

Executive Summary

We feature key initiatives that ESG activities have brought to businesses as well as their impact on the environment and society.

Editorial Policy

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

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

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management



Percentage of increase in sales revenue from the skin protection business (Y on Y change)

29%

Percentage of increase in sales revenue of products with superior environmental performance (Y on Y change)

24%

Traceability to oil palm plantation

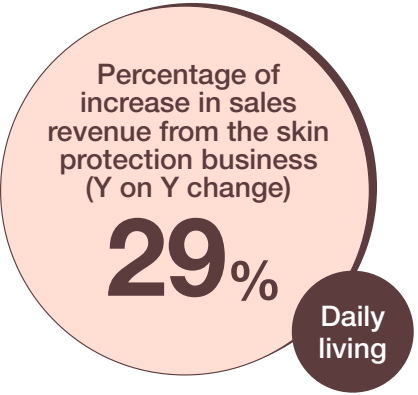
88%

Percentage of reduction in lifecycle CO₂ emissions (Base year: 2017)

15%

New Value Creation
(Maximum)

The Skin Protection
Business expanded global
demand, resulting in
significant growth in net sales

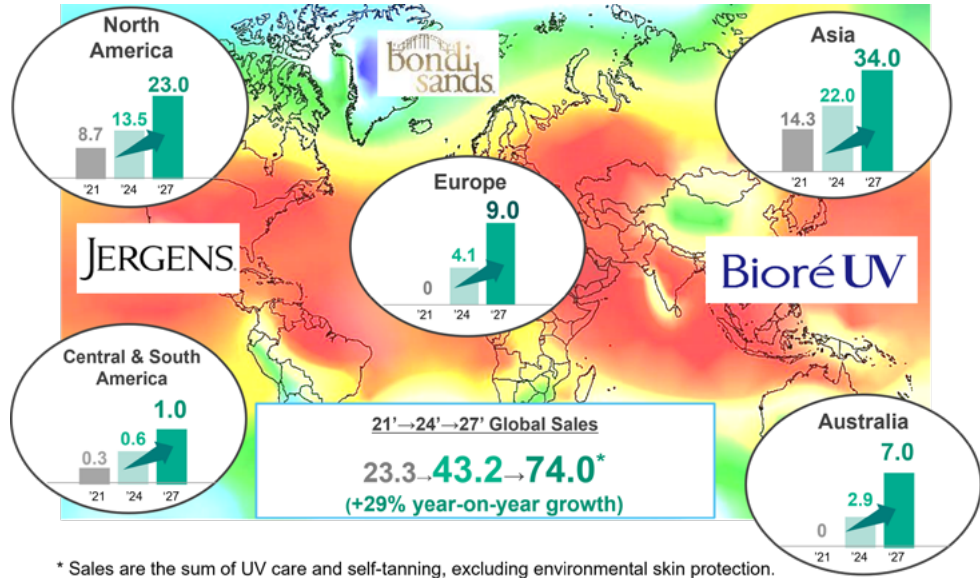
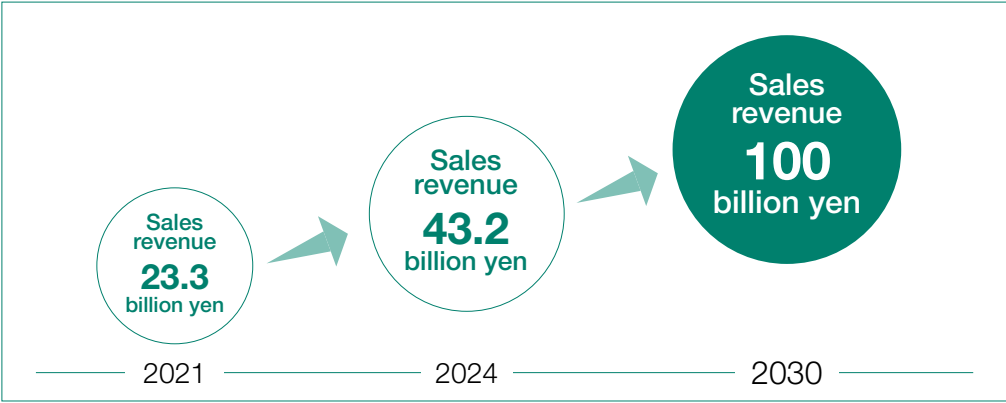


In the face of a rise in external stress from UV rays, air pollution, and other factors, the skin protection* business has served as the initial runner in our *Global Sharp Top* strategy and has grown into a business that helps improve the quality of life of consumers. In 2024, the business achieved 43.2 billion yen in sales revenue, marking a 29% increase over the previous year. The skin protection business significantly contributed toward actions to build *Global Sharp Top* businesses in the K27 Strategic Framework.

By utilizing unique technologies from Kao, we roll out products that cater to the needs of multiple markets—not just Japan, but also Asia, Europe, and the Americas. In Asia, we have bolstered marketing activities by utilizing a digital platform, thereby expanding touchpoints with young adults in particular and successfully gaining new customers.

We aim to drive activities forward based on the concept of improving the quality of life in the ESG Strategy, while capturing the rise in awareness regarding skincare to promote our business, ultimately seeking to achieve 100 billion yen in sales by 2030.

* Skin protection: protection of the skin from the external environment. Consists of three categories: UV care, self-tanning and environmental protection. Kao's skin protection business leverages proprietary technologies to develop and offer products tailored to consumer needs not only in Japan, but also in global markets.



New Value Creation
(Maximum)

Products with superior environmental performance that contribute to the sales growth of CP business products



0.1 billion items

Quantity of innovative packaging penetration for Kao and others per annum

12%

% reduction in full lifecycle water use (Base year: 2017)

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 by 24% compared to the previous year.

This increase was primarily driven by increased sales of environmentally compatible products in the *Attack* laundry detergent and *CuCute* dishwashing detergent. These product categories represent a significant portion of our sales portfolio and feature exceptional environmental performance. Additionally, the increased market share and sales of these brands contributed to sales in the Fabric and Home Care business.

Moving forward, we remain dedicated to reducing our environmental impact throughout the entire product lifecycle. By developing and offering products with superior environmental performance, we will continue to contribute to sustainable society while simultaneously enhancing product value and strengthening customer loyalty.

186.8 billion yen

Annual sales revenue of products with water-saving effects (2024)




Risk Mitigation
(Minimum)


Results from steady progress in building a sustainable palm oil supply chain

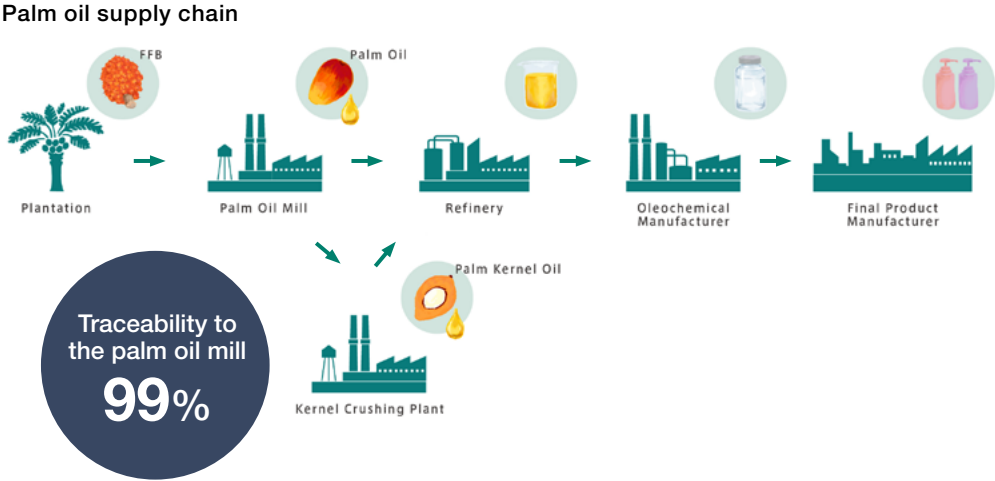
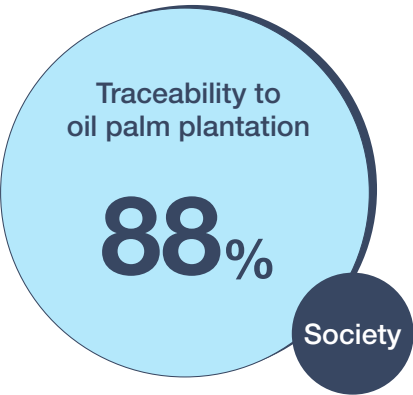
Palm oil is Kao's one of the most important natural resource. We have been working towards sustainable palm oil procurement, and have attained 88 % traceability to oil palm plantation. This initiative contributes to actions for responsibly sourced raw materials in our ESG Strategy.

Ensuring traceability is essential for minimizing risks related to the environment and human rights in the supply chain, and for realizing stable raw material procurement. Our attainment of 88 % traceability is the result of our steady ongoing efforts, and will help advance activities to build a sustainable supply chain.

We aim to ensure 100% traceability to oil palm plantation by the end of 2025. In addition, we will carry out supply chain management, monitor production regions, and provide direct support locally to help solve essential issues and achieve sustainable palm oil procurement.

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

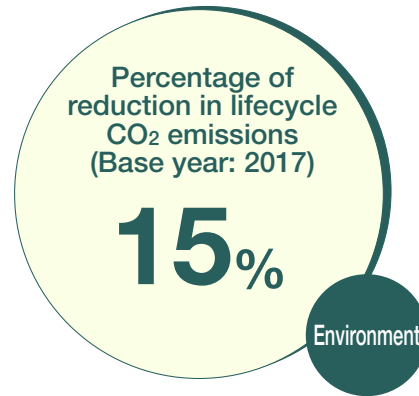
 P104 Responsibly Sourced Raw Materials



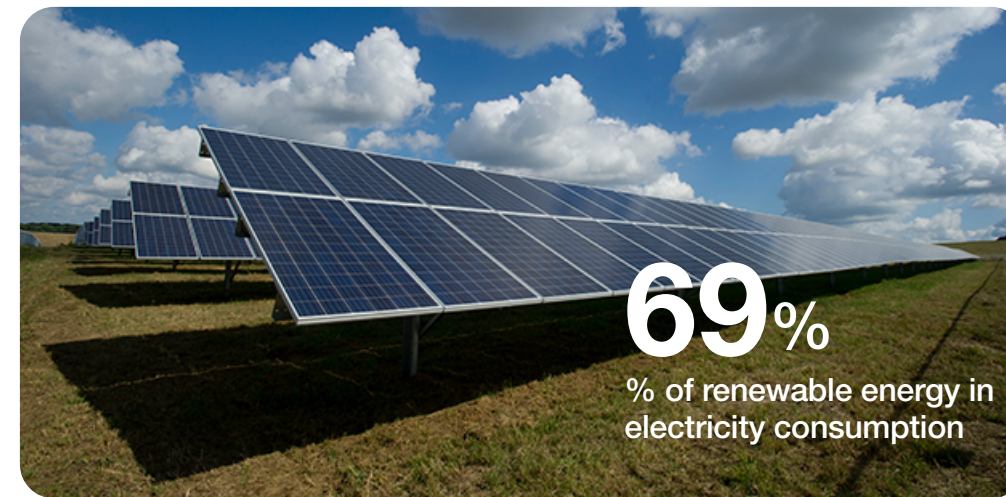
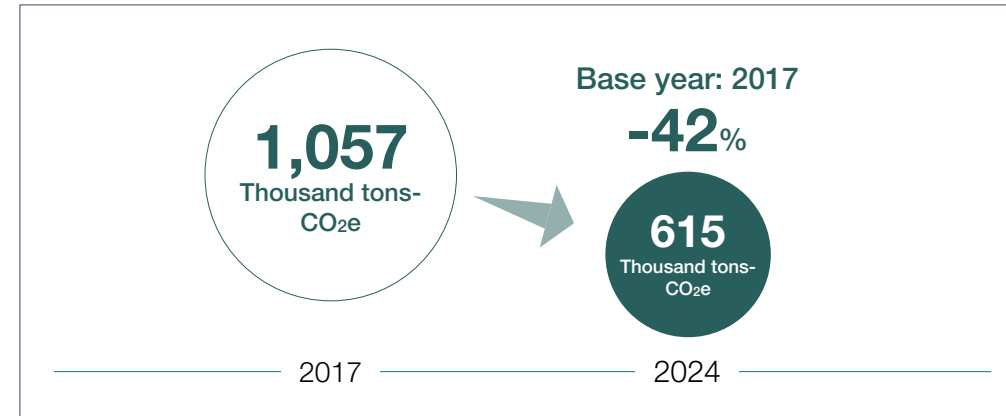
Accelerating Efforts to Reach Carbon Zero by 2040

Based on our Decarbonization initiatives in our ESG Strategy, we have yielded consistent reductions in both Scope 1+2 emissions and absolute full lifecycle CO₂ emission. We're making significant progress toward our 2030 target of a 55% reduction in Scope 1+2 emissions by increasing renewable energy procurement at production sites and expanding the proportion of renewable electricity across all consumption, including from our own power generation facilities. Through these initiatives, we've already achieved a 42% reduction in Scope 1+2 emissions compared to 2017. Additionally, by developing products aligned with evolving consumer and societal needs while reflecting daily life usage conditions, we've realized a further 15% reduction in lifecycle CO₂ emissions compared to 2017. As we pursue our goals of carbon zero by 2040 and carbon negative by 2050, we will continue implementing low-carbon equipment, expanding renewable energy utilization, and accelerating efforts across entire product lifecycles to contribute to a decarbonized society.

P115 Decarbonization



Scope 1+2 CO₂ emissions



New Value Creation
(Maximum)



Purpose-driven branding captures consumer empathy and strengthens loyalty

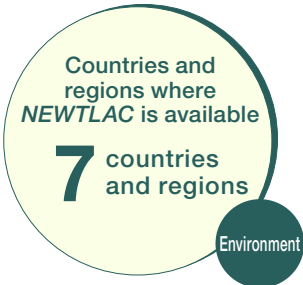
German hair care brand *Guhl* further established its repositioning under the motto “Genuinely Familiar,” offering a new perspective on beauty and closeness. This resonated strongly with consumers, increased purchase intent, and drove a 15% sales growth compared to 2021*. *Guhl*’s new branding supports the building of a *Global Sharp Top* business objective within the K27 strategic framework.

Guhl redefined traditional beauty perception and expressed diversity in its communications, which resonated well with consumer. Additionally, the brand demonstrates environmental commitment by using 99% recycled materials in its packaging.

Moving forward, *Guhl* will continue meeting consumer needs through Kao Actions, “Purpose driven brands,” while developing high-quality products, with the goal of further enhancing consumer loyalty.



* Circana data, unit sales growth 2021 vs 2024

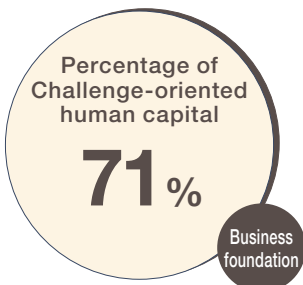


Global Deployment of Next-Generation Infrastructure Technology Reducing Environmental Impact While Enhancing Safety

We have developed an innovative product incorporating next-generation infrastructure technology that effectively utilizes waste PET materials and achieves durability in asphalt pavement. Based on our achievements in Japan, we have rolled out this product seven countries and regions across Asia and Europe. We are expanding our activities to build *Global Sharp Top* businesses under the K27 Strategic Framework.

NEWTLAC is an asphalt modifier developed by Kao using waste PET that makes asphalt pavement up to five times more durable. By preventing road surface wear, it cuts CO₂ emissions from resurfacing work, mitigates delays caused by traffic restrictions during such work, and also reduces the generation of asphalt dust particles. In the 2024 Resource Circulation Technology and System Awards, we won the Minister of Economy, Trade and Industry Award in recognition of our efforts for a circular economy that paves local roads by utilizing old fishing nets and other PET products that were conventionally difficult to recycle.

We aim to capture changing pavement needs in line with the shift to EVs and autonomous vehicles, and expand double sales in our asphalt business as a whole by 200% (compared to 2024) by 2030 with a focus on *NEWTLAC* that achieves both sustainability and safety.



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

The employee awareness survey revealed that over 70% of employees have set goals and are practicing activities that help both individual employees and organizational develop. We set and give opportunities for highly motivated employees to take on challenges, while also recognizing and giving compensation for these challenges and their results, thereby making steady progress towards creating a culture that encourages taking on challenges.

In the Objectives and Key Results (OKRs) system introduced in 2021 to energize our human capital, we have provided opportunities for dialogue between supervisors and team members to spread this system in the frontline. In 2024, we provided opportunities for employees to build various experiences, such as through internal recruitment, the DX adventure program, a subscriptionbased self-development program, a 360-degree leadership assessment, promotions that are not based on years of service, and other measures.

To evolve and achieve *Global Sharp Top* human capital/organizational management in the K27 Strategic Framework, we will execute actions based on our human capital strategy to drive efforts for creating human capital and an organization that can take on challenges with strong capabilities in Challenge & Change, Professional Capabilities, Collaboration & Cocreation, Diversity, Equity & Inclusion, while maintaining our basic approach of “Integrity as the only choice.”



* Challenge-oriented human capital: employees have set goals and are practicing activities that help both individual employees and organizational develop

Risk Mitigation
(Minimum)



Kao Recognized as Global Environmental Leader with a CDP Triple ‘A’ for Fifth Consecutive Year

Kao has been named an ‘A-List’ company by CDP, a global nonprofit organization, in its annual global survey of companies’ sustainability initiatives, in the areas of Climate Change, Forests, and Water Security. Kao stands as one of just 8 companies from over 24,800 evaluated firms selected across three categories, and is the only Japanese company selected as a triple-A for five consecutive years.

We are proud to be recognized for our advanced environmental initiatives, including the development of a comprehensive environmental management system, active engagement with diverse stakeholders, enhanced supply chain monitoring aimed at achieving zero deforestation, improved traceability to oil palm plantations, and the establishment of new water conservation targets.

Moving forward, we will continue to mitigate risks and create business opportunities by advancing our global environmental programs while aligning with CDP evaluation criteria.



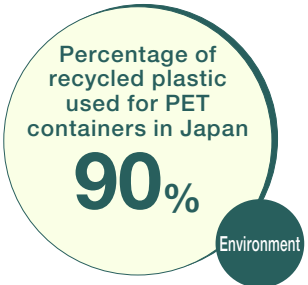
P115 Decarbonization

Expanded Use of Recycled Plastic Contributes to Reduced Environmental Impact and Improved Brand Value

Based on our Zero waste initiatives in our ESG Strategy, we are actively promoting the use of recycled plastic to help create a circular economy. In 2024, we incorporated recycled plastics into 90% of PET containers used in Japan, up from 81% in 2023.

Our efforts to expand recycled plastic usage focus on the *eco-peko* bottle for *CuCute* dishwashing detergent, the *Liese* hair care brand, and other product lines. The *eco-peko* bottle, which features reduced plastic content and easy collapsibility after use, has resonated strongly with consumers due to its environmentally friendly design. This has contributed to increased market share while simultaneously enhancing our brand value.

Kao aims to achieve 100% recycled plastic used in PET containers in Japan by 2025. This goal will further reduce our environmental footprint and advance resource circulation, while also strengthening loyalty among environmentally conscious consumers.



P129 Zero Waste

Risk Mitigation
(Minimum)



Selected as one of the World’s Most Ethical Companies® due to the ethical corporate culture that has existed since the company’s founding

Kao has been named one of the World’s Most Ethical Companies® 2025 by Ethisphere, a global leader in defining and advancing the standards of ethical business practices. Kao is one of only six companies worldwide and the only Asian company to have received the award for 19 consecutive years since it was established in 2007.

The Ethisphere accolade is based on an assessment of companies’ efforts in the areas of transparency, integrity, ethics, and compliance—values that are deeply ingrained in Kao’s heritage and culture. ‘Integrity as the only choice’ is at the heart of our corporate philosophy, the Kao Way, and external recognition such as this is invaluable to us. We remain committed to tackling challenges with courage as we strive toward ambitious goals, aiming to lead our industry and fulfill our purpose—To realize a Kirei World in which all life lives in harmony.



“World’s Most Ethical Companies” and “Ethisphere” names and marks are registered trademarks of Ethisphere LLC.

Carrying out comprehensive human rights due diligence to mitigate risks across the whole supply chain

Based on the concept of Respecting human rights in the ESG Strategy, Kao promotes comprehensive human rights due diligence on the part of suppliers, and exerts efforts to reduce risks related to human rights across the entire supply chain. We have asked suppliers to join and use Sedex, a tool for evaluating human rights due diligence initiatives, as well as to respond to Kao SAQs. We have received responses from suppliers involved in 90% of our global transactions (98% of transactions by value).

This high response rate is thanks to Kao’s continual efforts to provide explanation and build strong relationships with suppliers. Our work to bolster collaboration with global business partners has played a particularly important role in boosting transparency across the entire supply chain, allowing for risks to be identified at an early stage. On the other hand, future issues for us to tackle in relation to the high turnover of suppliers include bolstering communication with these suppliers and responding to the regulations in each region.

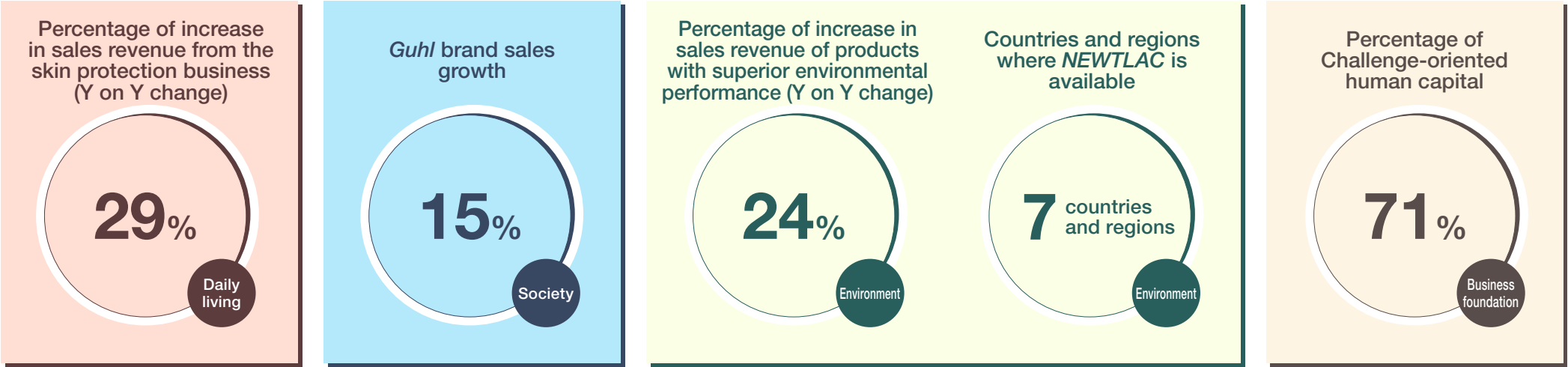
Due diligence on the part of suppliers helps to boost transparency across the entire supply chain, to understand and mitigate risks, and to build a system for rapid response to risks. Through this process, we will collaborate with suppliers to improve the working environment and promote the protection of human rights, thereby building a sustainable supply chain.

P185 Respecting Human Rights



Enhancing corporate value by creating and expanding opportunities, and mitigating risks

New Value Creation (Maximum)



Risk Mitigation (Minimum)

