to subsidiaries outside Japan, and a reassessment of the recoverability of unused tax losses and deferred tax assets. Similarly, the difference with the industry average effective tax rate published by S&P Global is 3.6%. We believe the company has paid the adequate tax amount.

Also the cash tax rate, calculated as the amount of tax paid divided by net income before income tax, is +5.3% relative to the industry average, an appropriate level of tax payment despite the impact of timing and other factors. The impact of the review of the recoverability of deferred tax assets and the difference

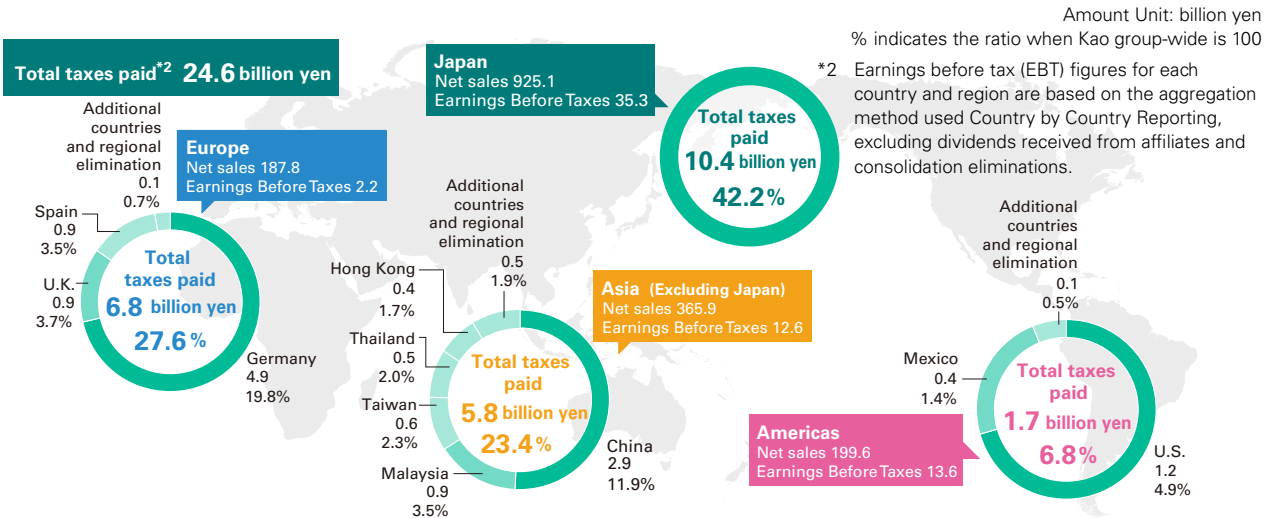
in cash tax rates between Kao and industry averages is mainly attributable to business restructuring and other factors.

Additionally, the amount of income tax expected to be affected by Pillar 2 is insignificant.

2023 effective tax rate difference analysis



^{*1} Household & Personal products



Tax Strategies

GRI 207-4

Kao's performance report and tax payment record in 2023*1

(Unit: billion yen)

	Net sales	Earnings before taxes	Total taxes paid	Accrued corporate income tax	(No. of employees)
Japan	925.1	35.3	10.4	11.9	(22,486)
China	114.7	-0.3	2.9	0.5	(1,344)
Indonesia	73.9	4.1	0.2	0.4	(1,974)
Thailand	53.4	2.7	0.5	0.4	(1,300)
Malaysia	54.6	2.9	0.9	0.1	(494)
The Philippines	37.1	-3.6	0	0	(201)
Taiwan	37.0	3.2	0.6	0.5	(694)
Singapore	21.6	1.4	0.2	0.2	(148)
Hong Kong	17.5	2.2	0.4	0.2	(198)
Vietnam	7.8	-0.2	0.1	0	(396)
Additional countries and regional elimination	-51.8	0	0	-	(27)
Asia	365.9	12.6	5.8	2.3	(6,776)
Germany	85.3	-2.9	4.9	0.2	(1,112)
Spain	55.4	2.5	0.9	0	(598)
U.K.	30.0	1.4	0.9	0.1	(851)
Switzerland	9.2	0.4	0	0.1	(111)
Netherlands	5.3	0.2	0	-	(152)
Italy	4.7	0.2	0	0.1	(50)
France	2.4	0.1	0	0	(18)
Austria	1.3	0.2	0	0	(33)
Additional countries and regional elimination	-5.8	0.2	0	0.1	(169)
Europe	187.8	2.2	6.8	0.6	(3,094)
U.S.	166.2	11.8	1.2	0.1	(1,377)
Mexico	19.9	1.1	0.4	0	(230)
Australia	9.5	0.1	0	0	(169)
Canada	8.6	0.3	0	0.2	(104)
Brazil	2.3	0.3	0.1	0	(16)
Additional countries and regional elimination	-6.8	0	0	-	(5)
Americas	199.6	13.6	1.7	0.3	(1,901)
Pan-regional elimination, etc.	-145.8	0.3			
Total	1,532.6	63.8	24.6	15.1	(34,257)

*1 Pre-tax income figures for each country and region are based on the aggregation method used in the country reports, excluding dividends received from affiliates and consolidation and elimination.

Tax Strategies

List of taxable entities^{*1}

Tax jurisdiction	Company name	Primary business
Japan	Kao Corporation	Brand owner of the Kao brand products (Health & beauty care, Hygiene & living care, Lifecare, Cosmetics and Chemical businesses)
	Kanebo Cosmetics Inc.	Brand owner of the <i>KANEBO</i> brand products (Cosmetics business)
	Kao Salon Japan CO., LTD.	Health & beauty care business
	Kao Beauty Brands Counseling Co., Ltd.	Cosmetics business
	Kao-Quaker Company Limited	Chemical business
	Kao Sanitary Products Ehime Co., Ltd.	Hygiene & living care business
	Inogami Co., Ltd.	Hygiene & living care business
	Kao Paper Manufacturing Fuji Co., Ltd.	Hygiene & living care business
	Kao System Logistics Company Limited	Proposed-based sales and operation planning
	Kao Professional Services Company, Limited	Lifecare business
	Molton Brown Japan Ltd.	Cosmetics business
	e'quipe Ltd.	Cosmetics business
	Kao Business Associe Co., Ltd.	Business services (e.g., services including HR, general administration, accounting, etc.)
	Kao Peony Co., Ltd.	Contract services (e.g., manufacturing of consumer products and sample products)
	Kao Cosmetic Products Odawara Co., Ltd.	Cosmetics business
Indonesia	SENSAI COSMETICS INC.	Cosmetics business
	Kao Group Customer Marketing Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kao Transport and Logistics Company Limited	Inventory management and delivery of the Kao brand products
	Kiralia Hygiene Co., Ltd.	Lifecare business
	PT Kao Indonesia	Health & beauty care and Hygiene & living care businesses
Australia	PT Kao Indonesia Distribution	Health & beauty care and Hygiene & living care businesses
	PT Kao Indonesia Chemicals	Chemical business
	Kao Australia Pty. Limited	Health & beauty care and Hygiene & living care businesses
Singapore	Bondi Sands Hold Co Pty Ltd	Holding company
	Bondi Sands Australia Pty Ltd	Health & beauty care business
	Kao Singapore Private Limited	Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses
Thailand	Crescent Insurance Pte. Ltd.	Reinsurance underwriting of the Kao Group
	Kao Industrial (Thailand) Co., Ltd.	Health & beauty care, Hygiene & living care and Chemical businesses
	Kao Holdings (Thailand) Co., Ltd.	Holding company
Philippines	Kao Consumer Products (Southeast Asia) Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kanebo Cosmetics (Thailand) Co., Ltd.	Cosmetics business
	Kao New Zealand Limited	Health & beauty care business
Vietnam	Pilipinas Kao, Inc.	Chemical business
	PKI COMMERCIAL, INC.	Chemical business
	Kao Vietnam Co., Ltd.	Health & beauty care and Hygiene & living care businesses
Malaysia	Kao (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
	Kao Trading (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
	Fatty Chemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Soap (Malaysia) Sdn. Bhd.	Health & beauty care business
	Kao Oleochemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Plasticizer (Malaysia) Sdn. Bhd.	Chemical business
Hong Kong	Kanebo Cosmetics Malaysia Sdn. Bhd.	Cosmetics business
	Kanebo Cosmetics Korea Co., Ltd.	Cosmetics business
	Kao (Hong Kong) Limited	Health & beauty care, Hygiene & living care and Cosmetics businesses
Taiwan	KPSS Hong Kong Ltd.	Health & beauty care business
	Kao (Taiwan) Corporation	Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses
	Taiwan Kanebo Cosmetics, Co., Ltd.	Cosmetics business
China	KPSS Taiwan Ltd.	Health & beauty care business
	Kao Corporation Shanghai	Health & beauty care and Hygiene & living care businesses
	Kao Chemical Corporation Shanghai	Chemical business
	Kao Commercial (Shanghai) Co., Ltd.	Health & beauty care, Hygiene & living care and Cosmetics businesses
	Kao Trading Corporation Shanghai	Chemical business
	Kao (China) Holding Co., Ltd.	Management of affiliates in China (Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses)
	Kao (China) Research and Development Center Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kanebo Cosmetics (China) Co., Ltd.	Cosmetics business
	Kao (Hefei) Co., Ltd.	Hygiene & living care business
	Kao Huludao Casting Materials Co., Ltd.	Chemical business
	Kao (Shanghai) Chemical Industries Co., Ltd.	Chemical business
	Kao Shanghai Business Consulting Co., Ltd.	Cosmetics business

Tax jurisdiction	Company name	Primary business
U.K.	Molton Brown Limited	Brand owner of the <i>Molton Brown</i> brand products (Cosmetics business)
	Kao (UK) Limited	Health & beauty care business
	Washing Systems Limited	Lifecare business
Italy	KPSS (UK) Ltd.	Health & beauty care business
	Bondi Sands Europe Limited	Health & beauty care business
	Kanebo Cosmetics Italy S.p.A.	Cosmetics business
Austria	Kao Italy S.p.A	Health & beauty care business
	Kao Austria Handelsgesellschaft mbh	Health & beauty care business
Netherlands	Guhl Ikebana Cosmetics B.V.	Health & beauty care business
	Kao Business Service B.V.	Business services (e.g., accounting of the Kao Group)
	Kao Netherlands B.V.	Health & beauty care business
Switzerland	Kanebo Cosmetics (Europe) Ltd.	Cosmetics business
	Kao Switzerland AG	Health & beauty care business
Sweden	Kao Sweden AB	Health & beauty care business
	Kao Corporation S.A.	Chemical business
Spain	Kao Chemicals Europe, S.L.	Chemical business
	KAO Chimigraf, Sociedad Limitada	Chemical business
Czech	Goldwell Cosmetics (CZ) s.r.o.	Health & beauty care business
Denmark	Kao Denmark A/S	Health & beauty care business
	Kao Germany GmbH	Brand owner of salon products (Health & beauty care business)
Germany	Guhl Ikebana GmbH	Health & beauty care business
	Kao Chemicals GmbH	Chemical business
	Kao Manufacturing Germany GmbH	Health & beauty care business
Norway	Kanebo Cosmetics Deutschland GmbH	Cosmetics business
	Kao Norway A/S	Health & beauty care business
Finland	Kao Finland Oy	Health & beauty care business
	Kao France SARL	Health & beauty care business
France	KAO CHIMIGRAF FRANCE, S.A.S.	Chemical business
Belgium	N.V. Kao Belgium S.A.	Health & beauty care business
Russia	Kanebo Cosmetics Rus LLC	Cosmetics business
South Africa	Kao South Africa Pty. Ltd.	Health & beauty care business
	Kao USA Inc.	Brand owner of mass products (Health & beauty care and Cosmetics businesses)
	HPC Realty Inc.	Asset management
	Oak Brook Enterprises Inc.	Asset management
	Kao America Inc.	Corporate services for affiliates and holding company for Chemical business in the U.S.
	Kao Chemicals Americas Corporation	Chemical business
	High Point Textile Auxiliaries LLC	Chemical business
	Kao Specialties Americas LLC	Chemical business
	Molton Brown USA LLC	Cosmetics business
	Kao Collins Inc.	Chemical business
U.S.	SAMGAM, LLC	Asset management
	Oribé Hair Care, LLC	Health & beauty care business
	STAR (Delaware) Realty LLC	Asset management
	Washing Systems Intermediate Holdings, Inc.	Holding company
	Washing Systems, LLC	Lifecare business
	Santec Products, LLC	Lifecare business
	WSI Water, LLC	Lifecare business
	Custom Chemical Solutions, LLC	Lifecare business
	BioHygienix, LLC	Lifecare business
	Bondi Sands (USA) Inc.	Health & beauty care business
Canada	Kao Canada Inc.	Health & beauty care business
	Kao do Brasil Representacao Comercial Ltda.	Chemical business
Brazil	TBP	Health & beauty care business
	Quimi-Kao S.A. de C.V.	Chemical business
Mexico	Jergens Mexico, S. de R. L. de C.V.	Health & beauty care business

*1 Information as of the end of December 2023

Biodiversity

Our business is made possible throughout the entire product lifecycle by the various ecological systems that exist on the planet and the abundant natural bounty created from biodiversity.

Kao is diligent in procuring sustainable raw materials and developing new technologies that use resources effectively to aid in the recovery of environments that are already contaminated with garbage and waste, such as marine plastics, in order to minimize the impacts and dependence of our business activities on biodiversity. In addition, we have been conducting conservation activities for biodiversity in and around our business locations for many years. Kao will help to conserve and restore biodiversity and regenerate the natural environment by promoting engagement with consumers, suppliers, and other stakeholders and by providing suitable products and solutions.

Social issues

It is universally recognized that biodiversity and climate change are closely related issues and they must be resolved simultaneously.

In the ranking of global risks for the decade ahead*1 announced by the World Economic Forum, risks related to climate change and biodiversity dominate the top of the list from No. 1 to No. 4.

*1 Source: The Global Risks Report 2024 from the World Economic Forum
https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2024.pdf

The Glasgow Climate Pact agreed to at COP25, which focused on discussions on climate change issues, states that when addressing climate change, it is important to ensure the conservation of all ecological systems and biodiversity. It also states that the interlinked global crises of climate change and biodiversity loss, and the critical role of protecting, conserving, and restoring nature and ecological systems will play an important part in climate change adaptation and mitigation.

The Kunming-Montreal Global Biodiversity Framework, a new global goal by 2030, was decided at the 15th meeting of the Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity in December 2022. In order to achieve the 2050 vision of “a society that coexists in harmony with nature,” the new goals incorporate a number of

numerical targets and set targets that society as a whole, including companies and consumers, should work toward.

As for our mission for 2030, we have confirmed that we shall take urgent action to stop and reverse biodiversity loss.

People are now using the keyword “nature positive” everywhere around the world. It is also worth noting that companies are encouraged to assess and disclose information on biodiversity, and that a section on protecting the rights of indigenous peoples, women, and youth has been added to biodiversity-related decision-making.

As a member of international society, we will take action for the conservation and restoration of biodiversity and the regeneration of the natural environment with a strong sense of crisis, acknowledging that the targets set here must be met.

The demand for companies to disclose information on their businesses and biodiversity is becoming stronger by the day. An item regarding information disclosure has been added to Target 15 of the Kunming-Montreal Global Biodiversity Framework, and in September 2023, a framework for information disclosure that had been under development regarding nature was formally presented by the TNFD*2. This is how changes in nature and biodiversity that affect a company’s performance are to be assessed and disclosed.

*2 TNFD: Task Force on Nature-related Financial Disclosures

Policies

Efforts are now underway around the world to reduce negative impacts on nature and biodiversity, increase behavior that has positive impacts, and reverse biodiversity loss to achieve recovery.

The Kunming-Montreal Global Biodiversity Framework includes “a society living in harmony with nature” as its vision for 2050. This vision is the same as the mission of the Kao Way: “To realize a Kirei world in which all life lives in harmony.” We recognize that “living in harmony” in terms of biodiversity means minimizing our dependence and impact on nature and biodiversity, and by doing that to the utmost of our ability, we can maximize value for people, society, and the Earth. With the aim of conserving and recovering the biodiversity that is now being lost and promoting the regeneration of nature, we have formulated various policies related to biodiversity.

• Basic Policy on Biodiversity

We have formulated eight activity policies with the aim of realizing a future where we live in harmony with nature, conserve and restore biodiversity, and promote the regeneration of nature.

Biodiversity

GRI 304-2

• Action Policy on Biodiversity

Based on our basic policies, we can more concretely express our actions and attitudes toward the international disclosure of information regarding biodiversity as well as setting goals for biodiversity.

• Kao Human Rights Policy

The declaration of our commitment to strive to fulfill our responsibility to respect human rights in all our corporate activities.


• Policies for Procurement

Commitment to fulfilling our social responsibility through procurement practices that are sustainable and respect human rights.

• Kao Sustainable Product Development Policy


Commitment to maximizing value for our diverse customer base, society, and the future while using technologies based on Essential Research to truly minimize the negative impacts on the global environment, biodiversity, and human rights.

We will live each day in spirit and make thoughtful choices for the benefit of society, thereby ensuring a healthy planet for the future. We aim to realize such a lifestyle (Kirei Lifestyle).



Basic Policy on Biodiversity
<https://www.kao.com/global/en/sustainability/klp/policy/biodiversity-policy/>

Action Policy on Biodiversity
<https://www.kao.com/global/en/sustainability/klp/policy/biodiversity-policy/action-policy/>



Kao Human Rights Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/humanrights-policy/>

Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>

Kao Sustainable Product Development Policy
<https://www.kao.com/global/en/sustainability/klp/policy/product-development-policy/>

Strategy

Risks and opportunities

Risks

Kao conducts assessments of the relationship our business has with biodiversity throughout the entire value chain. We deem as highly important the following risks that we have identified using data obtained through the use of ENCORE (Exploring Natural Capital Opportunities, Risks, and Exposure), a risk assessment tool, and Geographic Information System (GIS)*1, a geographic information system tool, in addition to studies of other companies’ benchmarks, various guidelines, reports, and LEAP*2 analyses of TNFD.

*1 Geographic Information System (GIS): Technology that comprehensively manages, processes, and visually displays data with location-related information (spatial data) using geographic location as a guide, enabling advanced analysis and rapid decision-making.

*2 LEAP (Locate, Evaluate, Assess, Prepare) approach

Deforestation

Future population growth and economic development on a global scale may increase demand for detergents and hygiene products and result in even further growth in demand for palm oils, paper, and pulp — the core raw materials we require. Therefore, we need to estimate the necessary costs of activities for the procurement of sustainable raw materials while taking into account in advance biodiversity, human rights, and other issues. In addition, in June 2023, an EU regulation regarding mandatory due diligence to prevent deforestation came into force. This will apply to companies larger than a certain size from December 30, 2024. Possible risks to companies that do not comply with the regulation include surcharges and sales restrictions.

Wastewater discharged into the environment

We are concerned about the negative impact on the environment and ecosystem caused by the amount and types of substances contained in the wastewater discharged from manufacturing facilities or from general households that use our products.

Use of water resources

Water is required to manufacture Kao products. Overutilization of water at production sites may have an impact on the ecological system of the surrounding areas or river basins.

Approximately 90% of the total water used throughout the product lifecycle happens while the product is being used. Although some water-saving products are becoming more popular, if the amount of water used throughout the product lifecycle is not reduced in line with expectations, it will greatly affect consumers’ daily lives if faced with a water shortage.

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Waste discharge (mainly plastic packaging)

Inappropriate disposal of waste will lead to plastic pollution, one of today's serious social issues.

If we are not able to address these risks properly, nature and biodiversity may increasingly deteriorate, and it may become impossible to procure raw materials and resources in a stable manner. Accordingly, our manufacturing and sales activities will be negatively affected, and/or the harm done to our company's reputation will generate an adverse impact on our business.

Opportunities

We established the Basic Policies on Conservation of Biodiversity in 2011 and have been developing new technologies that can contribute to sustainable raw material procurement and the conservation of biodiversity. Then, in April 2022, we renewed these contents as our Basic Policy on Biodiversity and decided to move from biodiversity conservation to restoration and regeneration through realizing the Kirei Lifestyle. We believe that by practicing KLP and conducting activities in line with the Basic Policy on Biodiversity, we can minimize the loss of nature and biodiversity and the business risks associated with it, and furthermore, the products, technologies, and various activities born from these activities will lead to new business opportunities. Although various regulations have a tendency to be tightened in mainly Europe and the United States, such tendencies can create huge business opportunities for companies that can provide technologies, products, and services for responding to those regulations.

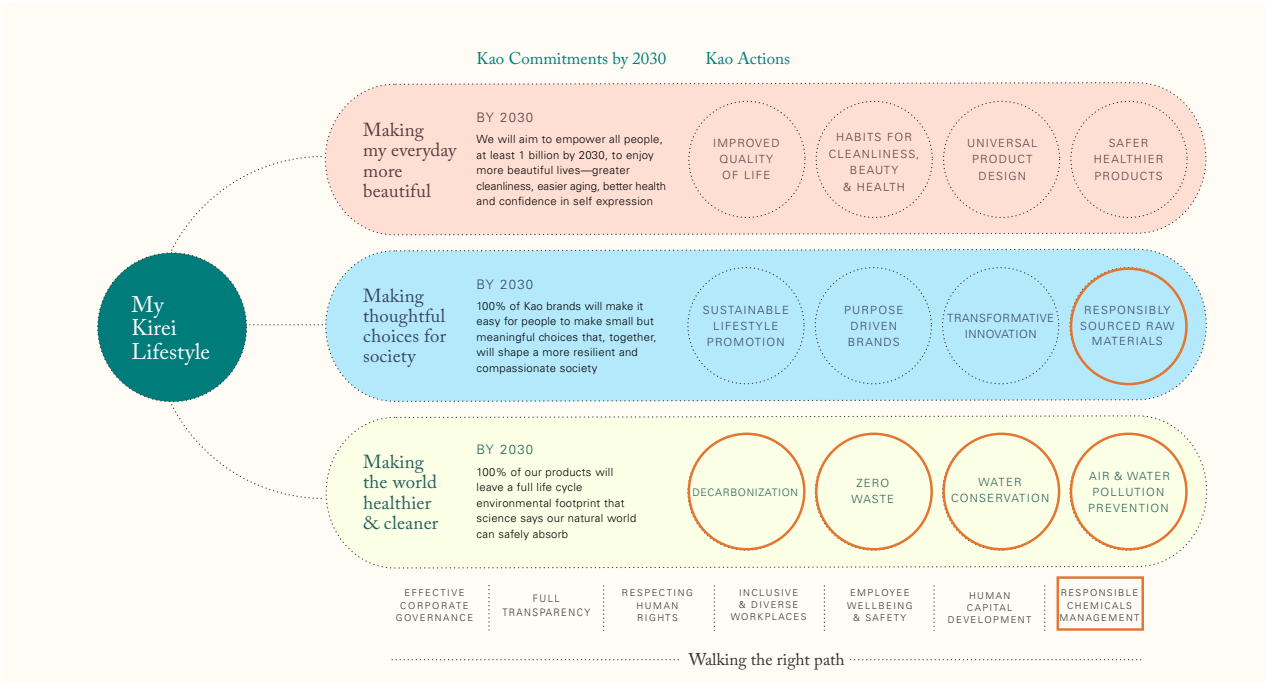
Based on the study of the potential of the nature-business market conducted in 2023, we have discovered a number of fields in which we can explore

creating synergistic relationships in a way that takes advantage of our assets. In light of this, we will continue to search for new business opportunities.

The ESG Promotion Activities with Suppliers, which were revised in June 2021, set targets for confirming zero deforestation in places of origin for palm oil, paper, and pulp, and we are increasing the likelihood of business continuity by taking specific initiatives with suppliers to achieve sustainable raw material procurement in the future.

In addition, Bio IOS, a surfactant we developed, is an entirely new surfactant that utilizes solid fats and oils whose usage has been limited. It avoids the issue of competition with food, a concern that aligns with the issue of global population growth. *Attack ZERO*, which contains Bio IOS, is a water-saving liquid laundry detergent that reduces the amount of water used for rinsing, which we believe will help conserve precious water resources not only in places at risk of drought, but also in regions with relatively abundant water.

Kirei Lifestyle Plan and Biodiversity



Biodiversity

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Strategy

The world has now set the following three time-bound goals, with 2020 as the baseline, to fully restore nature in 2050.

- In 2020, start activities to achieve the goal of plus-minus zero.
- By 2030, ensure that positive impacts outweigh negative ones.
- By 2050, restore nature to a sustainable state.

We linked the activities of the Kirei Lifestyle Plan (KLP) to actions to reduce and restore the biodiversity losses that are described in Global Biodiversity Outlook 5. Within the KLP, we have determined that the following activities have an especially strong link to biodiversity:

- Decarbonization
- Zero waste
- Water conservation
- Air & water pollution prevention
- Responsible chemicals management
- Responsibly sourced raw materials

Kao is challenging itself to reduce biodiversity losses and regenerate nature by following the mitigation hierarchy (Avoid, Reduce, Restore, Compensate/Offset) and through the promotion of the KLP.

Kao thinks that in order to achieve a nature-positive economy, it will be effective not only to be committed to activities in our supply chain but also to expand our activities to other industrial fields outside of the supply chain. Approximately three quarters of Kao's business portfolio for the fiscal year ending December 31, 2023, were B-to-C businesses, and the remaining quarter comprised B-to-B businesses. We can say that we have a business that is able to help conserve biodiversity and regenerate nature in the industry in addition to activities

taken together with general consumers through daily necessities.

Ethical consumption, which is the consumption of products and services that take people, the global environment, and local communities into consideration, is becoming popular amongst consumers mainly in Western markets and especially among Millennials and Generation Z. ESG *Monozukuri* at Kao is a materialization of our employees' wish to use only minimum quantities of biodiversity-conscious raw materials that are absolutely necessary for maximum benefit. This mindset has been featured in the Kao Sustainable Product Development Policy released in August 2023. We think that bringing the biodiversity perspective to Kao products through the series of processes from raw material procurement to product design, utilization, and post-disposal will strengthen Kao's presence in the growing ethical consumption market. Our aim is to establish a world in which consumers will be able to live a biodiversity-conscious life through the selection and proper use of products, without needing to be especially conscious about it.

Examples of contributions to the industry are expected to come from the agricultural field. According to the newest planetary boundaries*1, nitrogen and phosphorus are shown to have already exceeded the planet's limits. This is said to be significantly affected by excess fertilizer use in the past within the agricultural sector. Likewise, excess pesticide spraying may have not only contaminated the natural environment including soil and freshwater systems, but it may have also negatively impacted agricultural workers and organisms that live in the vicinity. Through Kao applying our knowledge of interface science and developing technologies to reduce the quantity of pesticides used

while maintaining effectiveness, we contributed to the agricultural field.

Furthermore, palm substitution technologies, such as those described below, contribute to waste reduction and sustainable production for our in-house manufacturing, and can be expected to have an even greater positive impact if they are widely adopted around the world.

There is a tendency for Europe and the United States to tighten their various regulations, and if a company is incapable of responding to this tendency, the prospects of such a company will suffer. However, it is a huge business opportunity for companies that can provide products and services that are useful for biodiversity. By incorporating perspectives on biodiversity into our B2C business for housewares and contributing as a B2B business operator in industries other than housewares, we will aim to fulfill Kao's Purpose "to realize a Kirei world in which all life lives in harmony."

Going forward, we will continue our biodiversity conservation activities at and around our bases, together with the local communities.

*1 Katherine Richardson et al., Science Advances, 13 Sep 2023 Vol. 9, Issue 37.

Kao conducts assessments of the relationship our business has with biodiversity throughout the entire value chain. The purpose of these assessments is to understand the dependence and impact we have on biodiversity and identify risks and opportunities in our value chain as well as to reevaluate and improve our strategies in order to reflect our increased understanding in our current activities.

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Using Kao’s flagship products, detergents, as a model, we have been carrying out analyses following the LEAP approach by TNFD. In 2023, we identified risks based on this scenario and estimated their financial impact.

LEAP analysis for detergents

<Locate>

● Priority regions

With respect to the 13 issues identified by ENCORE, we examined the overt and potential risks and conducted an analysis using GIS data. As a result of our analysis, we have determined some countries of origin of palm (kernel) oil, sites that are experiencing water stress and water pollution, and countries where sales are conducted to be hot spots. For example, priority regions in terms of the procurement of palm oil, which is a major raw material for Kao, include Indonesia and Malaysia.

<Evaluate>

We extracted dependent and influential factors related to nature upstream, at the direct operation site, and downstream of the value chain. We then organized these factors using the axis of stakeholder interest and the axis of impact within Kao’s business activities to identify Kao’s materiality.

- Subjects for which both stakeholder interest and influence on Kao’s business activities are high
- Deforestation (upstream)
- Wastewater discharged into the environment (direct and downstream)
- Waste discharge (mainly plastic containers, downstream)
- Subjects for which either stakeholder interest or influence on Kao’s business activities is high

- Peatlands development (upstream)
- Use of water resources (direct and downstream)
- Use of chemicals (cleaning ingredient discharge from general households, downstream)

<Assess>

We estimated the financial impact of the following four issues, which should have high priority among the subjects mentioned above:

- Deforestation (upstream)
- Wastewater discharged into the environment (direct and downstream)
- Use of water resources (direct and downstream)
- Waste discharge (mainly plastic packaging, downstream)

We created a “coexistence with nature scenario” and a “business as usual scenario” for each risk and estimated an expected financial impact.

For risks that have a significant financial impact, changes in the price of palm oil and palm kernel oil regardless of the scenario is one example. Surcharges that will be required if we fail to respond sufficiently to EUDR regulations (assuming that regulations equivalent to EUDR regulations spread globally) and taxes on plastic containers arose as risks only in the “coexistence with nature scenario.”

<Prepare>

We are examining how to respond to these assumed risks. Through examination, we have successfully confirmed that the activities we are conducting or those we will conduct from now on are effective in avoiding or reducing financial impact.

Measures against the risk of deforestation, for example, include the introduction of forest footprints,

the realization of 100% RSPO-certified palm oil (kernel oil), and the completion of traceability confirmation for farms.

We researched potential markets for nature-positive business, and we found some fields that have a high affinity with Kao’s current business or technology development in progress. We expect that we will be able to obtain profits from business growth and aid the recovery of nature in the future by taking advantage of business opportunities in these fields.

Social impact

Forests stabilize global temperatures and climate, and play the role of breakwater systems to prevent disasters because they retain water. Ecosystems are responsible for various resources and bounties essential for our everyday lives, such as food and medicine, along with the normal circulation of water and air, and it is estimated to have an economic value worth thousands of trillions of yen.

In addition to promoting respect for human rights in local communities, sustainable raw-material procurement maintains forest environments and helps them recover.

From raw-material procurement to after the product is used, we will develop and sell products that take biodiversity into consideration and provide technologies to the industry to solve social problems. We will then create a society that can contribute to the recovery of biodiversity and the restoration of nature together with consumers.

Biodiversity

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Contributions to the SDGs



Business impact

Activities for biodiversity conservation and regeneration should be promoted from an economic and business perspective as well, and not only implemented for social contribution. As stated in the SDGs wedding cake model, there is a need for the biosphere (biodiversity) foundation to be stable so it can support society and the economy.

Kao believes it is effective to expand activities not only in its supply chain but toward other industrial fields that lie outside of the supply chain to realize a nature-positive economy. In the supply chain, we hope to achieve Kao’s purpose of “to realize a Kirei world in which all life lives in harmony” through incorporating biodiversity perspectives into the B-to-C business of household goods, and also as a B-to-B business contributing to industries outside of household goods.

Considerable costs are involved in procuring sustainable raw materials, but we consider these activities an indispensable investment to make our business sustainable and a part of our social responsibility.

As the trend toward ethical consumption is gaining traction in the European and American markets, as well as among Millennials and Generation Z, demand is growing for products using sustainable raw materials that take biodiversity into account. Our presence in the

rapidly expanding ethical consumption market is enhanced through the incorporation of a biodiversity approach in the products we offer from raw material procurement to product design and development, usage and disposal.

In proceeding with B-to-B businesses, there have been various regulatory developments being made in the leading Americas and EMEA markets. Although companies that are not able to respond to this will be forced to step down from the market, this is a major business opportunity for those that can provide products and services for biodiversity.

We expect the results of these activities not only to boost our reputation substantially, but also to be of financial and non-financial benefit.

Governance

Framework

Activities relating to biodiversity are managed by each ESG governance organization because such activities are connected to multiple KLP actions. The ESG Managing Committee, which is chaired by the President and is the highest decision-making body, not only reports the effects of the Kunming-Montreal Global Biodiversity Framework, the movements of information disclosure typified by TNFD, and Kao’s activities but also holds discussions about the future direction of Kao’s biodiversity activities with a special focus on palm (kernel) oil (forests) and water, which are materialities for our company.

The four ESG Steering Committees, which are headed by board-level executives, cover the biodiversity-related areas of decarbonization, plastic packaging,

chemical stewardship, and human rights and can provide suggestions to each division and group company. Activities on the supply chain relating to human rights are particularly implemented in accordance with the Kao Human Rights Policy, which was developed based on international norms. Such activities are also discussed in the Human Rights and DE&I Steering Committee. These committees create mechanisms and promote activities to understand risks, prevent and reduce negative effects, and provide appropriate aid if a problem arises. The introduction and operation of a grievance mechanism for oil palm smallholders in Indonesia is one example of such activities. Our activities are reported to the ESG Managing Committee once a year. The SAICM Promotion Meeting, a subordinate body of the Chemicals Management Committee, has been promoting discussions on the relationship between chemicals and biodiversity at three of its four meetings a year.

For environmental conservation, which is one of our Responsible Care (RC) activities, we have established policies, targets, and plans related to biodiversity and manage them while monitoring the progress of measures under the RC promotion framework. Regarding the progress of these activities, information is shared on an as-needed basis at the RC Promotion Committee Meeting, the Japan RC Meeting, and the Global RC Meeting, which are held once a year with the participation of the directors-in-charge.

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Biodiversity GRI 2-28

Education and promotion

We created opportunities to learn about the latest global trends regarding biodiversity and how they relate to our business activities, primarily through training sessions for *Genba* leaders in the Supply Chain Management (SCM) (with participants from within and outside Japan) and follow-up training sessions for new employees. For employees outside Japan, we are conducting information sharing and awareness-raising activities through such venues as the annual Global RC Meeting.

Collaboration with stakeholders

In June 2022 we reorganized our procurement policies and guidelines. In other words, we have reorganized and reviewed the contents of our “Partnership Requirements for Suppliers,” “ESG Promotion Activities with Suppliers,” and “High-Risk Supply Chain Management and Sourcing” under the Policies for Procurement. We collaborate with suppliers to contribute to ensuring traceability throughout the entire supply chain and solving social issues such as resource and environmental conservation, safety and human rights issues. In addition to complying with laws and regulations, we require our suppliers to consider social responsibility and the environment, and we prioritize procurement from suppliers who comply. Consideration for social responsibility and the environment includes issues that are deeply related to biodiversity, such as forest and water conservation.




Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>

We consider biodiversity conservation and support zero deforestation when procuring raw materials including palm oil, palm kernel oil, paper, and pulp. We continue to procure palm oil and palm kernel oil, all of which can be traced back to their production area, and to only purchase pulp for which its wood material can be traced back to its production area.

We seek to create a sustainable supply chain for palm oil, and to improve and sustain the productivity of oil palm smallholders in Indonesia. We promote the Smallholder Inclusion for better Livelihood & Empowerment program (SMILE), which seeks to obtain certification for sustainable palm oil.

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Responsibly Sourced Raw Materials



Progress of the SMILE project and commencement of the grievance mechanism
<https://www.kao.com/global/en/newsroom/news/release/2022/20220413-001/>
<https://www.kao.com/global/en/newsroom/news/release/2022/20220831-001/>

We have been participating in the Japan Business Initiative for Biodiversity (JBIB) since its establishment in 2008. JBIB is a gathering of companies that take biodiversity efforts seriously and conduct concrete activities. These companies are divided according to subject into working groups and discuss how they can contribute to the conservation and recovery of biodiversity. After adopting the global goal of the Kunming-Montreal Global Biodiversity Framework, Japan has also crafted its own national strategy for biodiversity. At the same time, since publishing TNFD’s information disclosure framework, each company has been intensifying its activities relating to biodiversity.

These companies can become aware of international trends through JBIB activities and take advantage of this information in their own activities.

In addition, we have been members of the TNFD forum since April 2022 and have been gathering information and giving feedback on the beta version disclosed by TNFD. At the same time, we have also joined the TNFD Consulting Group (TNFD Japan Council) and have been monitoring the development status of TNFD and exchanging information with other companies.

The Kao Group has business sites around the world. Basic policies on biodiversity are formulated by the Head Office in Japan, but the status of and approaches to biodiversity vary in different countries and regions. We believe that creating opportunities for the active exchange of opinions with various relevant stakeholders in each country and region including governmental agencies, NGOs, NPOs and experts can facilitate the effective implementation of biodiversity conservation activities, and make recommendations to the responsible personnel in each country and area.


We undertake green space conservation activities at each business site in consideration of biodiversity, and arrange events in which employees can participate. We also encourage employees to volunteer for outdoor biodiversity conservation programs. Through their active participation in these activities, Kao employees have gained a deep understanding of biodiversity.

Biodiversity

Risk management

Among raw materials procured by Kao, palm oil and paper/pulp are identified as “high-risk supply chains” as supply chains with significant issues from the perspectives of business (purchase amount, etc.), ESG (biodiversity, etc.) and area (protected areas, human rights issues, etc.), and we are working on sustainable procurement based on “High-Risk” Supply Chain Management and Sourcing. We aim for zero deforestation at the source and support the NDPE^{*1}, and ask suppliers and supplier group companies to comply with the NDPE policy and HCSA^{*2}. Through *Genba* dialogue, we will identify risks, determine the nature of the issues, and work with suppliers and NGOs to resolve them. These Kao activities for sustainable palm oil procurement are disclosed on the Palm Oil Dashboard. This activity is related to “responsibly sourced raw materials” in the KLP. Procurement takes the lead in this activity and reports to the Directors through the Management Board.

*1 NDPE:
No Deforestation, No Peat and No Exploitation
*2 HCSA:
High Carbon Stock Approach



Palm Oil Dashboard

<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

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Responsibly Sourced Raw Materials

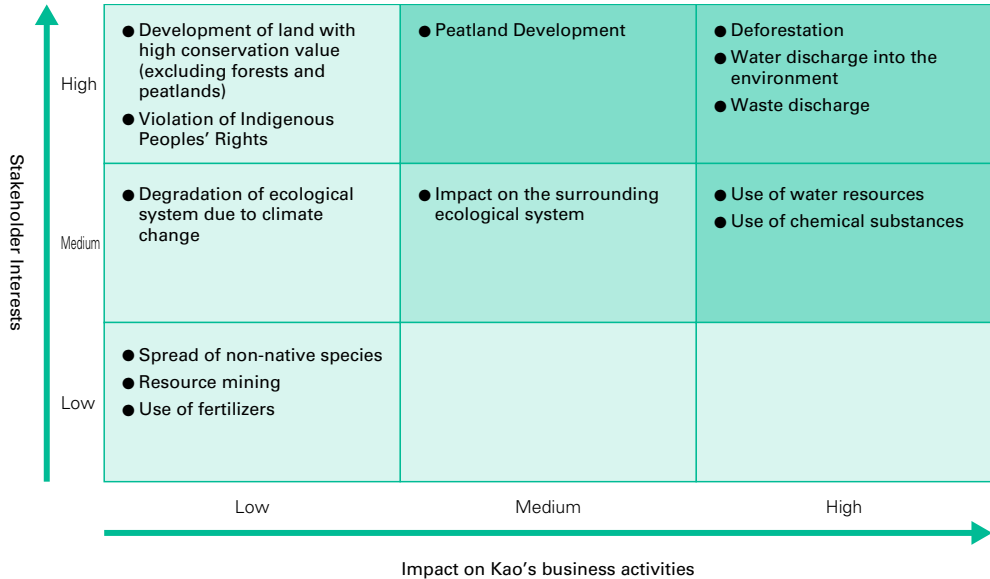
In the analysis based on the TNFD’s LEAP process in 2022 as well, palm oil and palm kernel oil were identified as important materialities (materialities related to deforestation and peatland development). Other identified significant risks include generation of waste (especially plastic packaging) and water resources (intake and wastewater).

We have established two types of scenarios for these items (a “coexistence with nature scenario” in which nature and economy coexist in harmony despite having greater social changes, and the “business as usual scenario,” in which the deterioration of nature

continues unchecked), and calculated the financial impact of the anticipated risks.

Although addressing these risks will be costly, we believe that the fruits of these efforts will directly result in a competitive edge within the market, which will create more business opportunities and may even bring about more profits. The ESG Managing Committee decides on these activities in connection with the governance structure regarding biodiversity, and the activities are incorporated into those of each division.

An example of materiality for biodiversity (vertical and horizontal axes are relative)



Biodiversity

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Metrics and targets

Mid- to long-term targets and 2023 results

The Kao Way, our corporate philosophy, states that our purpose is to create a Kirei life for all, providing care and enrichment for the lives of all people and the planet. From the perspective of biodiversity, we believe that caring for all people and the planet means maximizing the value to people, society and the planet by minimizing reliance and impacts on nature without exceeding the capacity of natural production and regeneration. This is the Maximum with Minimum mindset described within the Basic Policy on Biodiversity released in 2022 and the Kao Sustainable Product Development Policy released in August 2023. In 2023, in order to establish a more concrete Basic Policy on Biodiversity, we planned to update the Action Policies on Conservation of Biodiversity set in 2011 as the Action Policy on Biodiversity.

Furthermore, to take TNFD's 2022 LEAP analysis one step further, we proceeded with a potential market study to estimate the financial impact of risks and the realization of nature-positive business. We will disclose the results of the study in this report as well in order to actively respond to the current flow of information disclosure in accordance with the actions of TNFD.

Development of a society that can continue to enjoy the benefits of biodiversity

With regard to palm oil, paper, and pulp, which are our main raw materials, we set targets to confirm that there is no deforestation in the places of origin and ensure traceability. We are carrying out specific measures to achieve targets such as mapping deforestation risks and investigating plants judged as posing high risks. In

2020, we completed the confirmation of traceability back to large plantations, and our object by 2025 is to complete the confirmation of traceability to oil palm smallholders.

We believe that expanding sustainable production of raw materials and establishing procurement systems that do not involve deforestation or human rights violations will help to form a sustainable society that permanently maintains the benefits of biodiversity for all stakeholders.

Minimizing the impact of products on biodiversity

We seek to minimize the impacts on biodiversity in all processes of our business activities including the impact on the environment from the procurement and use of raw materials, product development, and disposal.

Palm (kernel) oil is used in many of Kao's products, and the demand is expected to increase due to global population growth. As such, there are concerns about deforestation and raw material shortages. Kao therefore continues to develop technologies to use natural, inedible sources of fats and oils as an alternative to palm (kernel) oil. Kao has already developed Bio IOS, a surfactant that can be used as a surfactant from oil and fat materials, which have been difficult to utilize in the past, and is being applied in laundry detergents.

In addition, we are working to minimize the quantitative and qualitative impacts of components discharged into the environment along with water after product use, and to solve the problems of plastic packaging that have already been discarded, as well as ocean plastic pollution.

1. Promote the procurement of sustainable raw materials

To expand the sustainable production of raw materials, establish procurement systems that do not involve deforestation or human rights violations, and help to form a sustainable society that permanently maintains the benefits of biodiversity for all stakeholders, we have set targets to confirm that there is no deforestation in places of origin and ensure traceability with regard to palm oil, paper, and pulp, which are our main raw materials. We are carrying out specific measures to reach these targets, such as mapping deforestation risks and investigating plants judged as posing high risks. In 2020, we completed the confirmation of traceability back to large plantations, and our goal by 2025 is to confirm traceability to oil palm smallholders.

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Responsibly Sourced Raw Materials

2. Promote business and social contribution activities that consider local biodiversity

Based on the results of the biodiversity surveys of all Kao Group production sites conducted in 2018 and 2019, each site individually plans feasible biodiversity conservation activities in line with actual conditions.

3. Reduce use of copy paper

As an activity that all employees can participate in, we have started reducing the use of copy paper at the Kao Group in Japan. From 2021 onwards, our objectives are to promote this activity globally and print fewer pages per person than the previous year.

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

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4. Green Purchasing

We are promoting green purchasing, which places priority on purchasing products with the least possible environmental impact. We have been taking action in this area based on the Act on Promoting Green Purchasing. We have set our 2023 target green purchasing rate in Japan at 100%.

2023 results

A new attempt

Revising the Action Policy on Biodiversity

October 2023 saw the release of the updated Action Policies on Conservation of Biodiversity as the Action Policy on Biodiversity. In accordance with the Basic Policy on Biodiversity, the update reflected detailed actions regarding reversing trends in biodiversity back toward conservation, restoration, and regeneration, addressing both biodiversity and climate change, as well as our stance toward international information disclosure on biodiversity and target configuration. It also added a section entitled “We will aim for symbiosis between people, nature and chemicals,” expressing its commitment to addressing the impact of chemical substances on biodiversity.

Estimation of the financial impact of biodiversity at Kao

In the 2022 analysis, factors related to palm oil and palm kernel oil (deforestation and peatland development) were identified as important materiality for Kao’s biodiversity. Other identified significant risks include the generation of waste (especially plastic containers) and water resources (intake and wastewater).

We have established two types of scenarios for these items (a “coexistence with nature scenario” in

which nature, the climate and economy coexist in harmony, and the “business as usual scenario,” in which nature, the climate and economy collapse together), and calculated the financial impact of the anticipated risks.

Other factors thought to have a significant financial impact were price fluctuations of palm oil and palm kernel oil, the cost of switching to certified products, and EUDR factors (such as surcharges and sales restrictions in the event of failure to comply), along with financial impacts linked to water and plastics.

To eliminate or minimize these financial risks, we will purchase certified oil that targets zero deforestation and switch to palm-alternative raw materials and natural resource-saving designs while addressing issues regarding plastics.

Potential market research for the Nature Positive Initiative

We are investigating business opportunities related to Nature Positive along with the expected risks.

We can see a multitude of fields that are candidates for nature positive businesses in our world. Of these, we have organized them from the perspective of market potential, competitive environments, and synergies with our business. As a result, we have discovered agriculture, forestry, fisheries, and water-saving technologies that are biodiversity-friendly, and businesses that regenerate/restore degraded land, epidemic control, and biomass utilization.

Minimizing the impact of products on biodiversity

In May 2023, Kao set targets for Zero Waste by 2040, and for Negative Waste by 2050, in its long-term road

map regarding plastic packaging. We have been promoting Innovation in Reduction and Innovation in Recycling toward achieving these targets. This means we are striving to resolve plastic issues by reducing plastics used and promoting recycled materials. In FY2023, as a part of our Innovation in Recycling project, we collected used plastic packaging containers and launched refill packs that partly used recycled material from these containers.

As a B-to-B initiative, we developed a technology in 2023 that utilizes our expertise in enzyme production for detergents with microorganisms to produce the important industrial material gallic acid from glucose. We have started sales of this as “Bio Gallic Acid.” Gallic acid is used as a raw material for items such as semiconductors in electronic devices and anti-rust agents for boilers. It is a plant-derived polyphenol extracted from insect galls (gallnuts) of plants in the family *Anacardiaceae*, and has a limited production area because it comes from certain trees.

● Deforestation

According to TNFD’s core disclosure indicator, disclosure of the volume of high-risk commodities and their certified amounts is recommended.


In the past, we have managed the KPI for responsible raw material procurement with the aim of purchasing 100% RSPO-certified oil by 2025. The amount of certified oil we purchased in December 2023 (including Book & Claim) was 173,000 tons, and the certification ratio was 40%.

With respect to other core disclosure indicators (areas of land we manage and changes in areas of land used for various purposes), we are proceeding with ensuring traceability to farms and planning to introduce

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forest footprints through the use of satellites, and therefore, we will be able to determine quantitative figures in the future.



Palm Oil Dashboard

<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

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Responsibly Sourced Raw Materials > Metrics and targets

- Use of water resources and wastewater discharged into the environment
- TNFD recommends as disclosure indicators relating to wastewater discharge (contamination of wastewater) the disclosure of the amount of wastewater discharged to the environment and the concentration of major contaminants in the discharged wastewater. To manage wastewater discharged into the environment at each site, we not only comply with laws and regulations but also set control standards that are stricter than the regulation values. In 2023, we had no discharge of wastewater that violated any laws, regulations, or standards at any of our production sites. Moreover, we accumulate withdrawal data at each site. In terms of water conservation, we aim to reduce the KLP by 45% (primary sales unit) compared to 2005 at all sites of the Kao Group and by 10% (primary sales unit) compared to 2017 throughout the entire product lifecycle by 2030.
- We are also trying to minimize the influence (quantity and quality) of the components discharged into the environment with wastewater after the use of products and working to solve the issues of plastic packaging containers and marine plastics.

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Water Conservation > Metrics and targets

- Waste discharge (mainly plastic containers)
- TNFD uses the amount of plastic packaging used and the amount of plastic recycled as indicators. With the roadmap for Zero Waste as a KLP, we aim to reduce the total amount of plastic used for packaging containers and recycle 50% or more of the amount of plastic used by 2030 to achieve Zero Waste (the state where the amount of plastic in packaging containers used by Kao is equal to the amount of plastic recycled by Kao) by 2040 and become Waste Negative (the state where the amount of plastic in packaging containers used by Kao is less than the amount of plastic recycled by Kao) by 2050. In 2023, while the amount of plastic in packaging used by Kao was 91 thousand tons, the amount of recycled plastic used was 2.6 thousand tons.

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Zero Waste > Metrics and targets

- Continuing activities**
- 1. Promote procurement of sustainable raw materials**
- Traceability checks are underway for the procurement of palm oil, palm kernel oil, paper and pulp.
- In addition, we are continuing activities to increase the procurement ratio of RSPO-certified oil and to support oil palm smallholders in obtaining RSPO certification.

2. Promote business and social contribution activities that consider local biodiversity

We have been promoting the conservation of green areas at each manufacturing site within and outside Japan in our efforts toward biodiversity. For example, at the Wakayama Plant, which is one of our main sites, we have been endeavoring to conserve the black pine seawall forest (part of the Suiken Embankment national historic site) for the past 80 years. Through field surveys and observation of organisms that inhabit and use this green area, we have incorporated green area management methods that best suit the area’s characteristics. This activity was certified in 2023 as a “Green Hall of Fame” event under the Social and Environmental Green Evaluation System (SEGES), and also certified as a nature symbiosis site by the Ministry of the Environment. The Kashima, Kawasaki, and Odawara Plants have received ABINC*1 certification, which is a certification scheme related to corporate green spaces.

Our business sites outside Japan also conduct biodiversity conservation activities according to the characteristics of the area.

Pilipinas Kao, Inc. is undertaking a mangrove regeneration project to restore the mangroves in areas such as the coast around the plant. Kao Specialties Americas LLC, where various species including rare species can be found on the property, works to conserve the mixed forest of conifers and hardwoods that spread across their property, along with activities to increase the number of wildflowers growing in southeastern areas of the Americas.

The Kao Penang Group (KPG) provides various programs, including its original program, “Foster Garden.” General environmental themes are offered, ranging from biodiversity to hand hygiene.

Biodiversity

GRI 304-2

Kao Corporation S.A. (KCSA) continues to advance its initiative to annually select the organism of the year and introduce its ecology in detail.

*1 Association for Business Innovation in Harmony with Nature and Community
An organization whose purpose is to create mechanisms that enable people to coexist with living organisms, scientifically and technically verify those mechanisms, and promote their commercialization

3. Reduce use of copy paper

The number of pages printed per person in Japan was 95% of the previous year (excluding data for October and November), and achieving the target (fewer pages than in the previous year).

4. Green Purchasing

The green purchasing ratio in Japan was 94.3%.

Reviews of 2023 results

Since 2021, Kao has been checking touchpoints for biodiversity in our supply chain and identifying materialities. We extracted potential key themes through ENCORE in 2021 and identified materialities in 2022 by conducting case studies in accordance with the TNFD beta version of the LEAP process. In 2023, we were able to estimate the financial impact per scenario and research the potential market for nature-positive businesses. By applying an information disclosure framework that has gradually been taking shape, we have been working to review Kao's biodiversity activities once more.

As a result, we could reconfirm the importance of various activities we have conducted up to date, along with reconfirming that there have been no grave oversights. Additionally, although this was based on

certain assumptions, we believe that being able to quantify the financial impact of risks provides valuable insights for strategic proposals and their incorporation into activities as we go forward.

We believe that these activities will enable us to address the increasing demand for information disclosure. Kao has been able to distinguish between indicators that are materialities and those that are not for the 14 core disclosure indicators seen in TNFD v1.0, which was released in September 2023.

For themes we believe are important, Kao has been configuring targets and making progress toward them based on the ESG Strategy ever since the 2019 release of the KLP and before the TNFD framework became concrete. Some themes are managed and activities promoted with indicators that differ from the core disclosure indicators established by the TNFD, and large quantities of data have already been accumulated. For this reason, when disclosing information, we will prioritize the assessment axes and values we have already adopted and gradually refer to the TNFD's core disclosure indicators for data to be acquired in the future.

Meanwhile, although we are able to see what direction the activities are heading in, there are still areas left in which we have not thoroughly developed our strategies, incorporated them into specific activities, and set various targets. Discovery and cultivation of promising nature-positive businesses are also yet to come.

The world around biodiversity is undergoing rapid changes. However, what we want to continue focusing on is business and social activities that take local biodiversity into consideration. These activities continue to be promoted at each of our global companies due to the powerful enthusiasm of participants, which include

employees in charge at each business site and local citizens in the vicinity. Since biodiversity activities are meaningful only if they are sustained, we believe it is necessary to build a system and foster a culture so that activities will not cease even if the person or organization in charge changes. Regarding the reduction of photocopying paper, although the number of employees returning to the office has increased, the amount of paper used has been steadily falling each year by users making an effort to cut their use of paper.

Regarding the promotion of green purchasing, although the target of 100% was not reached, the purchase ratio increased from the previous year. We will continue efforts to raise the environmental awareness of purchasers.

Biodiversity

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Main initiatives

Estimate of financial impact of anticipated risks


Using Kao’s main product, detergent, as an example, the report analyzes ENCORE as well as the latest benchmarks, various guidelines, and reports from various companies. This was superimposed with geographical information and organized according to the axis of stakeholder interest and the axis of impact within Kao’s business activities to identify Kao’s materiality. The results are shown below.

In 2023, we estimated the financial impact in 2050 with scenario analysis on the categories shown below for which both stakeholder interest and influence on our business activities were significant. Estimating future financial impact under certain assumptions and taking necessary measures in advance will lead to an increase in company resilience.

Selected specific materialities:

- Deforestation (regarding palm oil, palm kernel oil, pulp)
- Use of water resources
- Wastewater discharged into the environment
- Waste discharge (mainly plastic containers).

For these items, we have estimated the financial impact of these anticipated risks through a “coexistence with nature scenario” and a “business as usual scenario.”



Business Risk and Opportunity on Biodiversity— TNFD case study with Location analysis—
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-tnfd.pdf>

The “coexistence with nature” scenario is an ideal world that companies around the world including Kao should seek to achieve and involves great social change. It is consolidated into quality environment-oriented products and services and shapes our view of a world in which the centralization of supply chains is accelerated. In this world, we assume that both the climate and ecosystems will be restored, laws and regulations relating to nature conservation will be tightened, and necessary technological innovation will advance. In addition, consumers will choose environmentally friendly products. In the “business as usual” scenario, on the other hand, we continue on as we are now. In this world, we assume that intervention via policies and regulations will be limited since each country will put its own interests ahead of nature conservation. Moreover, consumer environmental awareness will change very little, and consumers will continue their mass-consumption lifestyles focused on price.

To estimate business impacts, we created a risk exposure pathway and estimated business impacts for items whose necessary parameters could be collected. Although collecting parameters that are in time series is difficult for nature-related subjects, parameters for which 2050 forecasts exist were aligned with values for 2050.

As a risk with a large financial impact, we assumed changes in the price of palm oil and palm kernel oil regardless of the scenario. Surcharges that must be paid if we fail to respond sufficiently to EUDR regulations (assuming that regulations equivalent to EUDR regulations spread globally) and taxes on plastic containers arose as risks only in the “coexistence with nature scenario.” However, these financial impacts can be reduced or avoided by Kao responding appropriately.

For example, by using substitute raw materials instead of palm oil and promoting resource-saving designs, we can expect a reduction in costs related to rising raw materials costs and the cost of certifying raw materials. In addition to the 100% purchasing of certified oil, we will advance the verification of traceability to farms. Furthermore, as the technology for evaluating forest footprint using satellites evolves to confirm whether deforestation is actually occurring, we will promote activities in priority regions, and address EUDR regulations through these various activities. Similarly, we believe that we can minimize financial impacts related to plastics through our Innovation in Reduction and Innovation in Recycling. The results of these risk-addressing efforts and activities will lead directly to an improvement in market competitiveness, an expansion of business opportunities, and greater profitability.

Biodiversity

GRI 304-2

Potential market research for nature
positiveness


Along with preparing for potential risks, we are also investigating nature-positive business opportunities. We studied candidate market fields from the perspective of market potential, competitive environment, and synergies with our businesses.

As a result, we have discovered agriculture, forestry, fisheries, and water-saving technologies that are biodiversity-friendly, and businesses that regenerate/restore degraded land, epidemic control, and biomass utilization. For example, biodiversity-friendly agriculture, represented by regenerative agriculture, has significant market potential, and this is one field that Kao's agro-related technologies and businesses can be applied.

In a report, "Future Of Nature And Business," by the World Economic Forum shows that initiatives for food and land use can have the greatest impact at the lowest cost, to establish a nature-positive future.

Furthermore, the importance of cooperation between sectors, which is key to change, has been discussed, and regarding sectors that handle consumer goods and chemicals such as Kao, examples of collaborations in fields of "productive and regenerative agriculture," "healthy and productive ocean," "planet-compatible consumption," "transparent and sustainable supply chains," and "circular and resource-efficient models for materials" were given. We will formulate strategies toward materializing nature-positive businesses with an eye on collaborations with other sectors.

Including initiatives already underway, we will prioritize our efforts to reduce and eliminate these financial impacts and create opportunities in potential markets by referencing concepts such as AR3T (Avoid, Reduce, Restore, Regenerate, and Transform) within the mitigation hierarchy and SBTN, with consideration toward currently existing and new timeline axes for Kao, customers, markets, and society.



World Economic Forum "The Future Of Nature And Business"
https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf

Biodiversity

GRI 304-2

Examples of responses to financial impact and estimates of effectiveness

Materiality		Risk factors and financial impact (unit: billion yen)			Examples of responses and effects (unit: billion yen)		
		Risk factor	Scenario: Coexistence with nature	Scenario: business as usual	Kao's response status	Scenario: Coexistence with nature	Scenario: business as usual
Risks	Deforestation	Rising costs of palm oil procurement	-475	-416	• Natural resource-saving and high-value formulation • Development of alternative raw materials • Support for small farms (SMILE, increased yield)	Calculations currently not feasible	Calculations currently not feasible
		Rising costs of wood pulp procurement	-13	-11	Natural resource-saving and high-value formulation	Calculations currently not feasible	Calculations currently not feasible
		Surcharge payment due to EUDR violations	-620	-64	Fees for purchasing RSPO certified products	-400*	-400*
					Fees for ensuring traceability (Forest footprint, etc.)	-10*	-10*
					Avoidance of surcharges with the above responses	+620	+64
		Decrease in sales due to boycotts	-57	–	Fees for ensuring traceability (Implementation of forest footprint)	+57	–
	Use of water resources	Decrease in sales during operation suspension	-44	-84	Development of water-saving technologies	Calculations currently not feasible	Calculations currently not feasible
		Increase in water rates	–	-6	• Reduction of water used • Use of water recycling and cascade	–	+2
	Wastewater discharged into the environment	Accrual of compensation	-13	–	Wastewater management with standards stricter than laws and regulations	Calculations currently not feasible	Calculations currently not feasible
	Plastic pollution	Rising costs of plastic container procurement	-2	-54	Reduce innovations, refills	Calculations currently not feasible	Calculations currently not feasible
		Tax on plastics	-115	–	Recycle innovations • Incorporation of recycled plastics	+104	–
		Decrease in sales due to boycotts	-57	–	• Practical application of horizontal recycling	+57	–
Opportunities		Regenerative agriculture Global market scale in 2030 105 trillion yen * 700 billion dollars, converted at 150 yen Source: WEF “The Future Of Nature And Business”			• Product R&D with advanced wetting technology > Smart agriculture, etc. • Product R&D with soil physics control technology > Soil conditioners, Bio Stimulants, etc.		

* Costs for response

Biodiversity

Minimizing the impact of business on biodiversity

We aim to minimize the impact that all of our business activity processes have on biodiversity, including effects on the environment caused by procurement and the use of raw materials, product development, and effects that continue after the disposal of products.

Palm (kernel) oil is used in many of Kao’s products, and demand is expected to increase due to global population growth. As such, there are concerns about deforestation and raw material shortages. Kao therefore continues to develop technologies to use natural, inedible sources of fats and oils as an alternative to palm (kernel) oil. Kao has already developed Bio IOS, a surfactant that can be used in the same way as a surfactant made from oil and fat materials, something which has been difficult to utilize in the past and is now being used in laundry detergents.

In addition, we are working to minimize the quantitative and qualitative impacts of components discharged into the environment along with water after the product is used and to solve the problems caused by plastic packaging that has already been discarded, as well as ocean plastic pollution. These measures are critical for Kao’s ESG Strategy, and they are listed in detail in this report.

Reduce the use of raw materials and switch to raw materials that can be sustainably procured and have lower environmental impact

P100

Responsibly Sourced Raw Materials

Reducing CO₂ emissions associated with business activities

P111

Decarbonization

Reduce the use of and impact on water resources

P145

Water Conservation

Promote responsible chemicals management

Through appropriate chemical management throughout the entire lifecycle of chemicals and using science-based risk assessments, we continue to create products to minimize the burden that chemicals place on the environment and ecological system.

Implement horizontal plastic recycling technology

According to the long-term roadmap relating to plastic packaging containers, Kao aims to achieve Zero Waste by 2040 and become Waste Negative by 2050. We are promoting Innovation in Reduction and Innovation in Recycling toward achieving these goals. As part of Innovation in Recycling, 2023 saw the launch of refill packs which partially utilized recycled materials made of used plastic packaging containers that we have collected.

Developing technology to minimize materials used and maximize utilization while cherishing the benefits of biodiversity

We initiated a demonstration study to produce non-edible bio-based nonionic surfactant from non-edible biomass using cassava residue, which is a biomass

waste product. Utilizing Kao’s enzymes and enzyme production technologies, cassava residue can now be efficiently broken down into sugars, the raw material for some chemicals. By conducting the saccharification process from enzyme production to saccharification at the same plant site, we also aim to reduce CO₂ emissions from transportation.

In 2023, we developed a technology that produces gallic acid, an important industrial material, from glucose. We have already begun selling this as “Bio Gallic Acid.” Gallic acid is used as a raw material for items such as semiconductors in electronic devices and anti-rust agents for boilers. It is a plant-derived polyphenol extracted from insect galls (gallnuts) found in plants in the family *Anacardiaceae* and has a limited production area since it is only found in certain trees.

Kao has also conducted research on RNA from organisms in the environment (environmental RNA) to establish a highly accurate ecological survey method for biodiversity assessment. As it uses RNA as an indicator, which degrades more easily than DNA, it is less likely to falsely detect organisms that are not present and is also less susceptible to the effects of domestic wastewater. In addition to a comprehensive method for analyzing fish RNA in river water, we have now developed methods for assessing arthropods (aquatic insects) and algae, which are indicators of water quality. This research has the potential to visualize the true state of ecosystems with high precision without the need to capture living organisms.

Through the use of these technologies, we aim to contribute to the sustainability of society and the environment by minimizing the loss of biodiversity due to human activities.

Biodiversity

P93

Transformative Innovation

Web

Launch of Bio Aromatic Compound ‘Gallic Acid’ through Fermentation Production

Stable Supply of Industrial Essential Chemical Materials

<https://www.kao.com/global/en/newsroom/news/release/2024/20240111-001/>

Fish RNA, Abundant in River Water, Found to Be Useful for Ecological Research

<https://www.kao.com/jp/newsroom/news/release/2021/20210817-001/>

Strengthening information disclosure

TNFDv1.0 was publicly disclosed in September 2023. The identification of Kao material issues, LEAP analyses, and financial impacts in each scenario, which we have been working on in the past, are disclosed in this report. It does not necessarily mean that all of the TNFD-recommended items are listed in this report. We will improve its quantity and quality sequentially while undertaking the task of the conservation and restoration of biodiversity.

Initiatives related to palm oil

We are working to address key social and environmental issues related to palm oil (kernel oil), one of Kao’s most important natural resources.

In accordance with the TNFD LEAP process from 2022, we studied the entire Kao value chain from a biodiversity perspective and identified palm oil and palm kernel oil, the main raw materials of Kao products, as key materialities.

Kao is committed to its goal of zero deforestation toward the sustainable procurement of palm oil and palm kernel oil, and is aiming for the procurement of 100% RSPO-certified oil and complete traceability up until farms.

Furthermore, as we believe that improving the standard of living for smallholders is essential for the fundamental resolution of deforestation, we have been progressing with the SMILE project, which supports oil palm smallholders in Indonesia. Along with technical guidance to improve productivity and education for RSPO certification, the quantity of pesticides used is also reduced through Kao’s unique technologies in our attempt to maintain farmer health and minimize environmental impact. At the end of 2023, the number of farms supported was 3,083, the number of certified farms was 839, and the total area of new farms was 8,395 hectares. The quantity of certified credits purchased from farms supported by the SMILE program was 9,996 tons.

Excessive fertilizer application to the soil can also cause soil contamination, water pollution, and changes in the soil’s ecological system. Reducing the quantity of pesticides used will improve profit for farmers and reduce environmental impact. To this end, we provide free of charge the *Adjuvant* series, a series of chemicals that allows pesticides to spread evenly across plant surfaces (628 farms at the end of 2023), and provide guidance on how to use them.

In addition, one of the targets of The Kunming-Montreal Global Biodiversity Framework states that the views of local people should be taken into account in biodiversity-related decision-making. We expect that the Grievance Mechanism for oil palm smallholders in Indonesia, launched in September 2022, will also contribute. The number of farms subject to the

Grievance Mechanism was 212 at the end of December 2023, and the number of inquiries was 213 (from September 2022 to the end of December 2023).

These Kao activities toward sustainable palm oil procurement are disclosed in the Palm Oil Dashboard.

P100

Responsibly Sourced Raw Materials

Web

Palm Oil Dashboard

<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Progress of the SMILE project and commencement of the grievance mechanism

<https://www.kao.com/global/en/newsroom/news/release/2022/20220413-001/>

<https://www.kao.com/global/en/newsroom/news/release/2022/20220831-001/>

Business activities that consider the planet’s ecological system

We have been active in our own green spaces and conservation activities for local ecological systems that take biodiversity into account. Particularly in Japan, there are multiple certification systems for corporate green spaces, and we have received certification for the following plants and offices.

Wakayama Plant: SEGES^{*1} Excellent Stage 1 certification (2005), SEGES Superlative Stage certification (2017), SEGES “Green Hall of Fame” certification (2023), “Nature Symbiosis Site” certification (2023)

Biodiversity


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Kao Wakayama Plant recognized as a “Green Hall of Fame” under the green certification system SEGES (Social and Environmental Green Evaluation System)
<https://www.kao.com/jp/newsroom/news/release/2023/20231207-001/>

Kao Wakayama Plant site certified as a Nature Symbiosis Site by the Ministry of the Environment in recognition of its biodiversity conservation initiatives
<https://www.kao.com/jp/newsroom/news/release/2023/20231027-001/>

Kashima Plant: ABINC^{*2} certification (acquired in 2015 and renewed in 2018 and 2021)
 Kawasaki Plant: ABINC certification (acquired in 2018 and renewed in 2021)
 Odawara Office: ABINC certification (acquired in 2020 and renewed in 2023)



The 10th Association for Business Innovation in Harmony with Nature and Community (ABINC)[®] certified facilities
<https://www3.abinc.or.jp/facility/10th-creature-facilites/>

The 13th Association for Business Innovation in Harmony with Nature and Community (ABINC)[®] certified facilities
https://www3.abinc.or.jp/facility/13th_creature_facilites/

*1 Social and Environmental Green Evaluation System
 A system that evaluates high-quality green spaces created by companies as well as their day-to-day activities and efforts and certifies well-maintained green spaces that contribute to society and the environment

*2 Association for Business Innovation in Harmony with Nature and Community
 An organization whose purpose is to create mechanisms that enable people to coexist with living organisms, scientifically and technically verify those mechanisms, and promote their commercialization

Implementing measures based on global biodiversity evaluation criteria

Biodiversity indicators were introduced in 2017 to determine quantitatively the extent to which local

biodiversity-conscious activities are being carried out at each location where we conduct business around the world, and in 2018 and 2019 we completed biodiversity evaluations at all production sites including those sites that we recently acquired. With these evaluations, we can clarify issues from a biodiversity perspective at each site and improve their scores by promoting activities, which will make checking their progress easier.

The primary objective of introducing these criteria is to help conserve the biodiversity of the local ecological systems whose benefits individual sites enjoy, by determining current conditions and actively undertaking biodiversity conservation at individual sites or in nearby green spaces with a clear understanding of targets by employees.

We believe that our thinking is communicated to many people involved, including local residents, in an expanding circle of activity, thereby helping to mainstream the concept of biodiversity.

Wakayama Plant
The black pine seawall forest has been certified as a nature symbiosis site
 There is a black pine seawall forest (maximum width approximately 100 m, length approximately 1 km) traversing the Wakayama Plant. This seawall forest belongs to the Suiken Embankment, a natural historic site. The Wakayama Plant has conducting black pine conservation efforts for more than 80 years, ever since its establishment in 1942. Kao’s formulation of the Basic Policies on Conservation of Biodiversity in 2011 was used as an opportunity to start reviewing conservation content from a biodiversity perspective. With this, areas were divided into one that prioritizes the conservation of black pine and another where management is left to natural change as much as possible. Furthermore,

methods of green area management were incorporated into each area according to their characteristics.

In particular, the Wakayama Plant has strived to allow more sunlight within the forest at the black pine conservation area, by cutting down as many trees that prevented the growth of black pines as possible. Weeding and removing fallen leaves have also been done periodically in an effort to improve the health of the black pines. In the area where trees have been cut down, volunteer employees planted resistant black pine saplings which have been steadily growing. Furthermore, in the past, chemicals have been sprayed four times a year to combat pine tree withering, but this has been gradually reduced to mitigate negative impacts on the ecological system, and currently, spraying is conducted only once a year or directly injected into the trunks of black pines in specific areas. As a result of these activities, the black pine forest has maintained its beautiful scenery, and employees use the walking trails created within the forest for relaxation.

In the insect ecological survey conducted in August 2023, the Wakayama Plant was able to confirm living *Scarites sulcatus* (designated as an Endangered Species Category I in Wakayama), and is experiencing the results of the conservation efforts made to this point.

In November 2023, the plant held an event to explore the possibilities of managing woodland within corporate grounds. This is being done through its first attempt at using thinned wood taken from ubame oak trees growing in the plant grounds as raw material for *Kishu binchotan* charcoal to be used locally. Employees and their families could also experience creating charcoal in kilns and making windchimes, as this event also helped to promote interaction with the local community and relaxation for employees. There were

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	Our Priorities -Kirei Lifestyle Plan-
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

Biodiversity GRI 304-1, 304-3

some difficulties and issues such as preparing at least one ton of thinned wood within one week of being cut, but the event was received well by related parties and participants, and we plan to keep running it in the future.

In addition to conservation activities for the black pine forest, many employees also participate in actions outside of the company, such as Local Cleanup and Beautification Activities around the plant, cleanups at locations including Wakayama Castle, the Kinokawa River, and the Suikengawa River, “Enterprise Forest” activities, and conservation work along the Kumano Kodo pilgrimage routes.

These have been highly recognized overall. In fact, they were and certified as “Green Hall of Fame” activities by the Social and Environmental Green Evaluation System (SEGES) in April 2023, and the black



Trail in the black pine forest

Signage



Scarites sulcatus

Experiencing charcoal-making from thinned ubame oak trees

pine forest was officially certified as a nature symbiosis site by the national government in October 2023. The Wakayama Plant will continue its efforts to maintain a biodiversity-conscious site to support the achievement of the “30by30” international biodiversity goal.

PKI

Mangrove planting and conservation activities

In 2010, Pilipinas Kao, Inc. (PKI) embarked on its Mangrove Regeneration Project along the shoreline of PKI’s plant and its vicinity by collaborating with the Department of Environment and Natural Resources and a local NGO to plant mangroves for World Wetlands Day. Since then, PKI has been planting mangroves every year, but had concerns with the low survival rate of mangroves, which did not take root easily. The major cause for this was the algae and other seaweed, along with plastics floating in the sea that would get caught on young trees and inhibit their growth and development.

To solve this problem, activities such as regular cleanups along the coast, reviewing the method of growing saplings (growing young trees in individual seed beds and transplanting them to the target location once their roots have grown sufficiently), and changing the timing of planting (avoid planting during the summer to the rainy season, when the waves are strong and algae proliferate) have been taken. There has been a significant improvement in mangrove forests in areas where PKI has been conducting mangrove maintenance and management activities, and we believe this is the result of these conservation activities.

In 2023, of the approximately 1,000 young trees carefully cultivated in seedbeds, 495 were transplanted to the coast. For transplanting on the coastline, which is especially affected by waves, test-planting the trees in

steel drums that were opened on the top and bottom was conducted as an attempt to prevent the soil from eroding due to wave action. There were 20 drums installed along the coastline, each with three saplings planted in them. Six months later, the status of the saplings was checked. Investigation showed that of the 60 trees, 45 successfully survived, showing a certain degree of effectiveness. PKI will continue its research on mangrove growth and planting activities into the future.



The mangrove forest in 2019



The mangrove forest in 2023

Biodiversity

GRI 304-1, 304-3, 304-4



Planting test using steel drums

KSA

Plans to expand the area for planting native wild plants

Kao Specialties Americas LLC (KSA) has a mixed forest of conifer and hardwood spread across its property. When a biodiversity evaluation was conducted in 2019, a variety of organisms, including endangered species, were found on the premises. Since then, KSA has been promoting biodiversity conservation activities in earnest, and employees are also actively participating. In 2021, in addition to ordinary biodiversity conservation initiatives, KSA set a target of planting 1,000 m² (10,764 ft²) with native wildflowers on the site by 2025 and launched action to achieve this target.

In November 2022, KSA employees sowed wildflower seeds from the southeastern United States obtained from a local seed farm. From August to September 2023, these flowers bloomed brightly to the delight of employees. Furthermore, to improve the property’s scenery and to provide a food source for pollinators, KSA employees planted the native Carolina Phlox in April 2023.

Additionally, in June 2023, KSA employees installed three flower beds (raised beds) on the property with

native plants and other native varieties purchased from a local landscaper, as a part of the Gazebo Project. The Gazebo Project was launched with the objective of creating a quiet space in nature for employees to enjoy lunch and break time. Raised beds are a ground-planting technique in which soil is piled up into small mounds, and was introduced for three reasons: (1) to retain moisture and inhibit weeds; (2) to prepare soil from scratch, as the KSA soil has a clayey texture; and (3) to protect the plants from mowing.



Native wildflowers that bloomed from seeds



The raised flower beds

KPG

Employee participation activities with the original “Foster Garden” program

Ever since 2009, the Kao Penang Group (KPG) has continued with its original “Foster Garden” program (excluding the years 2020 and 2021, when the program was cancelled due to the COVID-19 pandemic). The goal of this program is to educate students and local citizens about the importance of taking responsibility for creating an environment that is more considerate of the ecological system and fulfilling responsibilities to society.

The program began around KPG’s property and at schools in the same district as KPG. Before tree-planting started, hand hygiene programs (to explain hygiene to students) were conducted. The planted trees feature only plant species that are indigenous to Malaysia. Approximately 15 KPG employees participate in this program every year, and tree-planting activities have taken place at 11 schools. These actions have been recognized, receiving an RC Award from CICM/FMM (Chemical Industries Council of Malaysia).

Since 2022, the target of Foster Garden has shifted from schools to the community (Kampung Java village, which is adjacent to KPG). In February 2023, KPG held a community dialogue and ESG information-sharing program for citizens of the adjacent Kampung Java village to explain KPG’s company profile, environmental/safety activities, and measures for waste, hazardous materials and pollution. The event included Q&A session, and was well received.

In March 2023, a total of 200 KPG employees and their families (also participating were those from the ministries of the environment, forestry, and fishing, the Royal Malaysian Navy, the Fire and Rescue Department of Malaysia, and NGO officials) participated in Penang

Biodiversity GRI 304-1, 304-3

National Park’s jungle-trekking environmental biodiversity program. A nature tourist guide accompanied the participants on this trek to explain about the trees and wildflowers found in the forest reserve and the benefits (ecological system services) these plants provide. After around 90 minutes of trekking, some participants and their families joined activities at the sea turtle sanctuary at Kerachut Beach. Because it is said that 29% of Malaysia’s sea turtles are threatened with extinction, ambong-ambong trees were planted to provide important nesting sites for sea turtles to lay their eggs. To support the sanctuary, KPG donated four photovoltaic power panels.



Scene from the program held at Kampung Java village



Planting ambong-ambong saplings at Kerachut Beach

KCSA Elimination of invasive alien species from the corporate site

Kao Corporation S.A. (KCSA) recognizes the importance of biodiversity for the planet’s future development, so formulated Biodiversity Policies in 2018, which include a commitment to maintain and promote biodiversity. The company has since been promoting conservation activities based on this. Ongoing tree-planting in green areas on the sites, site tours for employees, and monitoring nest boxes installed on the premises are all part of KCSA’s conservation activities.

Furthermore, in 2021, KCSA launched an initiative to annually select the organism of the year from those that inhabit its sites and introduce their ecology in detail. The logic for this is that due to the immense amount of biodiversity-related information, KCSA believes that it would be effective to focus communications on explaining one species per year. The organism for 2021 was the sparrow, which is a species that is rapidly disappearing throughout the world, even though the bird is commonly seen at all three of KCSA’s sites.

The organism for 2022 to 2023 was “Cortaderia de la pampa” (a type of perennial of the Poaceae family), which is an invasive alien species in Spain. Various

media were used to provide information related to this plant to employees, including email, posters, and screensavers, to communicate facts such as the impact it has on eliminating native plant species. Because this species has especially taken root in wide areas of the Barbera Plant, a special contractor was brought in to remove it over three days. To prevent the area from being overrun by a new species once more, periodic monitoring is planned to continue into the future.



“Cortaderia de la pampa” growing within the grounds



Contractors removing the plant

Biodiversity

Employees’ opinions

Naoki Iizuka

Wakayama Plant/District SC Environment

We promote conservation activities at our business sites within and outside Japan as one of our efforts to conserve and regenerate biodiversity.

The black pine seawall forest at the Wakayama Plant was created in the *Edo* period as a forest to protect salt fields and farmland from winds and tides. The forest mainly consists of black pine, which is scarcely seen in the southern part of Wakayama City nowadays.

Unlike broad-leaved trees, black pines do not produce tree sap or nuts that attract many insects and animals. Although there are few species found in black pine forests alone, it is home to species that are fussy eaters and dependent on the pines, such as the *Yezoterpnosia vacua*, and also the *Scarites sulcatus*,

which prefer the sandy ground of the seaside. Having locations like this existing as parts of other vegetative groups in the city creates overall biodiversity. I believe we can reap the benefits of ecological system services in a sustainable way by conserving this type of ecological system, which holds unique value, with as little environmental impact as possible.

Furthermore, saplings in green areas within the plant grounds, which include the black pine forest, have grown to become large trees over the years, so significant thinning has become necessary to ensure the safety of facilities and lines of flow. Since allowing the thinned wood from this to decompose naturally would be a waste, we launched the “Woodland Green Management” initiative. We hope this gives birth to various positive effects from our involvement with the green areas, such as contributing to the plant’s safe operation, promoting interactions with the local communities, and providing relaxation for employees.

In 2023 this was certified as a SEGES “Green Hall of Fame” activity, and as a nature symbiosis site promoted by the Ministry of the Environment.

Communication with Consumers

We contribute to a future full of smiles through consultation activities that provide inspiring experiences in sincere response to the opinions of consumers, “ESG-driven *Yoki-Monozukuri*” that makes use of the opinions of consumers in our products and services, and the communication of lifestyle information to help create a sustainable society.

Social issues

To create a sustainable society, we need to provide sustainable products, services, and information through corporate activities that address climate change (decarbonized society and plastic reduction), respond to changes in the hygiene environment (various infectious diseases that have become a more immediate threat), respect diversity, and reduce environmental impact, as well as to promote ethical consumption behavior among consumers.



JICA “Confronts Global Threats and Infectious Diseases”
https://www.jica.go.jp/aboutoda/find_the_link/part2/infection.html

Consumer Affairs Agency, “Understanding consumer-oriented business”
https://www.caa.go.jp/consumers/consumer_oriented_management/

Policies

We strive to provide products, services, and information that are useful to consumers based on the Kao Way’s principle, which states that everything we do starts with the consumer.

Through a variety of communication activities, we serve as a bridge between consumers and Kao products and provide them with useful everyday products and lifestyle information, thereby expanding Kao fans. We also contribute to realize a Kirei World in which all life lives in harmony by helping consumers themselves understand the importance of sustainable lifestyles and by encouraging them to adopt ethical consumption behaviors.

Strategy

Risks and opportunities

Risks

The following will occur if we cannot provide products and services or propose lifestyles desired by society that are sustainable:

- There will be a negative impact on progress toward a sustainable society.
- We will lose the trust of consumers and society and be excluded from their companies of choice.
- This will impair our brand value as well as our profitability and competitiveness in the market.

Opportunities

- Positive impact of transparent and accurate disclosure of sustainability information
- Stimulating consumers’ ethical consumption by providing products and services that have received sustainability-related certifications and evaluations
- Enhancement of corporate value by communicating our commitment to sustainability
- Increased customer satisfaction by providing opportunities to improve products and services through internal processes that communicate opinions and requests from consumers
- Engaging in sustainability awareness-raising activities to increase awareness of environmental impact reduction and promote sustainable behavior, thereby encouraging consumers to change their behavior toward ethical consumption

Strategy

For consumers, the following approaches will be promoted to change behavior toward ethical consumption, improve customer satisfaction, and enhance loyalty and brand value:

- Providing transparent and accurate product information
- Communicating published reliability information related to safety and security and making it available within Kao
- Increasing the diversity and promptness of communication
- Sustainability awareness-raising activities

For related divisions, the following approaches will be promoted to make use of the opinions of customers for “ESG-driven *Yoki-Monozukuri*”

- Providing opportunities to improve products, advertisements, etc., from the consumer’s perspective
- Globally sharing consumer consultation information and providing improvement opportunities

We will take full advantage of Kao’s knowledge and technologies to lead environmental contribution activities with consumers, local governments, retailers, and industry peers.

Social impact

- We propose the Kirei Lifestyle through our products and services, and work with consumers around the world to realize a sustainable society.

Communication with Consumers GRI 417-1

- If we cannot make a proposal or provide such products and services, there are concerns that the transition to a sustainable society will be delayed, that the depletion of natural resources and climate change will accelerate, that there will be increased health risks due to pollution, and that the vitality of local communities will be reduced due to insufficient contribution to reducing environmental impact and to society.

Contributions to the SDGs



Business impact

- Consumers with heightened awareness of sustainability will go out of their way to choose Kao products, which is expected to lead to greater loyalty to our products, and enhance our brand value, profitability and competitiveness.
- We are expected to gain a first-mover advantage by proactively leading the industry in creating technologies and systems, and then standardizing them.

Governance

Framework

“ESG-driven *Yoki-Monozukuri*”

We register comments from consumers around the world in the Kao ECHO System and share them with

top management and the entire company so that they can be applied to ESG-driven *Yoki-Monozukuri*.

Comments from consumers received by the Kao Group not only in Japan but also outside Japan are similarly integrated into the Kao ECHO System. Venues for regularly sharing information are established (once a month) among consumer support divisions at group companies outside Japan.

Each division analyzes the results from its own perspective and utilizes them in global quality improvement activities, product development, information development, and so on.



Information on Kao Consumer Communication Center > Mechanism to Utilize Consumer Comments in “ESG-driven *Yoki-Monozukuri*”
<https://www.kao.com/jp/support/products/consumer/>
 (Japanese only)

Product quality management

At the Quality Improvement Study Meeting (held once a month), which is hosted by each business division and brings all related divisions together, the results of analyzing consultations, responses to quality and other risks, and proposals for the improvement of products, labeling, etc., are shared.

Information provision on products, services and corporate activities

- Product Q&A

Frequently asked questions are registered on the product Q&A website to encourage consumers to solve their own problems. The content of responses is reviewed as needed by the consumer support division in consultation with relevant divisions based on the voice of customers.

- Providing active support for the Q&A service (on Yahoo! *Chiebukuro*)

In response to concerns posted by consumers, the consumer support division posts answers as Kao Official Support as needed in cooperation with related divisions.

Education and promotion

The following training is provided to the support desk staff:

- Annual evaluation of the quality of call responses using an outside party to maintain and further improve the high level of quality
- Product information training once a month per business
- Response training as needed

In addition, as a survey on customer satisfaction with our responses, questionnaire evaluations are conducted on a daily basis for each channel.

Use of VOC for “ESG-driven *Yoki-Monozukuri*”

- Workshops are held to discuss improvements to products and marketing initiatives (as needed).
- Information exchange on Voice of Consumer (VoC) case studies is conducted with overseas companies every month.

Collaboration with stakeholders

Exchanging information with consumer affairs centers and consumer groups

We strive to maintain positive relationships with external institutions and organizations, as well as have our approach be better understood, by exchanging

Communication with Consumers GRI 417-1

information about the Consumer Communication Center’s annual report, recent consumer trends and noteworthy consultations once a year with public bodies and consumer groups, including consumer affairs centers responsible for regional consumer administration.

Implementation of exchange activities involving consumer-oriented events

At events such as public lectures and consumer fairs, we offer to consumers a wide range of information concerning laundry, proper handwashing techniques, housecleaning, oral health care, bathing, UD and other topics. We position these events as opportunities to directly understand the various issues faced by consumers from a different avenue than the support desks and connect them to “ESG-driven *Yoki-Monozukuri*.”

Risk management

Among all risk information received from consumers, urgent and significant risk information are defined as Urgent and Significant Feedback and steps are set to respond to such information. The division that obtains the relevant information shares it immediately with the relevant divisions, and the lead division takes prompt action in accordance with the workflow.

We respond properly to compliance-related consultations by directing consumers with such consultations to the Kao Compliance Hotlines.

Personal information and trade secrets related to consultations from consumers are managed in accordance with Kao’s policies and guidelines, and manuals have been established and are in use.

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Management Systems for Implementing Quality Management Activities
<https://www.kao.com/global/en/innovation/safety-quality/safety-quality-policy/management/>

Governance structure
<https://www.kao.com/global/en/corporate/policies/corporate-governance/structure/>

Compliance Hotlines
<https://www.kao.com/global/en/corporate/policies/compliance/compliance-contact/>

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

- Help spread sustainable lifestyles among consumers through the provision of products and services and various communication activities.
- Create conditions that allow consumers to seek out information and advice whenever they want, using the mode of communication that suits them.

2023 results

Results of the support desks

In 2023, Kao Corporation, Nivea-Kao Co., Ltd. and Kanebo Cosmetics Inc. answered a total of around 178,000 consumer consultations in Japan received via telephone, e-mail and other means, which was a slight increase (+3% compared to 2022). The number of

consultations has stopped its downward trend after peaking in 2013 and has remained around 180,000 in the last few years. The average age of telephone callers, who account for about 80% of the consultations, is increasing, with a little less than 60% of the callers in their sixties or older, but we expect the number of callers to decrease over the long term. E-mail consultations slightly increased to 17,000 (+1% year-on-year). We identified the ages of about 70% of the users, and about 90% of them were in their fifties or younger, indicating that younger age groups are utilizing this service more compared to telephones. We switched to online chat using the LINE messaging app instead of web-based chat in October 2023 and the total number of consultations received was approximately 2,000 (+15% year-on-year). Although there is the hurdle of users being required to become friends with the official account, we expect this number to increase because users have the advantage of being able to check and reply to messages at their convenience.

Excluding Japan, globally we received approximately 24,000 consultations (+3% year-on-year). The number of consultations continued to decline among group companies in Asia, with inquiries continuing to decrease and complaints increasing from the previous year. Compared to Japan, communication with consumers is shifting from phone calls and e-mails to social media, and each company is considering how to use social media to communicate with consumers according to each region. We hold regular online meetings with each company to share information on communication issues and consultations, and to maintain opportunities for engagement with consumers.

Communication with Consumers GRI 417-1

Provision of accurate product and reliability information

- Response to social issues and media coverage

We respond properly to consultations related to ingredients contained in products and product features including the health effects of PFAS, an organo-fluorine compound and the risk of developing cataracts due to heat stroke.

Increased diversity and promptness of communication

- Introduction of consultation using LINE and after-hours visual IVR*¹

We changed from manned chats on the website to providing online chat support on the LINE messaging app to prevent consultations from going unanswered due to users abandoning the line when there are too many consultations.

We use visual IVR to direct users to Q&A for self-help outside business hours.

- Setup of a write-in form with no reply required

We set up a write-in form on the chatbot and online chat using LINE to allow users to easily post their opinions and impressions.

*1 Interactive Voice Response (IVR): A system that assigns each inquiry to an operator using an automated telephone system that combines pre-recorded messages with other technology or that callers can use to complete a process by solely using such a system. Visual IVR is a system that guides consumers through a visual menu on a website or app screen, directing them to FAQs or chatbots for each inquiry and encouraging self-help.

Opportunities to share consumer consultation information and improvement opportunities

- Training to experience customers' real opinions

We provide opportunities to recognize issues through the experience of listening to the real opinions of customers.

- Activities to deliver words of gratitude from customers within the company

We provide opportunities for employees to get to know consumers by sharing information on the internal network and displaying it at each worksite.



Information on Kao Consumer Communication Center > Kao Consumer Communication Center Annual Activity Report
<https://www.kao.com/jp/support/products/consumer/>

Reviews of 2023 results

The number of consultations increased slightly as consumers became more active after COVID-19 was downgraded to category 5*². However, the average age of the people making inquiries over the phone, which accounts for about 80% of consultations, is increasing, and the number of consultations from this group is expected to decline over the long term and shift to other consultation channels.

The trend of using websites and social media to solve problems is growing, so it is important to provide information that consumers want to know in a variety of ways when they want to look it up. We will expand and provide opportunities to promote self-help through interactive communication using our product Q&A website, consultation using the LINE messaging app, and official social media accounts.

*2 In Japan, infectious diseases are classified into 1–5 categories, with Category 5 having the least restrictions imposed under the law and only requiring the trends of outbreaks to be investigated.

Process Safety and Disaster Prevention GRI 403-1

We implement process safety and disaster prevention activities with the aim of ensuring the safety of employees and the maintenance of safe, stable operations, stipulating matters relating to prevention of accidents, emergency response and strengthened security. Through these activities, we aim to have zero accidents.


Social issues

As we have several large-scale chemical plants, their process safety and disaster prevention needs are increasingly heightened in the context of the recent increase in the number and severity of accidents at chemical plants and natural disasters.

As such, we will undertake to enhance our safety capabilities, and strengthen our disaster prevention measures on a daily basis.

Policies

Activities to ensure process safety and disaster prevention are clearly stipulated in the Kao Group Responsible Care (RC) Policy, which states that Kao will “strive to prevent accidents by improving on-site safety competency” and that furthermore, “Top management will exercise leadership to continuously improve our safety culture and safety infrastructure by putting safety first. We will also maintain safe and stable operations by systematically implementing equipment-related and administrative measures. We shall strive to prevent fires, explosions and chemical spills, place maximum priority on safeguarding human life when responding to natural disasters, and prepare for emergencies by conducting periodical training that takes into consideration the need to strengthen security related to facilities, processes and technology. “We are endeavoring to prevent accidents and disasters in accordance with this policy.



Kao Group Responsible Care Policy

<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

Strategy

Risks and opportunities

Risks

We regard outages of stable operations from major accidents impacting regions in the vicinities of plants, natural disasters or other factors, and the accompanying loss of societal trust in the company from these things as risks.

Opportunities

On the other hand, we think that implementing thorough process safety and disaster prevention initiatives ensures the safety of communities and employees, which leads to trust in the company and enhancement of its brand image, and regard this as an opportunity.

Strategy

We promote activities related to process safety and disaster prevention as part of Responsible Care (RC) activities and plan and implement them according to Kao Group RC targets.

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Responsible Care Activities

Social impact

Kao, as a company with large-scale chemical plants, will provide local communities in which local residents can

live in peace of mind and employees at worksites can operate in safety without fear of accidents.

Ensuring the stable provision of products with sound implementation of business activities from safe operations at all worksites.

Contributions to the SDGs



Business impact

Mitigation of unnecessary expenses and reductions in overall costs, minimizing lost opportunities and leading to higher revenues through sound implementation of business activities from safe operations at all worksites.

Governance

Framework

Our daily activities for process safety and disaster prevention are conducted as part of the RC promotion system. In particular, we have built a framework to keep track of accidents or disasters when they occur, through our global emergency reporting network. The organizational framework used in an emergency situation is separate from the Board of Directors, etc.; an emergency organization is established, headed by

Process Safety and Disaster Prevention

GRI 403-1, 403-5

the President & CEO, and takes action under the direct supervision of the President. In addition, when an accident or disaster occurs that we anticipate will have a major impact on our business activities, we will establish an Emergency Response Team Organization headed by the President & CEO. Together as a group, our initial response places top priority on safeguarding human life as we implement measures that include our Business Continuity Plans (BCP)*1.

*1 Business Continuity Plan
A plan for continuing key corporate activities through procedures to decide in advance which operations and functions should be continued, and which methods should be applied to continue activities, assuming various situations that cause the interruption and/or shutdown of business activities due to various events and the factors behind their occurrence.

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Our ESG Vision and Strategy > Governance

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Risk and Crisis Management

Education and promotion

Through education planning using past cases, the latest technologies and knowledge, as well as response drills on process safety and disaster prevention, we are able to communicate skills and strengthen security. Along with this, we strive to raise employees’ disaster prevention awareness by planning and conducting drills for natural disasters and fires.

Collaboration with stakeholders

By conducting events related to safety and disaster prevention in cooperation with partner companies, we

aim to further raise disaster prevention awareness and become a safer, more secure company.
In addition, by conducting information exchange meetings on a regular basis with everyone in the regions that surround our plants, we are deepening communication with local communities.

Risk management

We promote activities related to process safety and disaster prevention as part of Responsible Care (RC) activities, and manage and assess risks according to Kao Group RC targets.

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Our ESG Vision and Strategy > Risk management

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Responsible Care Activities

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets
We actively strive to realize our goal of completely eliminating on-site fires, explosions, leakages and logistics-related leakage*2 accidents.

2023 results
In 2023, to maintain safe and stable operations, we continued as in 2022 to conduct safety assessments at our chemical facilities, including enacting policies to prevent runaway reactions such as abnormal thermal

reactions during polymerization or other reactions, and implemented policies to respond to natural disasters such as earthquakes and flood damage, in order to eliminate safety-related accidents. In addition, we have proactively adopted AI and IoT technologies to reduce the labor required for facilities and improve process reliability, while operating a system that analyzes big data and applies it to the system for detecting signs of process errors.
In addition, detailed implementation specs and plans were drafted for respective divisions with the targets of enriching emergency drills and enhancing security. Also during 2023, the disaster prevention audits we normally carry out each year at our plants outside Japan to enhance their level of safety and disaster prevention were postponed to prevent the spread of COVID-19.
Moreover, last year we formulated the Kao Grand Design for Process Safety to be achieved by 2030, and shared the design’s 13 action plans, which aim to reinforce our safety culture and fundamentals and enhance safety, with related divisions and plants, and we are promoting activities by incorporating the action plans into each workplace. Small-scale fires and leakages occurred in 2023, but there were no accidents involving explosions or logistics-related leakages. For every safety accident, we conduct an accident cause analysis using the 4M5E method*3 and implement measures to prevent similar accidents in the future. In 2024, we will continue activities directed toward our targets of completely eliminating on-site fires and accidents related to explosion, leakage and logistics-related leakage accidents.

Process Safety and Disaster Prevention GRI 403-5

*2 Logistics-related leakages
Leaks during the transport of products, etc.

*3 4M5E method
A method for conducting causal analysis from the standpoint of four M-factors: Man (people), Machine (machine and facility), Media (material and information) and Management (management and education), followed by response policies from the standpoint of five E-factors: Education (education and training), Engineering (technology and engineering), Enforcement (strengthening and strict adherence), Example (model and example) and Environment (environment, background)

Overview of accidents (2023)

Type of accident	Small-scale fires: 3 cases Leakages: 1 case
Overview of accident	<ul style="list-style-type: none"> A fire caused by the discharge of an unwashed filter cake A spontaneous fire caused by leakage from a pump seal A spontaneous fire caused by leakage due to a missing gasket Leakage inside a plant due to the failure to close a lorry discharge valve, leading to an overflow of cleaning water and subsequent leakage outside the plant
Countermeasures being taken	<ul style="list-style-type: none"> Performance of analysis using the 4M5E method to determine the causes of the accidents, and thorough implementation of countermeasures Promotion of equipment replacement, and strengthening of monitoring device provision

Targets and performance

Item	Scope	Indicator	2022	2023		2024
			Results	Target	Results	Target
Accidents	Kao Group	Fires, explosions, leakages, etc. (no. of accidents)	5	0	4	0
		Logistics-related leakage (no. of accidents)	0	0	0	0

Reviews of 2023 results

We strived to completely eliminate safety accidents such as on-site fires, explosions and leakages but did not meet this goal.

For every safety accident, we conduct an accident cause analysis using the 4M5E method and implement measures to prevent similar accidents in the future.

Main initiatives

Emergency response drills to prepare for large-scale disasters

Besides implementing fire response training and evacuation drills at the level of individual worksites, we also conduct training on a company-wide basis to prepare for large-scale disasters.

Training in the use of the system for reporting the safety of Kao employees

To prepare for natural disasters, the Kao Group in Japan has adopted a web-based Employee Safety Confirmation System. Twice yearly, in March and September, all employees undertake personal input drills. The drill in March 2023 was conducted in anticipation of a large typhoon passing through the Japan archipelago, prompting employees in each region to confirm their safety in the system. During the September drill, employees were asked to confirm their safety twice in the system in response to changing conditions. We will continue to hold drills on the premise of actual disasters as they occur.

Emergency response training assuming an earthquake

We are consolidating organizational units for disaster response in Eastern Japan and Western Japan premised on damage to the Kao Head Office from an earthquake in the Greater Tokyo Metropolitan area. In May 2023, we implemented disaster response drills premised on an earthquake in the Sea of Japan off Niigata Prefecture, involving local organizational units and those in Eastern Japan, while in October we repeated these drills for organizational units in the Kanto area and Western Japan, premised on an earthquake with its epicenter directly under the Tokyo Metropolitan area.

During these drills, statuses were confirmed by IP radio within major disaster response organizational

units, and promptly transmitted to Emergency Countermeasure Headquarters through our online internal disaster system and information management portal system. Necessary response drills were carried out by the organizational units responsible for disaster response based on the relevant data. In addition, the President & CEO, who is also the head of the Emergency Countermeasure Headquarters, took part in the October exercise, which simulated an earthquake disaster in the Greater Tokyo Metropolitan area. In this exercise, the Emergency Countermeasure Headquarters relocated from the Kao Head Office to the Sumida Office and assessed the situation without any specific scenarios. Due to the COVID-19 pandemic, we applied our ingenuity so that employees could attend the drill from home, using online conferencing tools.

The content of drills is being reviewed on an ongoing basis in light of the lessons learned from past training drills.



The President & CEO and top management joined the drill.

Evacuation drills based on the scenario that a plant tour is taking place when the disaster occurs

The nine Kao plants in Japan that provide plant tours have prepared protective hoods for use by plant visitors

Process Safety and Disaster Prevention GRI 403-2, 403-5

in the event that an earthquake occurs while a plant tour is underway. These plants also implement evacuation drills, with employees taking on the role of plant visitors, to ensure that, in the event of emergency, visitors can be taken swiftly to a safe place. In the future, we will continue to incorporate drills based on a variety of different scenarios during a plant tour into our annual training plan.



Implementing an evacuation drill with employees taking on the role of plant visitors



Strengthening process safety and disaster prevention

The SCM Division is actively introducing DX technologies including AI and IoT, and continues to strengthen risk management at chemical facilities through hidden hazard, earthquake and natural disaster response readiness.

As in 2022, in 2023, we established a method to quantitatively evaluate the prevention of fire and explosion accidents originating in runaway reactions in our chemical facilities, and implemented safety measures in accordance with the assessment guidelines. The process is almost complete. Going forward, we will

review the assessment guidelines regularly according to the risk level.

We also strive to minimize damage due to earthquakes. In addition to promoting ongoing diagnosis and reinforcing equipment racks in our facilities as earthquake countermeasures, we plan to consider measures that may be necessary to prevent structural damage due to earthquakes in sites outside Japan.

Our activities to minimize damage include incorporating flood risk countermeasures into our basic policy, and in recent years we have been considering wind risk countermeasures to prevent damage to non-structural members such as roofs and external walls.

The Wakayama Plant underwent an on-site safety competency assessment by the Japan Industrial Safety Competency Center, which they had also received in 2018, to check their safety competency. We will improve weaknesses found in this assessment and further reinforce the strengths.

Our audits of safety, maintenance and other technologies, which are aimed at maintaining and enhancing our global safety level, were conducted remotely due to restrictions on movement imposed by COVID-19.



Nighttime emergency drill at Kao Chemicals Germany



Fire prevention drill at Quimi-Kao

High-pressure gas safety

High-pressure gas safety inspection, auditing and verification

The Wakayama Plant has been designated as an Accredited Safety Inspection Executor^{*1} pursuant to the High Pressure Gas Safety Act. In 2023, a safety audit was implemented by the Safety Management in September and a safety inspection under the direction of the President & CEO, who also serves as head of safety management, was implemented in November. We were able to confirm that there were no problems with regard to process safety activities.

The high-pressure gas equipment at other Kao worksites also has safety inspections performed by

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prefectural and external inspection bodies. Safety audits and safety verifications for these facilities are also carried out in-house, and a serious effort is being made to ensure safe equipment operation.

***1 Accredited Safety Inspection Executor**
It is a company or organization authorized by the Minister of Economy, Trade and Industry to perform self-inspection, either while equipment is in operation or while it is out of operation, to verify whether the safety of specified items of equipment conforms to the relevant technical standards pursuant to the High Pressure Gas Safety Act.



High-pressure gas safety inspection at the Wakayama Plant

Process safety and disaster prevention educational programs

We create various educational programs for process safety and disaster prevention. For example, the Monozukuri Training Center of the SCM Division is endeavoring to pass on the necessary knowledge and skills to younger technicians, who will be responsible for production sites, by exposing them to simulated technical glitches and hazardous situations.

Promising leaders of the next generation within and outside Japan receive eight months of training to learn about process engineering and the spirit of *Yoki-Monozukuri* at Kao's Global Techno School in the Wakayama Plant.

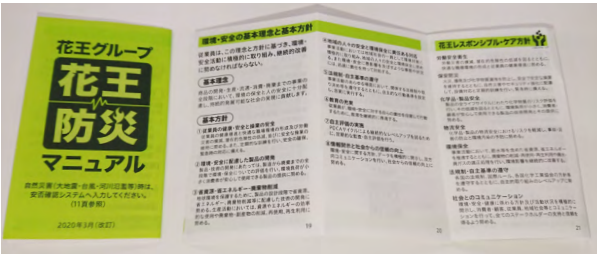
Every year on Disaster Prevention and Volunteers Day, a disaster prevention message is posted to all employees in Japan to enhance their disaster awareness. In addition, days when accidents occurred are designated as Safety Days, to help ensure that the efficacy of past drills is not weakened by the passage of time. Moreover, the Kao Group Disaster Prevention Manual is distributed annually to all employees in Japan.

As lecture-style education is offered to all affiliated company employees in Japan, we have enhanced our e-learning programs to be accessible from anywhere in response to the increasingly flexible work arrangements.

For education related to disaster prevention education in 2023, we created a video that explains the roles and actions undertaken by staff in charge of disaster prevention so that each site can establish a disaster prevention system for when not all employees come to work. The relevant materials were also shared on the intranet.

As in 2022, process safety education in 2023 covered dangerous substances as defined by the Fire Service Act, which is a necessary area of knowledge for employees of companies that handle chemical products and a fundamental element of regulation for companies. We trained participants in handling actual dangerous substances as defined by the Act.

Going forward, we will use e-learning actively to carry out process safety and disaster prevention Kao Group Disaster Prevention Manual education.



Kao Group Disaster Prevention Manual

Corporate Citizenship Activities

At Kao, we are promoting corporate citizenship activities to realize the Kirei Lifestyle for all around the world with a view to creating a Kirei world where all can live together in harmony. We not only support those currently in need, but also focus on nurturing the next generation to create a Kirei life for all in the future through collaboration with local communities, NGOs and NPOs, as well as employee participatory activities from perspectives of harmony with diverse people, harmony with society and harmony with the environment. We also set up support for arts and cultural activities in order to further the development of the culture, which is at the foundation of *Yoki-Monozukuri*, and implement various activities through the Kao Foundation for Arts and Sciences.

Social issues

Environmental issues that directly impact our lives, such as global warming and waste, represent pressing problems that require action by the international community as a whole. As floods, cyclones, heatwaves and water shortages attributed to global warming have a major impact on health and hygiene standards, it is becoming increasingly important for companies to take action with a big-picture perspective through technological support leveraging their strengths, educational and awareness-raising activities, charitable donations and collaborations. While needs with regard to diversity increase during social change, population aging and social gaps, such as economic disparity, are expanding.

All consumers, along with government and industry, need to be aware of these social issues and be prepared to change their everyday behaviors.

Policies

At Kao, we integrate corporate citizenship activities into our business activities in promoting the Kirei Lifestyle for all around the world with a view to creating a Kirei world where all can live together in harmony. In our corporate citizenship activities, we strive to address social issues of focus as identified by Kao, staying close to the everyday lives of people, and through this provide motivation and inspiration to our employees to reach their goals. We also focus on developing the next generation, who will create a Kirei life for all in the future.

Strategy

Risks and opportunities

Risks

A lack of proper respect for and absence of engagement with stakeholders may cause them to lose confidence over the long term and cause us to lose Kao’s future brand value.

Opportunities

Recently, consumers prefer to select products based not only on performance and convenience, but also on empathy and support for the philosophy and purpose of the company. This attitude reflects consumers’ desire to express their commitment to a better society through their individual choices and behaviors.

Kao works on creating a Kirei life for all through both business and corporate citizenship activities to be a company needed by society. Additionally, we set forth and achieve this purpose to enhance trust in our company, creating opportunities to acquire talented human capital.

Strategy

Through a “select and focus” approach to our activities, combined with consistent strategic operations linked with business strategies and interactive communication measures with consumers steered by a globally integrated coordinating body, we aim to cultivate the trust and empathy of consumers and work towards the

K27 goals. Furthermore, along with corporate citizenship activities, we will maximize the motivation of our employees to take on and solve social issues in the pursuit of innovative, high-value *Yoki-Monozukuri*. This will in turn enhance our long-term corporate value and brand value.

Key Themes in 2023 Initiatives for environmental issues: Kao International Environment Painting Contest for Children

By boosting the number of applicants, as well as interaction among people through internal and external exhibitions, we encourage people to make behavioral changes towards a more sustainable lifestyle.

Nurturing the next generation to create a Kirei life for all in the future: Social Entrepreneurship Schools

We run Kao Social Entrepreneurship Schools for young social entrepreneurs who are dedicated to addressing social issues. We share their activities with employees across Japan through web conferencing and provide a platform for dialogues between participants and employees. Our aim is to deepen employees’ understanding and encourage them to participate in addressing social issues.

Maximizing the power and potential of employees through employee participatory corporate citizenship activities: Kao Heart Pocket Club

Kao Heart Pocket Club is a donation program set up by Kao Group members where funds are accumulated, starting from a monthly contribution of one unit (50 yen), and are used to support various activities. This

Corporate Citizenship Activities

program also serves as an opportunity for employees to participate as volunteers so that they engage with social issues, become motivated to be high-spirited, and use their experience for *Yoki-Monozukuri*.

Social impact

Based on our Commitment to the Future, we will provide various forms of assistance and contribute to society as a whole. Our assistance includes awareness-raising activities, technical support, charitable donations, and cross-industry and multi-sector collaborations, all designed to encourage behavioral changes among consumers.

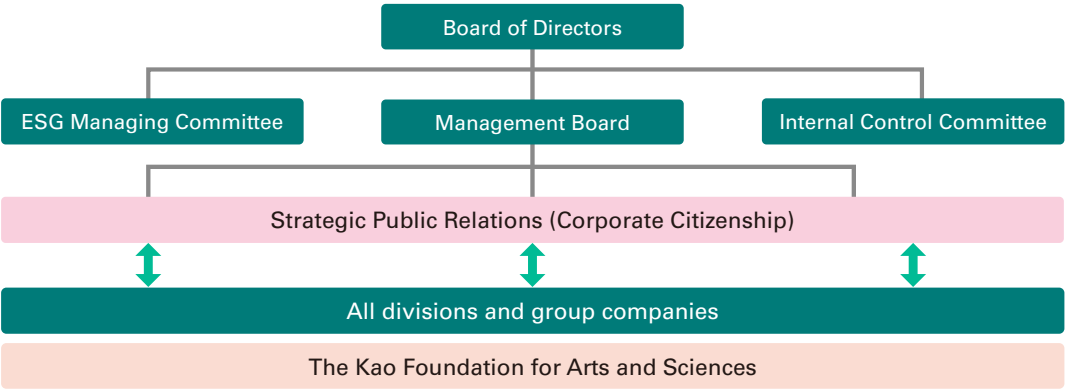
On the environmental front, we will use environmental communication and awareness campaigns to prompt individual consumers to make more environmentally conscious choices in everyday life so as to encourage consumers to take action and contribute to the realization of a more sustainable society.

For hygiene, cleanliness and health, we spread and establish proper hygiene practices to contribute to the improvement of hygiene and people's quality of life in supported communities. Also, we encourage employees to participate in corporate citizenship activities to foster a culture where they learn to direct their attention to social issues, think and take action, and work on addressing social issues through activities such as charitable donations and volunteering.

Business impact

As responsible consumption behavior becomes more widespread, we can gain customers' trust by steadily carrying out activities aligned with our goals and continuing to communicate these externally, which will help us attract loyal, long-term customers. In addition, we believe that by encouraging employee participation in corporate citizenship activities we can stimulate their creativity and drive more innovative and high-value ESG *Yoki-Monozukuri*, through which we can provide new value to society.

Implementation framework for corporate citizenship activities



Governance

Framework

Strategic Public Relations collaborates with the rest of the organization, as well as with other companies in Japan and around the world, to achieve the Kirei Lifestyle as outlined in the ESG Vision.

All companies and offices within and outside Japan are required to undertake an annual survey of corporate citizenship activities and associated reporting, and to provide the Management Board with annual reports of corporate citizenship activities. The reports include details such as the associated costs.

P25 Our ESG Vision and Strategy > Governance

Education and promotion

We believe it is important for our employees to give consideration to how people around the world live their lives and to make contributions to achieving the Kirei Lifestyle through our business activities and corporate citizenship activities.

By providing opportunities for employees to interact with people working to solve social problems and to participate in corporate citizenship activities, we encourage our employees to learn about diverse societies, broaden their perspectives, enhance their creativity and collaborative skills, and apply them to better *Yoki-Monozukuri* and community involvement activities.

Our ESG Vision and Strategy	
Realization of the Kao Way	
Making My Everyday More Beautiful	
Making Thoughtful Choices for Society	
Making the World Healthier & Cleaner	
Walking the Right Path	
Our Foundations	
Appendix	

Corporate Citizenship Activities GRI 203-1

Collaboration with stakeholders

So that people around the world can enjoy the benefits of the Kirei Lifestyle, we use dialogue and collaboration with stakeholders to better understand the expectations of our increasingly diverse society and call on others to join with us to make a greater impact than can be achieved by one company acting alone.

In the areas of hygiene, cleanliness and health, we work closely with specialized international agencies such as UNICEF that have comprehensive knowledge of local conditions, as well as NGOs and local entrepreneurs. On the environmental front, meanwhile, we engage with consumers and collaborate with governments at all levels, as well as schools and NGOs, to drive effective behavior change.

We actively promote employee engagement on the basis that employee participation in corporate citizenship activities cultivates a sense of loyalty to the company and acts as a motivator to make a greater contribution to our business operations as well as to society as a whole.

Risk management

To avoid reputation risk due to a lack of proper respect for stakeholders, we send out information based on the confirmations and considerations made by divisions involved in risk management. From a long-term perspective, we engage in activities for building the next generation of talent and strive to forge a trusting relationship with them.

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

Based on our Commitment to the Future, we support and contribute to the everyday life of consumers so that people around the world can enjoy happy, fulfilling and comfortable lives, including people whose issues cannot be addressed directly through our business activities and products and people who need support and assistance from society. Furthermore, by having employees participate in our corporate citizenship activities, create touchpoints with society and broaden their perspective, we also aim to bring additional benefits to our business and to society at large.

2023 results

Kao International Environment Painting Contest for Children

- The 14th contest attracted 15,916 entries from 31 countries
- Exhibition of winning entries (displayed at 65 in-house locations and external facilities; viewed by 226,944 people)

Kao Heart Pocket Club

- 37 donation projects / Donations of 11,121,000 JPY
- Matching gift of 5,121,000 yen from Kao (equivalent value)
- 643 employees participated as volunteers (excluding Onigiri Action)

Maximizing the power and potential of employees

Generate intuitive visual indicators of employee power and potential, such as positive perceptions of the company after participating in a corporate citizenship program.

In Japan, the current level of participation in corporate citizenship activities, as well as their awareness and needs, was confirmed, and effective approaches were made to reach out to targeted employees. As a result, new employees were involved, and a total of 10,984 employees in Japan (7,832 in 2022) participated in corporate citizenship programs and volunteer activities.

In total, approximately 14,000 employees worldwide participated in volunteer activities and program management.

Corporate citizenship activity expenses

An activity survey of corporate citizenship activities was conducted taking in Kao affiliates, offices and related divisions within and outside Japan. Kao's total expenditure for corporate citizenship activities in 2023 was 1,015 million yen (including 118 million yen for human contribution, 281 million yen for material support, 290 million yen for donations, and 326 million yen for program support through business).

Reviews of 2023 results

In 2023, we resumed in-person activities for the first time in several years as the COVID-19 pandemic settled down.

For the Kao International Environment Painting Contest for Children, which motivates children to think of the global environment and future, we had applicants

Corporate Citizenship Activities

from 31 countries and regions worldwide. In terms of the exhibition, we started a new project with companies are that aligned with the main purpose of the contest, attracting a larger audience. We plan to expand this contest into more global activities in the future.

We worked on providing occasions to link employees with social issues, initiatives for participation, and information to maximize the power and potential of employees. This led to an increase in participation rates.

In 2024, we plan to further increase the number of employees and collaborative partners who participate in corporate citizenship activities, and promote activities focusing on support for the nurturing of the next generation who will create a Kirei life for all in the future and social support for those who need support and assistance as a globally integrated coordinating body.

Main initiatives

The Kao International Environment Painting Contest for Children

We have been holding the Kao International Environment Painting Contest for Children annually since 2010 in the hope that the paintings and thoughts expressed by children around the world, from their sincere consideration of environment around them, the planet and its future, will inspire people across the globe to lead and take action to achieve sustainable lifestyles for a better world.

The 14th Kao International Environment Painting Contest for Children

In 2023, we received 15,916 entries submitted by children from all over the world, including 798 from Japan, 14,644 from the Asia-Pacific region, 99 from the Americas, 216 from Europe, 151 from the Middle East and 8 from Africa. Following a preliminary screening by Kao designers, the final selection took place in October by internal and external juries. One entry was selected for the “eco together”—Planet Earth Grand Prix and



The “eco together”—Planet Earth Grand Prix winning work
 Title: “Buuat Pa” - The Buddhist ritual to conserve forest
 Kodchapan Malisorn (14 years old)

eight were awarded the “eco together”—Kao Prize, while another 23 took out the Eco Friend Prize. The awards ceremony was held online on December 17, 2023, connecting prizewinners participating from around the world and the Head Office of Kao Corporation.

Painting exhibitions in collaboration with NPOs and local governments


We seek out opportunities to exhibit past prize-winning paintings to the widest possible viewership in order to communicate the ideas and the messages of children around the world, aiming to inspire people to take action towards a sustainable lifestyle.

The paintings are lent free of charge to local government environmental agencies, NPOs, educational facilities and environmental events at distributors through Kao Group Customer Marketing Co., Ltd. This year, we also started exhibitions in collaboration with department stores. (The paintings were lent to seven stores run by Daimaru Matsuzakaya Department Stores Co. Ltd.)

In 2023, prize-winning paintings were lent to a total of 65 facilities and groups for exhibitions that were viewed by 226,944 people.



Exhibition at Hachioji City Global Warming Conservation Center (Cool Center Hachioji) in July

 Kao International Environment Painting Contest for Children
<https://www.kao.com/global/en/sustainability/society/painting-contest/>

Corporate Citizenship Activities


Sustainable Lifestyle Consortium

Through the Enterprise Network “The Sustainable Lifestyle Consortium,” an initiative of Kao and One Planet Cafe launched in 2021, companies in the lifestyle industry engage consumers and collaborate with government and local sectors, as well as schools and NGOs, in working to encourage behavioral changes in lifestyle.


In 2023, the consortium worked on a project to address sustainability-related issues in everyday life with 82 freshmen in the Introduction to Sustainability Projects course in the Department of Sustainability, Japan’s first sustainability-dedicated department, at Musashino University. A student’s proposal to install collection boxes for used refill packs at the campus during the school festival transformed into an unprecedentedly practical project. During the project, students and Kao employees applied for permission from the ward office and relevant university sections. The online activity debrief session in December was attended by approximately 115 Kao employees and approximately 137 employees from member companies (including views of the recorded session after the event).



Discussion with students

 Sustainable Lifestyle Consortium
<https://www.sustainablelifestyle.jp>


China water conservation campaign

 Kao China | Corporate Citizenship | Environment
<https://www.kao.com/cn/sustainability/society/environment/>

2023 “Towards a Clean and Beautiful China” (2023 Clean and Beautiful China Tour by Kao China)
<https://web.kao.com/cn/jieshui/2023/>

Kao Hygiene Development Program in Vietnam

Supporting UNICEF’s Water and Sanitation Project for Schools

 Water and Sanitation Project for Schools in Vietnam
<https://www.kao.com/global/en/sustainability/society/education/>

Support for school education through the provision of educational materials

P59 Habits for Cleanliness, Beauty & Health

Impacts of diversity

Support for cancer education through the Pink Ribbon Campaign

Since 2007, we have implemented the Kao Group Pink Ribbon Campaign every year during the two months of October and November. During this time, we have been conducting a variety of activities within and outside Japan to raise awareness for early detection of breast cancer, with the slogan of “For you and your loved ones.”

One of our main activities in Japan is providing support for the Project of Cancer Education by Pink Ribbon Advisors, which is organized by the Japan Society of Breast Health, an NPO. This project provides cancer education in junior and senior high schools, and, in a world where one in two Japanese people will get cancer in their lifetime, is anticipated to raise students’ health awareness as well as create beneficial effects in their caregivers’ generation.

In 2023, we developed an original self-check method under the supervision of the Japan Society of Breast Health, a certified specified non-profit organization. We implemented campaign communication, emphasizing the ease of incorporating self-checks into daily washing and moisturizing routines, thereby reducing barriers to the habitually challenging act of self-checking. We also created waterproof sheets describing the method for use for bathrooms for internal and external awareness-raising activities.

A portion of the revenue from selected product sales of the cosmetics brand *KANEBO* and the amount according to the campaign results on the sanitary napkin brand *Laurier’s* official social media were donated to the cancer education project and support

Corporate Citizenship Activities GRI 203-1


activities to raise awareness about cervical cancer. Furthermore, a portion of the revenue from selected product sales of the cosmetics brand *LISSAGE* was donated to ultrasonic engineer development support activities by the Japan Society of Breast Health.

In addition, we organized Pink Ribbon seminars and participatory donation programs targeting employees and their families, and proactively undertook awareness-raising activities.

We are actively conducting other activities, such as online awareness-raising activities in some stores carrying cosmetics within and outside Japan, donation activities in cooperation with brands, and collaborative projects with companies in other industries, to deliver the message to as many people as possible.

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Improved Quality of Life > Kao Group Pink Ribbon Campaign 2023



Web

Kao Group Pink Ribbon Campaign 2023
<https://www.kao.com/jp/pinkribbon/>



Cancer education class at a junior high school

Support for the Japan Boccia Association

Kao is committed to working with employees to promote DE&I and create a Kirei life for all through the parasport of boccia. As a gold partner of the Japan Boccia Association since 2019, Kao aims to have at least 10,000 people, including employees and the general public, experience the sport of boccia.

In 2023, we organized an event inviting the association staff and medalists, where participants learned the importance of communication, which is the essence of boccia, and team building.

We also had the first-ever five-worksite tournament at the Wakayama Office. Ten teams that won in the preliminaries at the five worksites with 119 participating teams (815 participants in total) joined the tournament, deepening exchange across the worksites. The exchange among participants of different genders and ages, including several employees with disabilities from the Production Division's Wasa Group, provided a wonderful opportunity to learn and reflect on diversity and a Kirei life for all.

In FY2023, a total of 1,778 people, both internal and external, experienced boccia, bringing the cumulative

total to 6,533 people since 2019 towards the 10,000 target.



First-ever five-worksite tournament at the Wakayama Office featuring several employees with disabilities from the Production Division's Wasa Group

Multiple themes

Kao Social Entrepreneurship Schools

To support people and businesses to jointly aim to create a Kirei life for all—providing care and enrichment for the lives of all people and the planet—Kao operates Kao Social Entrepreneurship Schools, targeting young social entrepreneurs who are dedicated to addressing social issues since 2010. In FY2023, we took on three groups of young entrepreneurs who are committed to assisting boys and girls facing challenges with troubled family backgrounds, providing support to junior and senior high school students with foreign origins, and preventing isolation through intergenerational exchanges between the elderly and the young. This brings the total number of entrepreneurs mentored under the program to 41 groups.

In October, we invited these young entrepreneurs to the Head Office of Kao Corporation, where they

Corporate Citizenship Activities GRI 203-1

presented their activities and exchanged opinions with employees across Japan through web conferencing. During a dialogue between the entrepreneurs and employees participating in person, employees provided specific ideas to address daily activity issues, gaining a deeper understanding of the entrepreneurs’ work. Feedback from participants ranged from simple statements like “it was stimulating” and “the event was helpful for my job” to indications of unexpected bonds being formed between employees and entrepreneurs that will continue in the future. Examples include “I went to see the entrepreneurs at a later date and introduced them to my friends” and “I’m ready to give advice anytime in the future.”

A total of 495 employees (674 in the previous year) participated in employee participatory events held three times a year. Out of this group, 32 employees participated in the in-person social gathering (0 in the previous year). These activities engaging employees were very well received, leading to Kao Social Entrepreneurship Schools being awarded two stars in the Sustainable Selection 2023 by Alterna Co., Ltd. and the Sustainable Management Association. The achievement was shared with tens of thousands of people through magazines and websites.



Dialogue between employees and young social entrepreneurs (participants in Kao Social Entrepreneurship Schools)

Kao Heart Pocket Club

Kao Heart Pocket Club is a donation program set up by Kao Group members in 2004 for the purpose of providing community aid. Funds are accumulated, starting from a monthly contribution of one unit (50 yen), and are used for purposes such as charitable donations to NPOs, NGOs and other organizations, support for volunteer activities involving employees, and emergency relief assistance for disasters. Kao Heart Pocket Club also serves as an opportunity for employees to participate as volunteers and promotes the creation of a culture to address social issues.

In FY2023, we issued a broad call for participation in Onigiri Action to encourage employees who have never participated in corporate citizenship activities to take the first step. This program is a corporate citizenship activity where anyone can easily participate. For every photo of an onigiri (rice ball) posted, five meals are delivered to children in Asia and Africa. The employees’ desire to contribute to society took shape, and a total of 506 employees (130% of the previous year) posted 1,362 photos, resulting in the delivery of 6,810 meals.

- 3,436 members

Harmony with communities

Supporting the arts / Supporting young artists

We have supported arts and cultural activities for the purpose of developing and passing down outstanding arts and culture and contributing to strive for the wholehearted satisfaction and enrichment of the lives of people. While continuing to sponsor selected programs that support the arts in Japan, Kao has pivoted towards support for programs with a specific focus on promoting local communities and nurturing the next generation.

Hosting the Tokyo Music Competition

We have organized the Tokyo Music Competition (cosponsors: Tokyo Bunka Kaikan, the Yomiuri Shimbun, Tokyo Metropolitan Government) since 2003 to support activities to discover and nurture the next generation of Japanese musicians. Support focused on professional development is a feature of the competition. Winners in each of the sections perform together with orchestras in special concerts, and Tokyo Bunka Kaikan gives five years of support to prizewinners to hold solo recitals and other music performances. We have also opened its doors contestants from to outside Japan, regardless of nationality or place of residence, to create opportunities for exploring talented international musicians.

In FY2023, applications opened in April, and 421 applications were received across the three categories of piano, string instrument and woodwind. The final selection took place from August 25 to 29 after the first and second preliminary stages, and prizewinners in each section were determined.



Award ceremony, piano section, the 21st Tokyo Music Competition
Photo: Rikimaru Hotta / Photo courtesy of: Tokyo Bunka Kaikan

Corporate Citizenship Activities

K-BALLET YOUTH


Since 2013, we have been a special sponsor of performances by K-Ballet Youth, a junior ballet company of young dancers whose general manager is Tetsuya Kumakawa. This endorses K-Ballet Youth to offer a place to discover the next generation of dance talent and for dancers to practice in an environment equivalent to a professional company, designed to develop the next generation of artistic performers. Since the very first recital in 2013, nearly 500 young dancers have benefited from this initiative. Many of them have gone on to become professional dancers, which shows how the K-Ballet Youth program has played an instrumental role in their careers.

2023 served as a preparation period for the 2024 renewal plan.

Sponsorship of Music Sharing’s teaching program

Kao sponsors ICEP, an initiative of the NPO Music Sharing that was founded by violinist Midori Goto in 1992. ICEP is a quartet comprising Goto and young performers from outside Japan. They perform at schools, children’s hospitals, children’s homes and elderly nursing homes in developing countries in Asia. The program, which also provides young musicians with opportunities to engage in corporate citizenship activities, aligns with the Kao commitment to nurturing the next generation. Kao has been a supporter since 2008. In 2023, live music events, such as visit programs, report concerts, instrument-teaching support programs and joint concerts, resumed after the COVID-19 pandemic. A program called “Play & Joy!” also began, bringing music not only to cities but also every corner of Japan. In 2023, events periodically took place for children living in mountainous regions, isolated islands, etc. and medical facilities rooted in local

communities, including Aridagawa Town, Wakayama Prefecture, and Nanjo City, Okinawa Prefecture.




Support of the Arts
<https://www.kao.com/global/en/sustainability/society/mecenat/>

Kao Family Concert

Kao has organized concerts near our worksites since 2002 to provide opportunities for local residents to listen to high-quality music and enjoy music and art. These concerts are a program unique to Kao, integrating local contributions, cultural support and social support. Employees run entire events and are involved in every task, including planning, site management on the day of the event, site announcements and ticket punching. All ticket revenue is donated for music education in the regions of the venues.

In 2023, we organized the Kao Family Concert in Sakata for the first time in four years.

On the day of the concert, the audience exceeded 1,100. The Yamagata Symphony Orchestra, conducted by Norichika Iimori, performed concertos and other compositions with pianist Kanon Matsuda. With Mr. Iimori and Ms. Matsuda conversing and introducing the compositions between performances, the venue had a very relaxed atmosphere. After the concert, the musicians mingled with students from the wind bands of local junior high schools who were invited to the event. The ticket revenue was donated to support music education in junior high schools in Sakata City.



We held a Kao Family Concert in Sakata for the first time in four years.
<https://www.kao.com/jp/newsroom/news/topics/2023/society-20231031-001/>


Japan Science & Engineering Challenge (JSEC)

We believe that the foundation of *Yoki-Monozukuri* is born from cutting-edge innovations created by science and technology, and in order to create a Kirei life for all—providing care and enrichment for the life of all people and the planet—we support fostering young science researchers.

As part of this, we are a special sponsor of JSEC, which is organized by the Asahi Shimbun Company and TV Asahi Corporation and is a science and engineering research contest open to high school students. Kao researchers are closely involved in the judging process for three awards, including the Kao Prize.

In 2023, there were applications for 343 research works from 174 high schools across Japan, marking a record high.

For the final selection in December, high school students made presentations and answered questions about their research. All the presentations were passionate, reflecting their pure curiosity and ingenuity.



Science education support
<https://www.kao.com/jp/sustainability/society/education/science/>

Corporate Citizenship Activities GRI 203-1




JSEC2023 final judging panel meets the winners of the Kao Award

In March, Kao organized an in-person study tour inviting students and teachers from winning schools for the first time in 4 years. During the tour, participants visited our research laboratories and interacted with our employees. Prizewinners visited the Kao Museum and research laboratories and had a social gathering with young researchers on the first day, and had a research workshop with in-house researchers at the research award presentation meeting on the second day. They had a valuable time interacting, and a student commented that they had “further expanded” their research perspectives. The research award presentation meeting was broadcast online, and approximately 90 members in the Kao Group participated nationwide. The presentation video was viewed by over 70 employees at a later date.

Disaster relief

Efforts in response to the Great East Japan Earthquake



Our efforts in response to the Great East Japan Earthquake
<https://www.kao.com/jp/sustainability/society/great-east-japan-earthquake/>

NEXT TOHOKU ACTION

In March 2022, the Smile Tohoku Project, an initiative of the Iwate Nippo, Kahoku Shimpo and Fukushima Minpo newspapers, transitioned to Next Tohoku Action. Kao Group Customer Marketing will continue to support the reconstruction effort in the Tohoku region.

Other disaster relief

Donations for foundational activities

We donated 5 million yen to the Disaster Relief Volunteer & NPO Support Fund of the Central Community Chest of Japan (social welfare corporation). Our donation is effectively used for emergency support activities as well as efforts in restoration, recovery and community rebuilding in line with the situations in areas affected by disasters across Japan.

Charitable donation to areas affected by the Turkey-Syria earthquakes

Kao donated 20 million yen to the Japanese Red Cross Society. In addition, Kao Group members within and outside Japan were encouraged to make donations to the United Nations High Commissioner for Refugees (UNHCR).

Corporate Citizenship Activities

The Kao Foundation for Arts and Sciences

Established in 1990 with the contributions commemorating the 100th anniversary of Kao Corporation, the Kao Foundation for Arts and Sciences is a unique foundation combining support for the arts and sciences, which are essential for leading enriched lives.

In the arts category, the foundation provides grants for concept-oriented and artistic activities with high social value. This includes art exhibitions and music performances, publication as a way to present exceptional results from art research, and academic music study. In 2023, 44 million yen was granted to 88 projects.

In the science and technology field, the foundation is mainly engaged in scholarships, female researcher support, scientific research grant projects and commendation projects.

Through the scholarship project, the foundation assists students in master's programs who need economic support to continue studying to make their dreams come true with the grant-type Kao Yukei Scholarship. In 2023, 7.8 million yen in scholarships was granted to 13 students.

In 2021, Kao launched the Kao Crescent Award program in a bid to help address the general lack of female researchers in Japan. This program provides grants to female researchers on fixed-term employment contracts. Recipients receive a considerable degree of freedom in how they spend their grants. The aim is to provide a better work-life balance that encourages them to continue their research work. Fourteen million yen was granted to 14 female researchers recommended by specified universities and research institutions. This project aims to promote gender equality in society to the ultimate benefit of all.

In the scientific research grant project, the foundation provides the Kao Science Encouragement Award and research funding to researchers aged 35 or younger who are conducting unique and pioneering research in the chemistry and physics category and the medicine and biology category. Twenty million yen was granted to five students in each section, totaling 10 students.

In the commendation project, the foundation grants the Kao Science Award to one researcher aged 45 or younger who has achieved distinctive outcomes in basic research in the chemistry and physics category and one in the medicine and biology category, commemorating them with a certificate of merit as the main prize and 3 million yen as the supplementary prize.

Every June, the foundation organizes a joint event that includes an award-granting ceremony for the Kao Science Award, where two prizewinners are recognized, and a memorial lecture, along with the granting of the Kao Science Encouragement Award and research result presentations by the prizewinners from the previous fiscal year.

This ceremony aims not only to commemorate their achievements, but also to stimulate new ideas and chemical reactions unique to cross-domain exchanges. This is achieved by creating an occasion where researchers from the chemistry and physics field, as well as the medicine and biology field—individuals who typically do not interact at academic conferences, etc.—can present their specialties in an understandable manner. In the past, researchers who were seated next to each other at this ceremony sometimes hit it off and started joint research, resulting in the publishing of co-authored papers.

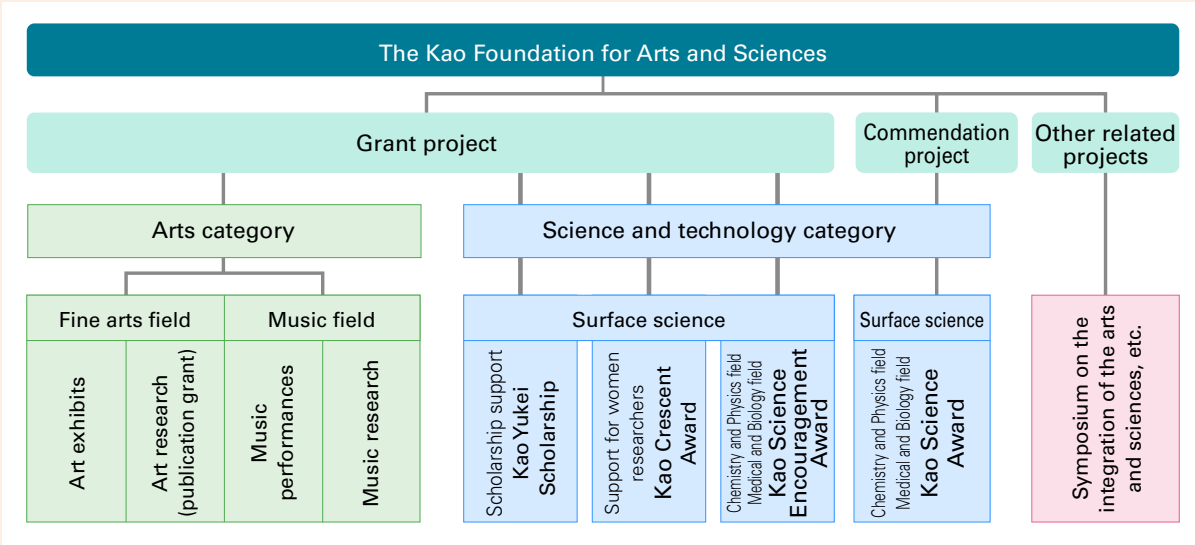
The Kao Foundation for Arts and Sciences has supported about 2,700 projects, granting over 1.85 billion yen. Kao

remains committed to supporting arts and culture as well as scientific research, which we believe will stimulate the development of the arts and sciences in Japan.



Kao Science Award grant ceremony

Foundation project organizational chart



Kirei Lifestyle Plan KPI definitions

Regarding the mid- to long-term targets of the Kirei Lifestyle Plan that are noted on page 41 to 43, the formulas and factors that comprise each metric, and the scope of each metric, are as shown below.

Making my everyday more beautiful

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making my everyday more beautiful					
Commitment	Number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression			1 billion	2030
	A + B + C (people)	<ul style="list-style-type: none">•A: Number of people reached by sold products of brands certified as contributing to improving quality of life according to standards set by Kao (people)•B: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty & health (people)•C: Number of people reached by new and improved products that meet Kao's Universal Design Guidelines (people) <p>* Products that can be counted in both A and C are not calculated twice</p> <p>* Number of people in B that can be counted again in A and C are estimated based on assumed conditions and not calculated twice</p>	<ul style="list-style-type: none">•Kao Group's consumer products•Awareness-raising activities conducted by the Kao Group		
Improved quality of life	Number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people			7 billion	2030
	A (products)	•A: Number of sold products of brands certified as contributing to improving quality of life according to standards set by Kao	•Kao Group's consumer products		
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)			0.1 billion	2030
	A (people)	<ul style="list-style-type: none">•A: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty & health<ul style="list-style-type: none">•Number reached by awareness-raising activities using products and services provided by Kao employees•Number reached by communication-based awareness-raising activities (websites, social media, etc.)	<ul style="list-style-type: none">•Kao Group•Reporting period: Since 2016		
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none">•A: Number of products that meet conformance criteria^{*1 *2} (pcs)•B: Total number of products (pcs) <p>*1 Up to 2020: Improved products are certified as conforming to Universal Design only if they have new UD considerations compared with before the product improvements</p> <p>From 2021: Certified as conforming to Universal Design if they have UD considerations, irrespective of whether they are new considerations</p> <p>*2 Due to revisions to standards, from 2021 onward, values are only for Japan</p>	<ul style="list-style-type: none">•Kao Group's consumer products•New or improved products		
Safer healthier products	% of targeted ingredients of concern on which views are disclosed			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none">•A: Number of ingredients of concern on which views are disclosed (ingredients)•B: Total number of established ingredients of concern (ingredients)	•Kao Group		

Kirei Lifestyle Plan KPI definitions

Making thoughtful choices for society

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making thoughtful choices for society					
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society			100%	2030
	(A + B + C + D) / E × 100 (%)	<ul style="list-style-type: none">•A: Number of Kao brands that conducted environmental awareness-raising activities to realize sustainable lifestyles (brands)•B: Number of Kao brands that help to solve social issues and that prompt people to feel and relate to the brand's social usefulness (brands)•C: Cumulative number of Kao brands that provided products incorporating innovations able to create transformative, sustainable impacts on lifestyles, society and/or the environment (brands)•D: Cumulative number of Kao brands that provided business and systems able to create transformative, sustainable impacts on lifestyles, society and/or the environment (brands)•E: Number of designated Kao brands * Products that can be counted in A, B, C and D are not calculated twice	<ul style="list-style-type: none">•The Kao Group's designated consumer product brands•Awareness-raising activities conducted by the Kao Group's designated consumer product brands		
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)			0.1 billion	2030
	A (people)	<ul style="list-style-type: none">•A: Cumulative number of people reached by environmental awareness-raising activities for realizing sustainable lifestyles<ul style="list-style-type: none">•Number reached by awareness-raising activities using products and services provided by Kao employees•Number reached by communication-based awareness-raising activities (websites, social media, etc.)	<ul style="list-style-type: none">•Kao Group•Reporting period: Since 2016		
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none">•A: Number of Kao brands that received a high degree of empathy in the consumer survey (brands)•B: Number of Kao brands that have been designated (brands)	<ul style="list-style-type: none">•The Kao Group's designated consumer product brands		
Transformative innovation	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)			10 or more	2030
	A (announcements)	<ul style="list-style-type: none">•A: Cumulative number of announcements relating to products that incorporate innovations able to create transformative sustainable impacts on lifestyles, society and/or the environment	<ul style="list-style-type: none">•Kao Group consumer products and industrial-use products•Reporting period: Since 2019		
	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)			10 or more	2030
	A (announcements)	<ul style="list-style-type: none">•A: Cumulative number of announcements relating to business and systems able to create transformative sustainable impacts on lifestyles, society and/or the environment	<ul style="list-style-type: none">•Kao Group businesses and systems•Reporting period: Since 2019		
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products			100%	2025
	A / B × 100 (%)	<ul style="list-style-type: none">•A: Weight of certified paper products and pulp (FSC, PEFC, SFI) for the Kao Group's consumer products (t)•B: Weight of paper products and pulp for the Kao Group's consumer products (t)	<ul style="list-style-type: none">•Paper products and pulp for the Kao Group's consumer products•Office paper and other paper used in the Kao Group		
	Confirm traceability to oil palm smallholders			Finish	2025
	A (farms)	<ul style="list-style-type: none">•A: Number of oil palm smallholders for which traceability has been confirmed (farms)	<ul style="list-style-type: none">•Oil palm smallholders		

Kirei Lifestyle Plan KPI definitions

Making the world healthier & cleaner

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making the world healthier & cleaner					
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb			100%	2030
	A / B × 100 (%)	●A: Number of products satisfying conformance criteria for Decarbonization, Zero waste and/or Water conservation (pcs) ●B: Total number of products (pcs)	●Kao Group consumer products (top-selling 95% of products) ●Except some brands		
	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Yearly
	—	Obtain A rankings in CDP for Climate Change, Water Security and Forest simultaneously	●Kao Group		
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)			22%	2030
	(1 - A / B) × 100 (%)	●A: Annual lifecycle CO ₂ emissions of the year in question (t-CO ₂) ●B: Annual lifecycle CO ₂ emissions of the base year in question (t-CO ₂) *Base year: 2017	●Entire lifecycle process for the Kao Group's consumer products ●Raw-materials procurement, manufacturing, and distribution process of the Kao Group's industrial-use products		
	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)			28%	2025
				55%	2030
	(1 - A / B) × 100 (%)	●A: Annual scope 1 + 2 CO ₂ emissions for the year in question (t-CO ₂) ●B: Annual scope 1 + 2 CO ₂ emissions for the base year (t-CO ₂) *Base year: 2017	●Factories, offices, logistics centers, and company cars owned by the Kao Group		
	% of renewable energy in electricity consumption			100%	2030
	A / B × 100 (%)	●A: Quantity of consumed electricity produced from renewable energy (kWh) ●B: Quantity of electricity consumption (kWh)	●Kao Group factories, offices, and logistics centers		
Zero waste	Quantity of fossil-based plastics used in packaging			Will peak and begin to decline	2030
	A / B × 100 (%)	●A: Quantity of plastic packaging (t) used during the year in question ●B: Quantity of plastic packaging (t) used during the previous year	●Quantity of plastic packaging used by the Kao Group (consumer products)		
	Quantity of innovative film-based packaging penetration for Kao and others per annum			300 million	2030
	A + B (pcs)	●A: Sales quantity of innovative film-based packaging (Kao Group) (pcs) ●B: Sales quantity of innovative film-based packaging using and applying Kao technologies (other companies) (pcs)	●Kao Group and other companies		
	% recycling rate of plastics involving Kao			50%	2030
	(A1 + A2 + A3) / B × 100 (%)	●A1: Quantity of plastic (t) that underwent positive recycling during the year in question ●A2: Quantity of recycled plastic (t) used in plastic packaging during the year in question ●A3: Quantity of plastic (t) collected by Kao together with society, and used by society during the year in question ●B: Quantity of plastic packaging (t) used during the year in question	●Kao Group		

Kirei Lifestyle Plan KPI definitions

Making the world healthier & cleaner

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making the world healthier & cleaner					
Zero waste	Practical use of innovative film-based packaging made from collected refill packs			Product launch	2025
	Product launch	●Launch of innovative film-based packaging made from collected refill packs	●Kao Group		
	% of recycled plastic used in PET containers (Japan)			100%	2025
	A / B × 100 (%)	●A: PET containers using recycled plastic (pcs) ●B: PET containers (pcs)	●Bottles made of PET material used in the Kao Corporation's household products (excludes cosmetics and commercial-use products)		
	% of the waste generated from Kao sites*, ratio of waste that cannot be recycled *Beginning with production sites			0 (less than 1%)	2030
	(A + B) / C × 100 (%)	●A: Quantity of waste directly sent to landfill (t) ●B: Quantity of waste simply incinerated (incinerated without heat recovery) (t) ●C: Quantity of waste emissions (t)	●Waste classed as industrial waste under Japanese law ●Excluding waste that must be directly sent to landfill or simply incinerated based on laws, ordinances, or similar		
	% reduction of discarded products and discarded promotional materials (Base year: 2020)			95%	2030
	(B - A) / B × 100 (%)	●A: Weight of discarded products and discarded sales promotion materials for the year in question*1 (t) ●B: Weight of discarded products and discarded sales promotion materials for the base year*2 (t) *1 Discarded sales promotion materials: Unshipped portion *2 Base year: 2020	●Kao Group consumer products (Japan)		
Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)			10%	2030
	[1 - (A ₁ /A ₂) / (B ₁ / B ₂)] × 100 (%)	●A ₁ : Annual lifecycle water use for the year in question (million m ³) ●A ₂ : Sales for the year in question (hundred million yen) ●B ₁ : Annual lifecycle water use for the base year (million m ³) *Base year: 2017 ●B ₂ : Sales for the base year (hundred million yen)	●Entire lifecycle process for consumer products of the Kao Group ●Raw-materials procurement, manufacturing, and distribution of the Kao Group's industrial-use products		
	% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)			40%	2030
	Plan to disclose in 2025				
	Air & water pollution prevention	% of plants that disclose VOC and COD emissions			100%
A / B × 100 (%)		●A: Number of factories that disclose VOC and COD emissions (factories) ●B: Total number of factories (factories)	●Factories owned by the Kao Group		

Kirei Lifestyle Plan KPI definitions

Walking the right path

Kao Actions	Metrics		Target value	Year
	Formula	Factor	Scope	
Walking the right path				
Effective corporate governance	Kao recognition or achievement level by external ratings firms		Highest evaluation level	Yearly
	Selected	Listed as one of the “World's Most Ethical Companies®” by Ethisphere Institute	•Kao Group	
	Number of serious compliance violations per annum		0	Yearly
	A (announcements)	•Compliance violations that have a significant impact on management and significantly damage corporate value •These violations are decided through opinions solicited from the Compliance Committee Secretariat (including evaluations and proposals by external lawyers from a third-party perspective), the Compliance Committee and deliberations by the Management Board considering the maliciousness of the violation and its impacts inside and outside our company. The conclusions are reported to the Board of Directors.	•Kao Group	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information		100%	2030
	A / B × 100 (%)	•A: Number of brands that satisfy the following conditions (brands) Brands that disclose the ingredient names for designated ingredients above a defined amount •B: Number of brands that contain the designated ingredients (brands)* *From 2021, the scope is only brands that contain the designated ingredients	•Kao Group's consumer products -The number of brands as of December 31 each year -Excludes foods and tools	
Respecting human rights	% response rate to human rights due diligence (internal risk assessment)		100%	2030
	A / B × 100 (%)	•A: Number of factories (sites) and companies (companies) that conduct due diligence assessments •B: Total number of Kao Group factories (sites) and companies (companies)	•Factories and offices owned by the Kao Group	
	% response rate to human rights due diligence (supplier risk assessment)		100%	2025
	A / B × 100 (%)	•A: Number of suppliers that have conducted due diligence assessments in the last three years from the applicable year (suppliers) •B: Number of suppliers that Kao did business with in the applicable year (suppliers)	•Direct materials suppliers of the Kao Group	
	% response rate to human rights due diligence (contractor risk assessment)		100%	2030
	A / B × 100 (%)	•A: Number of contractors that have conducted due diligence assessments in the last three years from the applicable year (contractors) •B: Number of contractors that Kao has contracted with in the applicable year (contractors)	•Contractors in factories and offices owned by the Kao Group	
Inclusive & diverse workplaces	Score for "Inclusive organizational culture" in our employee engagement survey (perfect score: 100)		75	2030
	(A ₁ + A ₂ + ...+ A _n) / B	•A: Scores for each question that corresponds to “Inclusive organizational culture” (perfect score: 100) •B: Number of questions that correspond to “Inclusive organizational culture”	•Employees of the Kao Group	
	% of female managers		Same as % of female employees	2030
	A / B × 100 (%)	•A: Number of female managers (people) •B: Total number of managers (people)	•Employees of the Kao Group •All managers	

Kirei Lifestyle Plan KPI definitions

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Walking the right path					
Employee wellbeing & safety	Lost time frequency rate (per million hours worked)			0.1	2030
	A / B × 1,000,000 (people/million hours)	●A: Number of dead and injured (individuals who were absent one or more days from work and lost a body part or function) (people) ●B: Total number of actual working hours (hours)	●Employees of the Kao Group		
	Average number of lost long-term work days (days/people) *Starting from Japan			105	2030
	(A ₁ + A ₂ + ...+ A _n) / B (days/people)	●A: Number of days of leave that satisfy the following conditions (days) (1) Extended leave of absence of 30 or more consecutive calendar days (2) Personal illness or injury leave, absence from work or leave of absence, except for leave with pay (3) Applicable illness: Personal illness or injury ●B: Total number of employees who took leave of absence from work (people)	●Employees of the Kao Group in Japan * To expand to all employees of the Kao Group		
	Ratio of employees who have lost long-term work days per 1,000 employees *Starting from Japan			0.12	2030
	A / B × 1,000 (‰)	●A: Number of employees who took extended leave of absence, satisfying the following conditions (people): (1) Extended leave of absence of 30 or more consecutive calendar days (2) Personal illness or injury leave, absence from work or leave of absence, except for leave with pay (3) Applicable illness: Personal illness or injury ●B: Total number of employees (people)	●Employees of the Kao Group in Japan * To expand to all employees of the Kao Group		
	Score for “Vitality” in our employee engagement survey (perfect score: 100)			70	2030
	(A ₁ + A ₂ + ...+ A _n) / B	●A: Scores for each question that corresponds to “Vitality” (perfect score: 100) ●B: Number of questions that correspond to “Vitality”	●Employees of the Kao Group		
Human capital development	Score for “Organizational culture in which employees are encouraged to take on challenges” in our employee engagement survey (perfect score: 100)			80	2030
	(A ₁ + A ₂ + ...+ A _n) / B	●A: Scores for each question that corresponds to “Organizational culture in which employees are encouraged to take on challenges” (perfect score: 100) ●B: Number of questions that correspond to “Organizational culture in which employees are encouraged to take on challenges”	●Employees of the Kao Group		
	Score for “Work satisfaction” in our employee engagement survey (perfect score: 100)			75	2030
	(A ₁ + A ₂ + ...+ A _n) / B	●A: Scores for each question that corresponds to “Work satisfaction” (perfect score: 100) ●B: Number of questions that correspond to “Work satisfaction”	●Employees of the Kao Group		
Responsible chemicals management	% of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers			100%	2030
	A / B × 100 (%)	●A: Number of chemical substances for which risk assessments are done and safety assessment documents are made, and are disclosed on the website (categories) ●B: Number of Kao priority chemical substances selected from 2020 to 2030 according to production amounts, emissions amounts and public concern (categories)	●Substances handled by the Kao Group		
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal			100%	Yearly
	(A ₁ + A ₂ + ...+ A _C) ₁ (A ₁ + A ₂ + ...+ A _C) _D (B ₁ + B ₂ + ...+ B _C) ₁ + ...+ (B ₁ + B ₂ + ...+ B _C) _D D				

External Evaluations and Recognitions

External evaluation (as of March, 2024)

For 18 consecutive years, we have been announced by the U.S. think-tank Ethisphere Institute as one of the “World’s Most Ethical Companies®.” For four consecutive years, we have been selected as a triple A company in the three fields of climate change, forest, and water security by the international non-profit organization CDP. Kao has been well-received every year across the globe.

* “World’s Most Ethical Companies” and “Ethisphere” names and marks are registered trademarks of Ethisphere LLC.



Our declarations to society



Support for the United Nations Global Compact
<https://www.kao.com/global/en/sustainability/klp/policy/globalcompact/>

Declaration of Consumer-orientation
<https://www.kao.com/jp/sustainability/klp/policy/customer-first/>

Socially responsible investment indexes (as of March, 2024)

Kao has been included in the following leading indexes in recognition of having this credibility globally.



2022 CONSTITUENT MSCIジャパン
ESGセレクト・リーダーズ指数

2022 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)



FTSE4Good



FTSE Blossom
Japan



FTSE Blossom
Japan Sector
Relative Index



SRI indexes and evaluations (updated as needed)
<https://www.kao.com/global/en/sustainability/pdf/recognition/>

External Evaluations and Recognitions

Major recognitions

Date awarded	Group name	Name of award or external evaluation	Reason/details for selection	Name of provider (sponsoring organization)
2023/2	Kao Corporation	<i>Bioré GUARD Mos Block Serum</i> received the Award for Excellence in the 2022 Nikkei Superior Products and Services Awards	<i>Bioré GUARD Mos Block Serum</i> , an insect (mosquito) serum that creates an environment in which mosquitoes are less likely to target your skin, has received the Award for Excellence in the 2022 Nikkei Superior Products and Services Awards. This product creates a skin surface that mosquitos dislike so that they do not stop on the skin, preventing mosquito bites. It is a mosquito repellent using Kao's unique technologies that are based on a dramatically different concept from conventional insect repellants. The product is appreciated especially by Thai consumers with children, as it has no strong odor or stickiness and can be used comfortably, just like a body lotion.	Nikkei Inc.
2023/3	Kao Industrial (Thailand)	The Thailand Plant received the Good Factory Award (<i>Monozukuri</i> Human Resources Development Contribution Award)	The plant received the <i>Monozukuri</i> Human Resources Development Contribution Award for the 2023 Good Factory Award. The <i>Monozukuri</i> Human Resources Development Contribution Award selects candidates through evaluation of organizational efforts for improvement activities with the participation of all employees, skill transfer, skill development initiatives, and human resource development to realize high-quality <i>Monozukuri</i> . The company has established an original human resources development system and implemented human resources management, and in particular, the three elements of human-centric management, ingenuity toward localization (independence), and development of activities and awareness-raising that involves everyone were recognized as excellent activities for manufacturing human resources development.	Japan Management Association
2023/5	Kao Taiwan	2023 <i>Global Views Monthly</i> - CSR and ESG Corporate Social Responsibility Award	Combining with daily life, from product consumption to action initiatives, let the public get in touch with ESG from life.	<i>Global Views Monthly</i>
2023/5	Kao Corporation	<i>NEWTLAC</i> received two of the Minister of the Environment Awards	<i>NEWTLAC</i> , developed by Performance Chemicals Research and sold by the Chemical Business, is a modifier that uses discarded PET material (waste PET) as raw material that is added to asphalt paving for increased durability. Recognized for its contributions to the reduction of environmental impact and social implementation, it received both the Minister of the Environment Award in the 22nd Green and Sustainable Chemistry Award (GSC Award) and the Minister of the Environment Award in the 50th Environmental Awards.	Japan Association for Chemical Innovation
2023/5	Kao Corporation	<i>Magiclean Bathroom Air Jet</i> and <i>MyKirei by KAO Nourishing Body Wash</i> both received World Star Awards, the pinnacle of packaging industry	<i>Magiclean Bathroom Air Jet</i> and <i>MyKirei by KAO Nourishing Body Wash</i> received the WorldStar Award at the WorldStar Global Packaging Awards 2023. The WorldStar Award is the world's most prestigious award in the packaging industry, and Kao has received it for nine consecutive years. The <i>Magiclean Bathroom Air Jet</i> was recognized for its efforts to create a new functional and emotional value by developing a spray that enables continuous application to wide surfaces by repeatedly pushing the lever. <i>MyKirei by KAO Nourishing Body Wash</i> was recognized for the development of a bottle container made from a film that is reducing environmental impact and easy to use.	World Packaging Organization (WPO)
2023/5	Kao Corporation	Jury's Special Award, 17th Japan Chemical Industry Association Responsible Care	The Techno School was highly recognized for its long-standing efforts and achievements in developing human capital, which plays an active part on a global stage.	Japan Chemical Industry Association (JCIA)
2023/6	Kao Corporation Shanghai	Excellent Environmental Protection Case	Sharing of environmental protection cases from various companies, including energy saving, pollutant reduction, environmental management, etc. Shanghai Kao's case was selected and publicized in Minhang District.	Minhang Eco-Environmental Protection Bureau
2023/6	Kao Corporation	<i>Laurier's</i> purpose-driven communication received three awards	<i>Laurier's</i> communication efforts, including <i>Laurier</i> in the Workplace, have received three advertisement awards: the Gold and Audience Award within the 3rd JAA Challenge Awards and the Bronze Award in Marketing Effectiveness within the 63rd ACC TOKYO CREATIVITY AWARDS. <i>Laurier</i> was recognized for its efforts to be straightforward with its brand purpose, as well as discussions made for a brand image that resonates with the current era to advocate for women and delve deep into their concerns and issues within conventional communication methods. It was also highly recognized, that in addition to proposals, specific actions were taken (<i>Laurier</i> in the Workplace).	Japan Advertisers Association (JAA)
2023/7	Kao Taiwan	Asia-Pacific Sustainability Action Awards)	Promoted children's cleanliness and safety education for 12 consecutive years, and won the SDGs Educational Quality Silver Award.	Taiwan Institute for Sustainable Energy (TAISE)

External Evaluations and Recognitions


Date awarded	Group name	Name of award or external evaluation	Reason/details for selection	Name of provider (sponsoring organization)
2023/7	Kao Industrial (Thailand)	Received the Best of the Best Thai FDA Quality Award 2023	The company received the Best of the Best Thai FDA Quality Award 2023 in the cosmetics category. This award recognizes outstanding companies that meet international standards and serve as role models for organizational improvement in business domains related to public health, such as food, pharmaceuticals, cosmetics, and medical devices.	FDA Thailand (Food and Drug Administration)
2023/7	Kao Industrial (Thailand)	Green Industry Award (Level 4)	Green Industry Award give to the industry that are committed to improve production process and continuous improvement of environmental management system for environment friendly operation	Ministry of Industry (MOI)
2023/8	Kao Corporation	Five products received awards at the Japan Packaging Contest, including the highest honor of the Japan Star Award	Judging for this award includes appropriate packaging, environmental consciousness, protection, and safety to select outstanding products of the year from the various functional perspectives of package design, transport packaging, logistics, and sales promotion. Five products were awarded at the 2023 Japan Packaging Contest, including the highest honor of Japan Star Award.	Japan Packaging Institute
2023/9	Kao Industrial (Thailand)	Model factory for Accident reduction 5 years continued	KIT has been honorably awarded model factory for accident reduction (continued zero accident) for 5 years continued.	Workmen's Compensation Fund Office
2023/9	Kao Industrial (Thailand)	National Occupational Safety & Health Awards	KIT has been honorably awarded excellent practices establishment on occupational safety and health national level as The 5th year of achievement.	Ministry of Labour (MOL)
2023/9	Kao Taiwan	The 12th New Taipei City Industrial Safety Award	In order to commend and encourage institutions and individuals within its jurisdiction to actively promote occupational safety and health services, create a safe and healthy working environment for workers, and prevent workers from occupational disasters.	Labor Affairs Department, New Taipei City Government
2023/9	Kao Chimigraf	EcoVadis Platinum (Highest)	Kao Chimigraf is among the top 1% of companies ranked by EcoVadis in the ink manufacturing business in the areas of environment, labor practices and human rights, sustainable purchasing and ethics. Recognition of the CSR degree at the company.	EcoVadis
2023/9	Kao Industrial (Thailand)	CSR-DIW continuous Award	KIT was implemented in CSR-DIW program follow 7 core subjects of Social Responsibility guideline and KIT's CSR activities and report was approved by Department of Industry (MOI) and got the CSR-DIW certificate	Ministry of Industry (MOI)
2023/10	Wakayama Plant Kao Corporation	Nature symbiosis site	The green area within the Wakayama Plant site, which mostly consists of a black pine seawall forest, was certified as a nature symbiosis site by the Ministry of the Environment.	Ministry of the Environment
2023/11	Kao Indonesia Chemicals	IRCA (Indonesia Responsible Care Awards), Silver Level	Minimum verification result score is at least 75%, for all Management practice assessments	Indonesia Responsible Care Association
2023/11	Kao Taiwan	Taiwan Corporate Sustainability Awards	Actively reduce carbon and promote the life cycle of green products. Diverse innovations provide more sustainable solutions for the society.	Taiwan Institute for Sustainable Energy (TAISE)
2023/11	Wakayama Plant Kao Corporation	Green Legacy	The Wakayama Plant has a black pine forest created in the early <i>Edo</i> period, which has been designated as a prefectural historic site. It has been highly recognized for its innovative efforts in creating a new relationship between the plant and green areas.	Organization for Landscape and Urban Green Infrastructure
2023/12	Kao Industrial (Thailand)	Amata Best Waste Management Award 2023 (Platinum level)	Achieving the highest rank (Platinum rank) for waste management conforming to Industrial Estate Authority of Thailand (IEAT) requirements, Kao Industrial (Thailand) received the award for the 6th consecutive year.	Amata Corporation and IEAT (Industrial Estate Authorities of Thailand)
2023/12	Kao Indonesia Chemicals	BLUE RANK in Corporate Performance Appraisal Program in Environmental Management (PROPER program)	Recognized for 100% compliance in management of Environment (Hazardous waste, air and water pollution control)	Ministry of Environment and Forestry

Independent Assurance Report

GRI2-5

Independent Assurance Report

To the Representative Director, President and Chief Executive Officer of Kao Corporation

We were engaged by Kao Corporation (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the “Indicators”) for the period from January 1, 2023 to December 31, 2023 included in its Kao Sustainability Report 2024 (the “Sustainability Report”) for the fiscal year ended December 31, 2023.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company's reporting criteria”), as described in the Sustainability Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Sustainability Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting Kao Paper Manufacturing Fuji Co., Ltd. and making inquiries and reviewing materials including documented evidence of Pilipinas Kao, Incorporated, as alternative procedures to a site visit, selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Sustainability Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Sustainability Report.


Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
May 17, 2024

Notes to Readers of the Independent Assurance Report: This is a copy of the Independent Assurance Report. The original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

To ensure greater transparency of data disclosure relating to environmental and social performance indicators, independent assurance for the Kao Sustainability Report 2024 has been provided by KPMG AZSA Sustainability Co., Ltd. Indicators on which assurance is provided are marked with a check  mark.

Assured data

Category	Data	Pages
Responsibly sourced raw materials	Certified palm oil purchases (Kao Group)	P105
	Ratio of certified paper/pulp materials (paper/pulp used in Kao products [excludes some products])	P105
Decarbonization	Energy consumption (all sites)	P117
	GHG emissions (all sites)	P117
	CO ₂ emissions across the entire product lifecycle (Kao Group)	P117
	Scope 1: GHG emissions	P119
	Scope 2: GHG emissions	P119
	Scope 3: GHG emissions *Categories 1, 4, 11 and 12 only	P119
Zero waste	CO ₂ emissions from transportation (Japan)	P124
	Amount of generated waste and other unwanted materials (all sites)	P135
	Amount of waste reused or recycled (all sites)	P135
	Changes in amount of food waste	P136
Water conservation	Water consumption (withdrawal) (all sites)	P148
	Water consumption trends throughout the product life cycle (Kao Group)	P148
	Water withdrawal amount by source (all sites)	P149
	Wastewater discharge by destination (all sites)	P149
Air & water pollution prevention	NO _x emissions (all production sites)	P156
	Volatile organic compound (VOC) emissions (Kao Group in Japan)	P157
	COD pollution load (all production sites)	P157
Product lifecycle and environmental impact	Output: Material procurement: CO ₂ emissions	P163
	Output: Distribution (transportation): CO ₂ emissions	
	Output: Use: CO ₂ emissions	
	Output: Disposal/Recycling: CO ₂ emissions	
Inclusive & diverse workplaces	Base salary + other cash incentives Average annual salary (Kao Group)	P245
	Base salary Average annual salary (Kao Group)	P245
Employee wellbeing and safety	Death and serious lost-time accidents: Including both regular employees and temporary workers (Kao Group)	P271
	Death and serious lost-time accidents: Affiliates (Kao Group)	P271
	Lost-time accidents frequency rate: Including both regular employees and temporary workers (Kao Group)	P271
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Scope of assurance

In general, we report the activities of the Kao Group (Kao Corporation, its subsidiaries and NIVEA Kao). Receptive and diverse workplaces data covers Kao Corporation and its subsidiaries. Exceptions to this scope have been clearly stated as annotations to graph and in the text.

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Click on Relevant Sections in Report to display the relevant page.

Statement of use	Kao Group has reported the information cited in this GRI content index for the period [January 1, 2023–December 31, 2023] with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI 2: General Disclosures 2021			Relevant Sections in Report	
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	2-3	Reporting period, frequency and contact point	Editorial Policy	P2
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	2-20	Process to determine remuneration	Corporate Governance > Compensation System for Directors, Audit & Supervisory Board Members and Executive Officer	P292
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			Risk and Crisis Management > Governance / Metrics and targets	P295-298
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			Effective Corporate Governance > Compliance hotline operational status and 2023 regulatory violations	P176-177
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	201-2	Financial implications and other risks and opportunities due to climate change	Decarbonization > Social issues / Strategy	P111-115	
	201-3	Defined benefit plan obligations and other retirement plans	—	—	
	201-4	Financial assistance received from government	—	—	
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GRI 202: Market Presence 2016	202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	—	—	
	202-2	Proportion of senior management hired from the local community	—	—	
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GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Corporate Citizenship Activities > Metrics and targets	P376	
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			Corporate Citizenship Activities > Disaster relief	P382	
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GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	—	—	
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GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	— (P177 Compliance hotline operational status and 2023 regulatory violations: No applicable incidents)	—	
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GRI 207: Tax 2019	207-1	Approach to tax	Tax Strategies > Social issues / Policies / Strategy	P338-339	
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	207-3	Stakeholder engagement and management of tax-related concerns	Tax Strategies > Governance > Collaboration with stakeholders	P339	
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	301-2	Recycled input materials used	Sustainable Lifestyle Promotion > <i>Yoki-Monozukuri</i> in plan and action and proposing activities and collaboration with stakeholders	P80-81	
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			Zero Waste > Initiatives targeting packaging	P140-141	
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GRI 302: Energy 2016	302-1	Energy consumption within the organization	Decarbonization > Metrics and targets	P116-119	
			Product Lifecycle and Environmental Impact	P163	
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			Decarbonization > Efforts in manufacturing (plants, offices, logistics centers) / efforts in distribution	P122-124	
302-5	Reductions in energy requirements of products and services	Decarbonization > Metrics and targets	P116-119		
		Decarbonization > Efforts during use / Efforts in disposal and recycling	P124-126		
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GRI 303: Water and Effluent 2018	303-1	Interactions with water as a shared resource	Water Conservation > Social issues / Policies / Strategy / Metrics and targets / Main initiatives	P145-151	
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			Air & Water Pollution Prevention > Governance / Risk management / Metrics and targets / Initiatives to prevent water pollution	P155-158	
	303-3	Water withdrawal	Water Conservation > Metrics and targets	P148-149	
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Biodiversity > Implementing measures based on global biodiversity evaluation criteria > KSA			P362		
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			Product Lifecycle and Environmental Impact	P163	<input checked="" type="checkbox"/>
	305-2	Energy indirect (Scope 2) GHG emissions	Decarbonization > Metrics and targets	P119	<input checked="" type="checkbox"/>
			Product Lifecycle and Environmental Impact	P163	<input checked="" type="checkbox"/>
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Kao

Kirei—Making Life Beautiful



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ESG

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