

CEO Message

GRI2-22

Pioneering Sustainable Global Growth

Our commitment remains unwavering: to create a more sustainable world by delivering maximum value with minimal impact.



Yoshihiro Hasebe
Representative Director
President and Chief
Executive Officer

Y. Hasebe

Advancing Our Commitment to a Sustainable Future

A sustainable society is one where both environmental and social systems flourish, ensuring that future generations inherit a world capable of supporting life and prosperity. However, in our quest for comfort and convenience, we are pushing the planet beyond its regenerative limits. Now is the time to pause, reflect, and chart a course toward sustainable development—one that reduces excessive consumption and waste.

It may seem unconventional for a company rooted in consumer goods to advocate for “minimizing consumption.” Yet, it is precisely because we are in this industry that we must lead the way in promoting responsible consumption. Kao is committed to being a role model in a sustainable society, taking decisive steps to redefine how products are made and consumed.

To achieve this vision, we are:

- Crafting high-value products that our customers truly need and cherish.
- Listening intently to customer feedback and continuously refining our product offerings.
- Ensuring that products reach only those who need them, thereby reducing unnecessary waste.
- Carefully selecting raw materials to maximize value while minimizing resource use.

Yoki-Monozukuri: Innovation with Purpose

Our commitment to *Yoki-Monozukuri* is not only a philosophy but also a responsibility to deliver meaningful innovation that enriches lives and contributes to a better world. The foundation of our product development is built on “Five Principles of Product Development”:

- 1. Social Significance** – We focus on understanding the evolving needs of consumers and addressing the most pressing social issues of our time. Our goal is to design products that make a real difference.
- 2. Uniqueness** – Kao does not follow trends; we set them. With groundbreaking technology and bold ideas, we create products that stand apart from the competition, providing unique value that only we can deliver.
- 3. Cost Performance** – We continually assess how to maximize the value we provide while ensuring economic efficiency. By incorporating Return on Invested Capital (ROIC) by business into our operations, we enhance our ability to make strategic, value-driven decisions that promote long-term sustainability and growth.
- 4. Quality** – We are uncompromising in our commitment to quality, ensuring that every Kao product delivers lasting value. This dedication builds trust and brand loyalty, making our products a part of people’s lives for generations.
- 5. Marketing** – Great product is only as powerful as its ability to reach the right audience. We communicate the true value of our innovations with precision, backed by scientific evidence, ensuring our message resonates with consumers.

The Future We Are Building: *Global Sharp Top*

Standing on the shoulders of *Yoki-Monozukuri*, the *Global Sharp Top* strategy sharpens our focus on areas where Kao is a distinctive market leader today while aiming to achieve greater global recognition. With this focus, we push scientific boundaries to create uniquely valuable solutions with social significance to drive long-term success on a global scale.

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President of ESG

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Core Technology and Innovation
Harnessing the Power of Interfacial Science

At Kao, we have developed unrivaled expertise in interfacial science. Interfaces—where different substances meet, like water and oil or organic and inorganic matter—are everywhere. Our groundbreaking technology transforms these interfaces, allowing seemingly opposite properties to work together seamlessly. This innovation is not just theoretical—it is actively driving commercial opportunities across diverse fields, from chemicals to cosmetics.

Just two of our breakthroughs include:

- ➡ Reusing discarded containers as materials for high-durability roads, reducing waste, driving down long-term maintenance costs for customers and maximizing use of resources.
- ➡ Developing a business focused on producing high-performance surfactants from low-solubility natural raw materials.

Each scientific advancement fuels the next, building on our valuable base of proprietary technologies that can be leveraged across a broad portfolio of cross-category product opportunities. This approach to developing our core technologies delivers economic efficiencies, unlocks commercial opportunities, and supports environmental sustainability.

Accelerating Innovation Through Co-Creation

Originality alone today is not enough. Innovation thrives on collaboration. To create lasting impact, we must move beyond self-sufficiency and embrace co-creation. At Kao, we are not just participating in this change—we are leading it.

By partnering with industry leaders, we have been able to leverage our unique strengths, accelerate new product development, and expand our global reach. Last year, new collaborations—with a major home appliance company, an insect control company, and a leading ASEAN sales group—demonstrated how shared expertise unlocks new breakthroughs.

Through co-creation and strategic partnerships, we are expanding our capabilities to transform our technologies into global solutions—faster and at scale. Our goal is clear: to unlock new commercial opportunities while continuing to shape a more sustainable world.

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Accelerating Growth with a Stronger Business Portfolio

Kao took an important step to reshape our management structure, dividing our business into three strategic imperatives: Stable Earnings, Growth Drivers, and Business Transformation. This clear segmentation sharpens our focus, ensures precise goal setting, and optimizes investment allocation. Our Mid-term Plan K27 is on track and we are intensifying efforts to continue transforming and aligning our organizational structure. The shift from a Japan-based to a globalbased business model mindset is accelerating, laying the foundation for sustained global growth.

Key Strategic Initiatives:

1. Establishing the Global Consumer Care Division

To fully transition into a global growth structure, we have reorganized our consumer products business into a brand- and product-centric division and a region- and sales-driven division. This speeds up decision-making and enhances agility. Additionally, we have launched the Business Connected Division to expand crossproduct and cross-brand opportunities, strengthen direct sales, and foster co-creation with global partners. This enables us to leverage brand uniqueness for exclusive sales initiatives and strategic collaborations.

2. Creating the Management Finance Unit

A dedicated Management Finance Unit has been established at Kao's headquarters to better align global business priorities with strategic investment allocation. Guided by our Capital Strategy Division, we are focusing on enhancing financial

profitability through targeted investments in high-growth opportunities. Close collaboration between headquarters and local operations ensures disciplined investment decisions.

3. Strengthening Our Digital Strategy

The Information Systems Division has been integrated into the Digital Strategy, consolidating digitalization efforts globally. This move enhances business efficiency, accelerates growth, and strengthens our competitive edge through advanced digital technologies.

Unleashing Employee Potential to Drive Transformation

At Kao, true growth comes from embracing change and seeking continuous improvement. Our Mid-term Plan K27 focuses on maximizing the power and potential of employees, recognizing that people thrive not by being developed but by seizing opportunities to grow. I have personally experienced this firsthand in Kao's dynamic environment.

To cultivate the talent essential for achieving our *Global Sharp Top* strategy, we are making targeted investments to ensure that every employee has the support and opportunities needed to excel. We foster a culture where stagnation is not an option and where every individual is encouraged to challenge the status quo.

1. Creating an Environment That Fuels Growth

Growth is not just about skill development—it requires



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Shift to a global-based business model mindset and transform to build robust business through investment.

intellectual stimulation and fresh perspectives. To drive this, Kao actively promotes mid-career recruitment, with nearly 50% of new hires coming from outside the company. New talent continues to bring us fresh insights, energizes the organization, and sparks innovation. Additionally, we are expanding our internal and senior job posting systems and empowering employees to take ownership of their careers. These systems allow employees to align their ambitions with strategic business needs, fostering self-driven career development.

2. Advancing Scrum-style Management

To maximize performance and agility, we have evolved our organizational management from a matrixmanagement model to a scrum-style model. Much like a rugby team, employees take on roles based on their strengths, working together to drive results. This transformation is already delivering tangible outcomes, such as faster product development in our hair care business. As we build our capabilities to work faster across divisions and teams, we are simultaneously setting ourselves up to further exceed consumer expectations and capitalize on commercial opportunities.

3. Revitalizing the Organization Through Continuous Dialogue

Open communication fuels growth. At Kao, we prioritize continuous dialogue, creating an environment where employees feel heard, valued, and engaged. Since 2021, we have implemented Objectives and Key Results (OKR) through an online system that allows employees to view each other’s OKRs globally. This fosters transparency, collaboration, and alignment across the organization, breaking down silos and

strengthening teamwork.

The Kao Way: Corporate Philosophy

The Kao Way is more than just a corporate philosophy—it is the foundation of everything we do. This philosophy is deeply embedded in every employee, aligning our actions, uniting our strengths, and driving our collective vision forward with purpose and consistency.

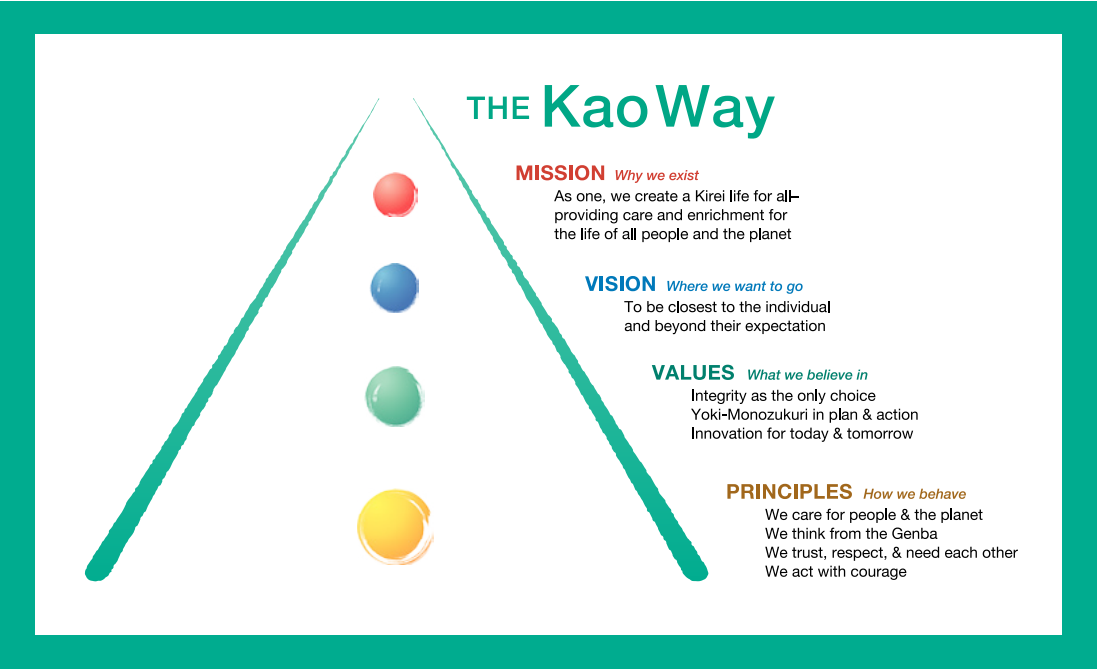
K27 and the Global Sharp Top Strategy

Our mission is clear: to become the irreplaceable number one for someone in the world—by meeting specific needs with the care, commitment, and value that only Kao can deliver. This ambition lies at the core of our *Global Sharp Top* strategy, propelling us toward worldclass excellence. But at the heart of it all is our greatest asset—our people. By harnessing the energy, creativity, and innovation of our

employees, we will advance through *Yoki-Monozukuri*, ensuring that our products and services contribute meaningfully to society, uphold the highest ESG standards and reward our stakeholders.

Kao is not just adapting to change—we are actively shaping it. We are driving the transition from a quantity-based economy to a quality-driven economy, pioneering a business approach that prioritizes sustainability, responsibility, and long-term value.

Maximizing employee vitality and becoming a unique company.



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