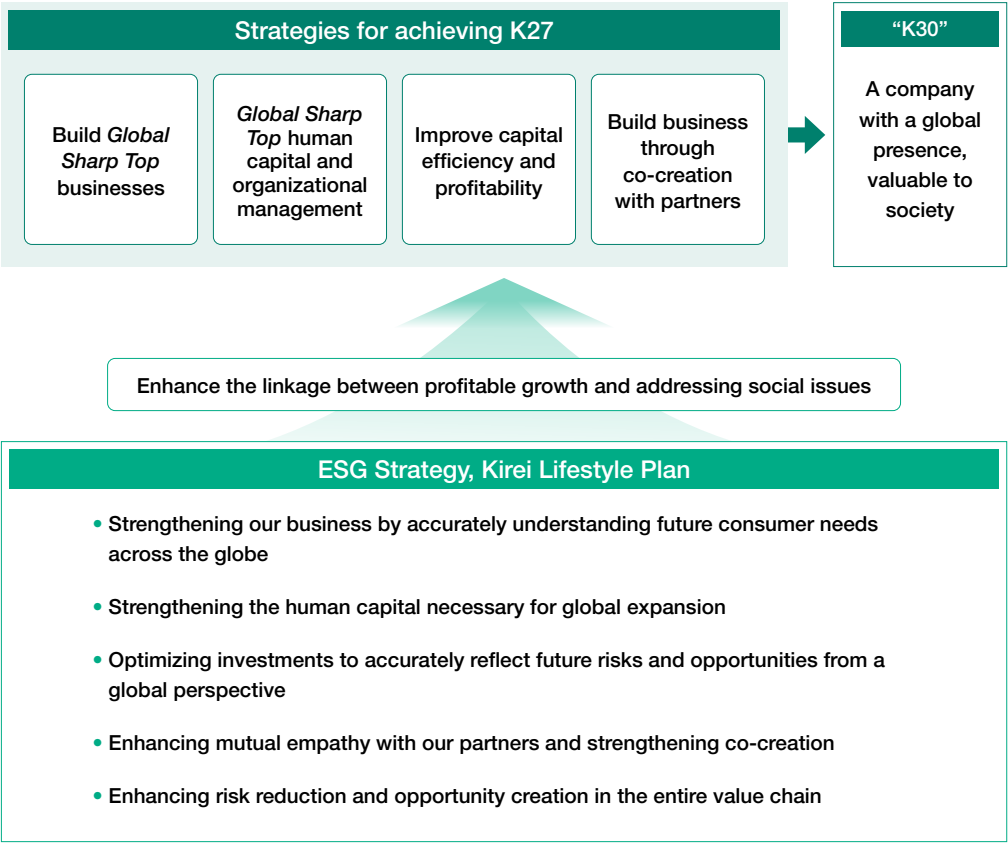


Strategy

Kao has placed ESG at the core of its management to achieve its vision for 2030—becoming a globally indispensable company, “Kao.” Based on the ESG Strategy, the Kirei Lifestyle Plan (KLP), Kao promotes *Yoki-Monozukuri* from an ESG perspective. Through this approach, Kao aims to achieve both profitable business growth and the realization of a sustainable world by solving issues in society.

Enhancement of “K27” Through the ESG Strategy



“K27” is our Mid-term Plan to enhance Kao's global presence, realize a sustainable society, and achieve company growth. The KLP reinforces K27's four strategies in a multifaceted manner to achieve profitable growth and address social issues in the following five perspectives:

Strengthening our business by accurately understanding future consumer needs across the globe

By accurately anticipating the needs and expectations of diverse consumers around the world and enhancing the competitiveness of our products and services, we will create new markets and add value to our products and contribute to building *Global Sharp Top* businesses.

Strengthening the human capital necessary for global expansion

Development of people that can meet the needs of global consumers in marketing, product development, and sales, will fortify our *Global Sharp Top* human capital strategy.

Optimizing investments to accurately reflect future risks and opportunities from a global perspective

We promote capital efficiency and profitability improvement by reducing ESG-related risks, increasing business resilience, creating opportunities and optimizing capital allocation.

Enhancing mutual empathy with our partners and strengthening co-creation

Partnership collaboration is essential for addressing social issues that Kao cannot tackle alone. We promote business development through co-creation by expanding our collaborative relationships with our partners in diverse ways.

Enhancing risk reduction and opportunity creation in the entire value chain

ESG-related risks and opportunities exist throughout the value chain in which our business operates. By reducing risks and creating opportunities across the value chain, we strengthen K27 achievement across the organization and increase the sustainability of our business.

Enhancement of business growth through the KLP

As mentioned above, the KLP strengthens K27, enhancing business growth. It contributes to business growth in the following three perspectives:

(1) Providing products and services that foster high loyalty

Products and services that embed ESG perspectives and are developed with unique technologies can gain a high level of loyalty from consumers and customers, enhance competitive advantage , and contribute to business growth.

(2) Expanding business by creating new business domains

By addressing sustainability-related issues facing consumers and society, we develop product value in new domains and drive diverse business development.

(3) Expanding business by creating new value in existing categories

By reassessing the needs of consumers and customers from an ESG-driven perspective, we create new value within existing product categories and services, develop new market domains, and expand the scope of our business.

Through ESG-driven *Yoki-Monozukuri* based on the KLP, we will continue to achieve K27 and strengthen sustainable business growth.

Risks and opportunities

In formulating the KLP, we identified ESG-related risks and opportunities based on our business model and social issues. Kao’s business model and value chain have the following characteristics.

Four areas related to the characteristics of Kao’s business model and sustainability

- 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 raw material shared between the Consumer Products Business and Chemical Business

- 4. A global value chain formed around raw material production to product sales, with numerous raw materials suppliers in the upstream and numerous distributors, retailers, business partners, and customers in the downstream

Based on these characteristics, the areas of Kao’s involvement in the sustainability of society are organized into four categories, namely Daily living, Society, Environment and Business foundation.

Daily living:

A unique area of Kao’s efforts to meet the needs of consumers and enrich their lives, and it is the core of our ESG strategy.

Society:

An area in which Kao has relationships with diverse industries and society through its globally operated value chain and the Chemical Business.

Environment:

An area that has a significant impact, since some materials are dependent on natural capital, and because products are provided to, used by and disposed of by consumers around the world.

Business foundation:

In order to steadily promote the initiatives in the above three areas, the enhancement of the business foundation including human capital development, respect for and protection of human rights, promotion of DE&I activities, and chemical substance management, etc. is essential.

In these four areas, we identify ESG-related risks and opportunities and develop strategies to address them.

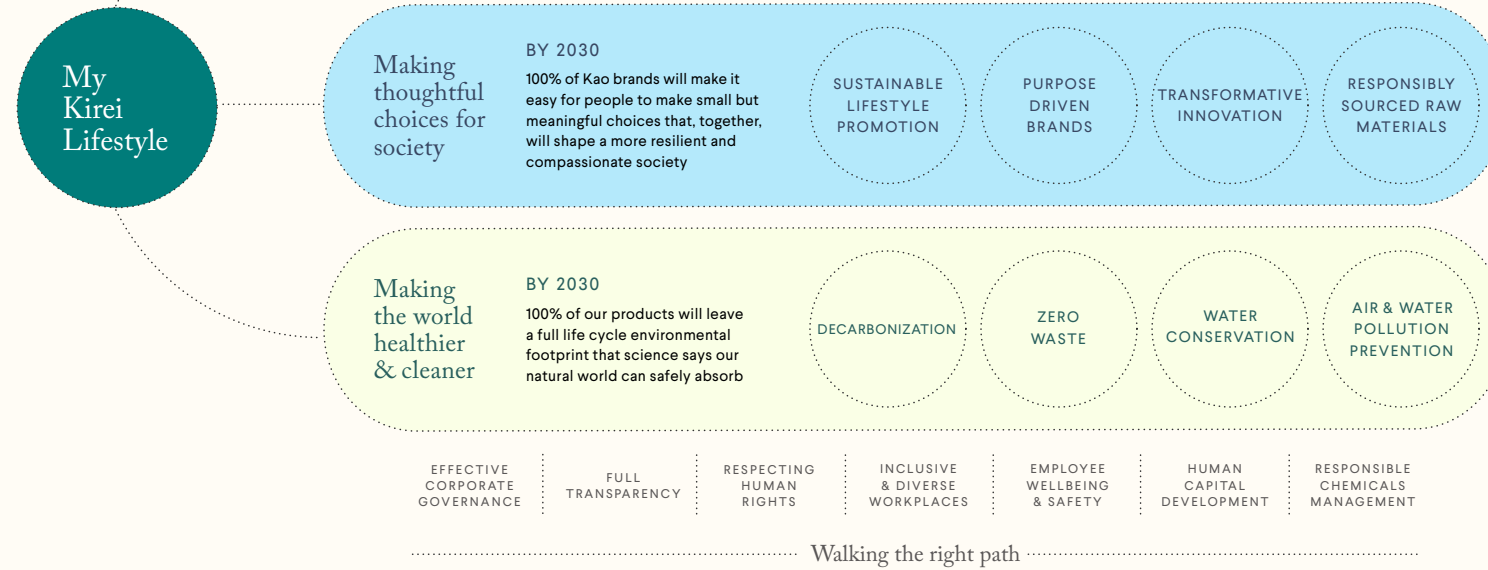
These are based on Kao's business characteristics and this strategy will lead to an increase of corporate value and business growth based on these business characteristics. By implementing these strategies, Kao will provide high-value-added services based on sustainability, which will also lead to a shift to a sustainable and innovative business model that goes beyond conventional product offerings and sales. For example, by precisely collecting and analyzing data on each individual's physical condition, contamination on clothes, the occurrence of disease and pests on

crops, and providing value-added services based on this data, we can improve the customer experience and create new markets. Furthermore, our approach from a sustainability perspective contributes to the enhanced management of the value chain. By appropriately managing raw material procurement risks, promoting the use of alternative raw materials, and strategically sourcing recycled materials, we will be able to reduce environmental impact and ensure stable supply. The KLP embodies the strategies derived from these risk and opportunity analyses.

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 livesBusiness growth stagnated due to slowing growth in the Japanese market due to a declining birthrate and aging population and a declining population	<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 peopleStrategic development of awareness-raising and communication 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 purposeExpand business opportunities by providing revolutionary products/services through innovationStabilization of procurement through precise approaches to social issues in procurement	<ul style="list-style-type: none">Increase loyalty by strengthening the Purpose Driven brandProduct and service revolution through innovationAccurate 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 profitsDifficulty in continuing the business due to disruption of supply chains caused by loss of biodiversity and abnormal weather conditionsDifficulty in supplying products due to plant shutdown caused by environmental pollution	<ul style="list-style-type: none">Increased revenues through risk avoidance, efficiency, and cost reductions in environmental taxation and regulationsBusiness growth through increased consumer/ customer loyalty through advanced environmental responsiveness	<ul style="list-style-type: none">Reduction of CO₂ emissions over the entire life cycleRecycling of plastics and other resourcesWater conservation in production and product usePrevention 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 businessDifficulty 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 KaoExpand business and improve competitiveness by enhancing human resources	<ul style="list-style-type: none">Effective complianceManaging human rights across the value chainStrengthening human resources and organizational capabilitiesAdvanced chemical management

Embodying as the ESG Strategy, the Kirei Lifestyle Plan on the next page.



Embodying the risks, opportunities and strategies from the previous page.

Kao's ESG Strategy, the Kirei Lifestyle Plan

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 our vision for a sustainable society through our ESG activities, “Kao's Commitment,” which sets the targets to be achieved by 2030, and “Kao's Actions,” which are the 19 actions that we focus our efforts on.

Our vision for sustainability

Kao's vision for a sustainable society 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 commitment and Kao's 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 and 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's Actions, our priority action themes. By setting medium to long-term targets for each of the 19 actions, we promote reliable and effective activities.

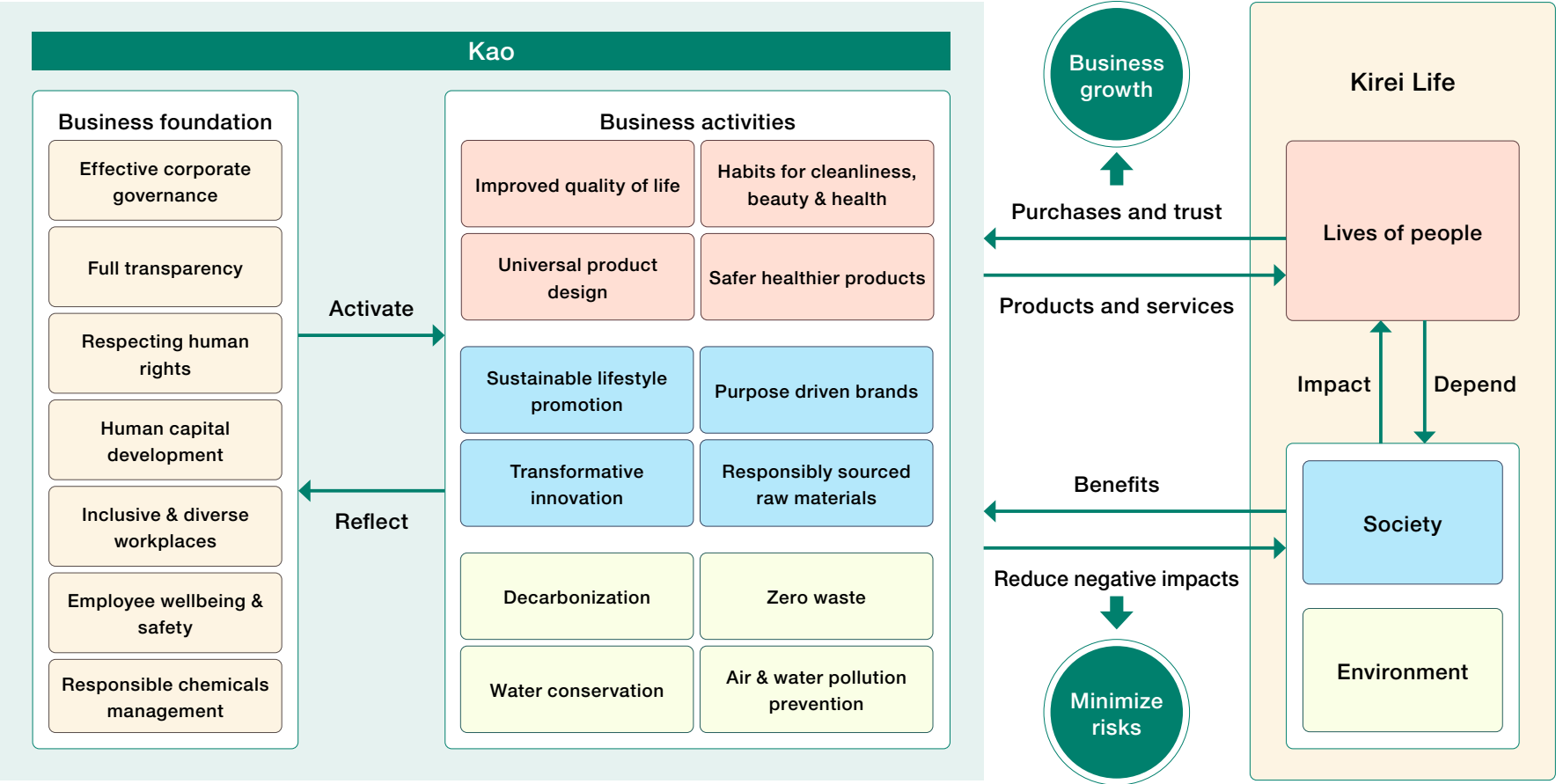
Structure of the KLP and its financial, environmental and social impacts

By implementing the KLP, it is possible to create a financial impact, as well as a positive impact on the environment and society. The diagram below shows how it works. Kao supports the lives of consumers through its products and services. For that reason, earning the trust of people contributes to the purchase of products and services, leading to profitable business growth. Through this virtuous cycle, the KLP will foster a long-term relationship between Kao and consumers and strengthen sustainable business growth.

Additionally, based on the KLP, we can minimize Kao's risks through activities to curb environmental impact and to reduce negative impact on society. This contribution to the environment and society will further enhance the reputation and credibility of Kao among consumers, who rely on both the environment and society, and lead to business growth.

The actions that form the foundation of these initiatives are crucial components supporting the KLP and act as a driving force to revitalize overall business activities. By promoting the KLP unique to Kao that places people at the center, Kao will achieve sustainable growth and enrich the lives of people.

Structure of the KLP and its financial, environmental and social impacts



Financial impact / environmental and social impact of the KLP

The KLP aims to earn the trust and loyalty of consumers and achieve business growth through the provision of products and services that address social issues and the needs of consumers, while at the same time, minimizing risks by reducing environmental impact and addressing social issues. We believe that the promotion of the KLP will create a virtuous cycle that will enable Kao to achieve sustainable growth, enrich the lives of consumers, and achieve social sustainability, thereby creating a positive impact on finance, environment and society.

Financial impact through the KLP

Kao believes that the promotion of the KLP will generate the following financial impacts from the perspective of (1) Revenue growth, (2) Cost reduction, and (3) Risk management.

(1) Revenue growth

- Development of new markets and addition of high value through products that have reduced environmental impact and solutions to address social issues
- Sales growth through improved brand value
- Creation of new business opportunities centered on social sustainability
- Establishment of a competitive advantage through our unique environmental technologies

(2) Cost reduction

- Reduction of corresponding costs including taxes related to regulations by improving our ability to comply with environmental regulations
- Reduction of funding costs / improved funding advantage by improving ESG evaluation
- Cost reduction through energy efficiency, resource recycling and conservation

(3) Risk management

- Minimizing the cost of complying with environmental regulations
- Reduction of reputation risk / Reduction of supply chain risk
- Securing stable procurement of raw materials

Specific Financial Benefits (cases studies)

By promoting initiatives based on the KLP, we are creating financial impacts valuable for our stakeholders, leading to long-term returns of profits.

Case (1): Investment in the supply chain

Initiatives: Continuous purchase of RS PO-certified oil and support for oil palm smallholders
Effect: Avoid risks associated with palm oil procurement, reputational risks and ensure stable procurement

Case (2): Investment to create business opportunities

Initiatives: Promotion of the #GUARD OUR FUTURE project
Effect: Expand the area of business / improve brand value

Case (3): Investment in corporate communications

Initiatives: Communication originating from “Wastefulness-Mottainai. Never today, nor tomorrow”
Effect: Achieve a purchase promotion that exceeds the investment amount / Increase in corporate brand value

Case (4): Investment in environmental conservation

Initiatives: Pollution prevention measures around the plant / Biodiversity conservation around the plant
Effects: Ensure business continuity through stable operation

Case (5): Sustainable finance

Initiatives: Sustainability-linked Bond (25 billion yen), Sustainability-linked Loan (20 billion yen), Positive Impact Finance (25 billion yen), DBJ Employees’ Health Management Rated Loan (10 billion yen)
Effect: Reduction in financing costs through the application of low interest rates

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

Environmental and social impacts of the KLP

We believe that the KLP will also generate positive impacts on the environment and society in various ways, in addition to the financial impacts described above.

Contribution to the value chain

The table below shows the 19 Kao Actions set in the Kao ESG Commitments and Actions, the KLP 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. Kao has an extensive value chain that encompasses the procurement of raw materials, development, use, disposal, and

recycling. For this reason, Kao's implementation of the KLP can have a significant impact on suppliers, partners, consumers, communities and the environment. At the same time, we will contribute to the environment and society through the entire product lifecycle by developing and providing innovative products and services that reflect environmental and social considerations.

Contribution to society

Kao's innovative products and services contribute to the realization of sustainability in society. For example, in areas where hygiene and infectious disease problems are serious, we provide hygiene products to help people enjoy healthy lives with peace of mind. We also develop products and services that are easy to use for all people, including the elderly and people with disabilities, to support the comfortable lives of consumers.

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	●	●	●	●	●	●

Furthermore, we support the sustainability of various industries and social infrastructure through products that optimize energy efficiency and resource utilization. In this way, we contribute to reducing the environmental impact and help our clients achieve their sustainability goals.

In the regions where our plants are located, we focus on environmental conservation, such as water conservation, air pollution prevention, and water pollution prevention, etc., thereby contributing to local communities.

Contributions to SDGs

Looking ahead to 2030, Kao is focused on SDGs, which have been agreed upon and adopted

by the international community. As indicators for realizing a sustainable society, SDGs set forth an integrated approach to improving the economy, society, and the environment. Contributions by companies are considered extremely important to achieving SDGs. As shown in the table below, the KLP is deeply aligned with SDGs and makes concrete and practical contributions through Kao's products and business activities. From addressing environmental issues to promoting health and achieving gender equality, Kao's initiatives play a vital role in advancing SDGs. Through these efforts, Kao not only fulfills its corporate responsibilities but also contributes to the sustainable development of society as a whole.

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			●			●						●		●			●

Resilience of ESG Strategies

Over the next decade, global risks will be dominated by environmental factors, including extreme weather events, biodiversity loss, ecological system collapse, critical shifts in planetary systems, and natural resource shortages. Notably, extreme weather has remained the top global risk for the second consecutive year. In the social domain, issues such as inequality and societal polarization rank among the most pressing concerns. As a result, environmental and social risks continue to be recognized as significant risks. Additionally, human rights violations and other social challenges have emerged as critical concerns.*

We believe that the KLP will maintain a certain level of resilience even if the degree of these future risks fluctuates. For example, if environmental and social risks intensify, there may be increased costs or usage restrictions on fossil-based raw materials and palm oil. However, we expect that products developed based on KLP through ESG-driven *Yoki-Monozukuri*, which aims to maximize functional and social value while using minimal resources, will minimize negative impacts by reducing CO₂ emissions and the consumption of energy and raw materials while increasing the use of renewable energy throughout their life cycles. This approach aims to maximize functional and social value while using minimal resources.

Conversely, if risk severity remains low, it suggests that society’s awareness of environmental conservation remains high and efforts are being actively made to minimize negative impacts. In such a society, markets with strong demand for environmentally conscious products will likely be established, leading to a greater competitive advantage for high-environmental-performance products created through ESG-driven *Yoki-Monozukuri*. This, in turn, will enhance brand loyalty. Therefore, we believe that the KLP is resilient to the risks that are expected to arise in the future and able to create sustainability not only for the world but also for the business.

* Global Risks Report 2025, World Economic Forum