



Purpose Driven Brands

Through innovation and creativity, we aim to develop brands that help to solve social issues, enabling people worldwide to live a comfortable lifestyle, thereby increasing customer loyalty and enhancing our brand value.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
			Metrics	Targets	2024 results		
<ul style="list-style-type: none">Decline in brand competitiveness and loss of business opportunities as other companies take the lead in marketing and support activities based on their brand purposesReduced resilience against price competition and deteriorating profitability due to a decline in brand loyalty	Overall	(1) Address the issues facing consumers and society, and strive for a meaningful brand that gains empathy, based on brand purpose	The percentage of brands that make a contribution to solving social issues and that make people feel and empathize with the brand's social usefulness (1)	100% 2030	55%	Merries: Development of "Going to nursery schools by Kao", a childcare support service for daycare centers (1)	<ul style="list-style-type: none">Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyaltyImproved profitability and ROIC through greater investment efficiency
		(2) Improve loyalty through stronger marketing based on brand purpose				Guhl: Purpose-driven brand restaging (2)	
<div>Opportunities</div> <ul style="list-style-type: none">Business growth through increased loyalty among existing customers and acquisition of new customers by implementing marketing based on a brand purpose that addresses consumer and social issuesHigher long-term competitiveness through the advancement of marketing based on consumer empathyImprovement of brand credibility, favorability, and brand value through the expansion and communication of activities aimed at solving consumer and social issues	Branding	(3) Spread awareness of the brand's role and value to consumers through brand purpose	Degree of brand favorability among consumers using the product (3)	–	75.6%	CuCute: Development of brand activities that are eco-friendly and reflect diversifying lifestyles (3)	<div>Environmental and social impact</div> <ul style="list-style-type: none">Contributing to a comfortable consumer lifestyle and society through initiatives addressing consumer and social issuesEnhancing consumer awareness of environmental protection by positioning environmental consideration as a product value
		(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose				Laurier: Development of Laurier in the Workplace to contribute to the daily lives of individuals and to social issues (4)	
	Products and support activities	(5) Communicate the value of products to consumers and society based on brand purpose				TWANY: Development of activities to stay close to women (5)	
		(6) Support activities for solving issues facing consumers and society based on brand purpose				est: Development of projects to support learning among young people in Asia (6)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To mitigate the risks and create opportunities associated with purpose driven brands, we execute strategies in a way that is uniquely Kao—practical, effective, and contributing to both business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, accurately recognizing social issues is essential. Understanding these issues not only helps mitigate business risks but also serves as a crucial starting point for identifying new business opportunities that drive growth. Kao recognizes the following social issues relevant to this theme.

- Increasing consumer attention to brands' sustainability-related positions and initiatives
- A growing number of consumers who prioritize not only product functionality but also a brand's philosophy and worldview
- A rising tendency for brands that aim to solve consumer issues to gain empathy and trust

■ Risks and opportunities

In the evolving business environment, which includes the social issues mentioned above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is a critical process in formulating corporate strategies and initiatives. The key risks and opportunities Kao has identified in this area are as follows.

Risks

- Decline in brand competitiveness and loss of business opportunities as other companies take the lead in marketing and support activities based on their brand purposes
- Reduced resilience against price competition and deteriorating profitability due to a decline in brand loyalty

Opportunities

- Business growth through increased loyalty among existing customers and acquisition of new customers. This is done through marketing based on a brand purpose that addresses consumer and social issues
- Enhancement of long-term competitiveness through the advancement of marketing based on consumer empathy

- Higher brand credibility, favorability, and brand value through the expansion and communication of activities aimed at solving consumer and social issues

■ Strategy

To address the identified risks and opportunities, Kao has formulated the following strategies. By evolving all brands into those that genuinely resonate with consumers and society while addressing social issues, Kao will implement product development, marketing, and communication activities. These strategies serve as a foundation for realizing the “*Global Sharp Top*” strategy, which lies at the core of the Mid-term Plan K27.

(1) Address the issues facing consumers and society, and strive for a meaningful brand that gains empathy, based on brand purpose

Kao will sincerely engage with consumer and social issues, providing products and services in response to these challenges. By doing so, Kao aims to gain consumer and societal empathy and reinforce the brand's purpose for existing. Building trust with consumers and society will contribute to increased loyalty.

Related initiatives:  *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues
 est: Supporting the education of young people in Asia through the Light up Curiosity Project

(2) Improve loyalty through stronger marketing based on brand purpose

Kao will enhance consistent marketing activities aligned with brand purpose to deepen consumer connections and strengthen brand loyalty. This will reinforce our revenue base and drive mid- to long-term growth.

Related initiatives:  *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues
 est: Supporting the education of young people in Asia through the Light up Curiosity Project

(3) Spread awareness of the brand's role and value to consumers through brand purpose

Kao will clearly communicate the roles of its products and services based on brand purpose to consumers, ensuring a deep understanding of the brand's value. This will enhance consumer empathy toward the brand and strengthen support from both consumers and investors.

Related initiatives:  *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues
 est: Supporting the education of young people in Asia through the Light up Curiosity Project

(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose

Kao will accurately assess consumer empathy toward its brands and promote marketing activities based on a deep understanding of consumers. We will keep refining our marketing by driving

digital transformation and implementing data-driven management to maximize effectiveness.

Related initiative: [P92](#) *Guhl*—a hair care brand that is “Genuinely Familiar”

(5) Communicate the value of products to consumers and society based on brand purpose

By providing Kao products that align with brand purpose, improve life for consumers, and contribute to society, we will clearly convey our corporate stance on sustainability and boost consumer awareness of sustainability. Through these communication efforts, Kao will gain consumer trust while presenting concrete solutions to social issues.

Related initiatives: [P93](#) *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues,

[P94](#) *est*: Supporting the education of young people in Asia through the Light up Curiosity Project

(6) Support activities for solving issues facing consumers and society based on brand purpose

We aim to build empathy and realize a sustainable society by understanding consumer needs and social issues in line with our brand purpose and responding through relevant support and initiatives.

Impact generated by implementing the strategies

Through executing these strategies, Kao expects to generate both financial impact and environmental and social impact as outlined below.

Financial impact

- Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyalty
- Improved profitability and ROIC through greater investment efficiency

Environmental and social impact

- Contributing to a comfortable consumer lifestyle and society through initiatives addressing consumer and social issues
- Enhancing consumer awareness of environmental protection by positioning environmental consideration as a product value

Strategic resilience

To flexibly and sustainably respond to environmental and social issues, including climate change, Kao is reviewing its brand purpose while refining its marketing and strengthening partnerships with other companies and government agencies. These efforts will equip Kao with the resilience to adapt to external environmental changes, expand empathy toward its brands, and build societal trust, ultimately leading to the sustainable creation of value.

Metrics and targets

To increase the effectiveness of our strategies, we have established performance indicators related to risks and opportunities and regularly monitor their progress. For significant risks and opportunities, we set specific targets and assess our achievement levels. By doing so, we ensure steady progress through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Ratio of brands with a clear purpose for existing that address social issues and make people feel and empathize with their social usefulness	–	–	52% (53%)*1	52% (57%)*1	55%	100%	2030

*1 The values in parentheses are based on the old definition.

Until 2023, the population parameter*2 varied annually in accordance with the survey results. However, due to changes in the target brands, the population parameter*2 has been fixed.

*2 Corrected results (Reviewed target brands and fixed the population parameter)

Metrics and results

Customer Satisfaction

Strategy	Metrics	Results			
		2021	2022	2023	2024
(3)	Favorability toward product brands among consumers who use Kao products (level)*3	74.3%	73.0%	73.3%	75.6%

*3 Selection percentage of preferred brands in each product category

We have carried out brand enhancement activities in Japan and other parts of Asia and AEMEA (the Americas, Europe, the Middle East and Africa), which have led to various achievements, such as increased market share and strongly positive evaluations from consumers. Moving forward, we will further develop products and services that meet consumer needs, make disclosures transparently, and move forward with sustainable initiatives to earn even greater empathy from consumers. By doing so, we aim to enhance our brand credibility and consumer empathy, driving sustained growth.

Making Thoughtful Choices
for Society

Sustainable Lifestyle
Promotion

> Purpose Driven
Brands

Transformative
Innovation

Responsibly Sourced
Raw Materials

Making the World Healthier
& Cleaner

Walking the Right Path

Governance

The Global Consumer Care serves as the supervising division, and the person in charge of that division promotes strategies for purpose-driven brands through the following two meetings. Specifically, the GC/ESG Promotion Meeting (held six times a year), which includes the supervising and development managers as members, discusses the results of the ESG Managing Committee, deliberates on proposals, makes decisions on policy, and confirms and discusses global situations and responses.

We also hold regular meetings attended by the president, general managers of business divisions, and managers of research, manufacturing, and procurement divisions, where we discuss new products and major investment projects from a global perspective, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, during the product development process, we hold meetings attended by the managers and staff in charge of business, research, manufacturing, product quality management, and other divisions, and we also check the product performance, product value, and business potential involved in the decision to commercialize the product from an ESG perspective.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Management process

The status of our efforts to address risks and opportunities in the pursuit of promoting purpose-driven brands is managed through the following PDCA cycle, and we are working to make steady improvements.

P (check for risks and opportunities)

The GC/ESG Promotion Meeting monitors various trends, such as global regulations and customer requests, and identifies the associated risks and opportunities. A response policy is established based on the identified risks and opportunities.

D (response based on risk/opportunity)

The response policy decided by the GC/ESG Promotion Meeting is deployed to related divisions, and specific activities are promoted. The policy is reflected in the product development process and approved/confirmed, as necessary. The content of various activities is disclosed internally and externally.

* For details on each activity, refer to Initiatives (P91-94).

C (monitoring and evaluation of response status)

The GC/ESG Promotion Meeting reports on and evaluates the progress of ongoing response activities. As necessary, the content and results of activities are reported to the ESG Managing Committee and proposals are shared.

A (response to issues and improvements)

Based on the monitoring results and proposals, the activity policy and implementation system are improved as necessary. Continuous improvement is made to measures for dealing with risks and the content of initiatives.

Initiatives

Kao is engaged in a variety of initiatives aimed at promoting purpose-driven brands. These initiatives are based on the aforementioned strategies, and are being promoted in collaboration with one another to achieve our goals. Here, we will introduce some of the important initiatives from among the many we are engaged in.

	Strategy	Initiatives
Overall	(1) Address the issues facing consumers and society, and strive for a meaningful brand that gains empathy, based on brand purpose	<i>Merries</i> : Development of “Going to nursery schools by Kao”, a childcare support service for daycare centers
	(2) Improve loyalty through stronger marketing based on brand purpose	<i>Guhl</i> : Purpose-driven brand restaging
Branding	(3) Spread awareness of the brand’s role and value to consumers through brand purpose	<i>CuCute</i> : Development of brand activities that are eco-friendly and reflect diversifying lifestyles
	(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose	<i>Laurier</i> : Development of <i>Laurier</i> in the Workplace to contribute to the daily lives of individuals and to social issues
Products and support activities	(5) Communicate the value of products to consumers and society based on brand purpose	<i>TWANY</i> : Development of activities to stay close to women
	(6) Support activities for solving issues facing consumers and society based on brand purpose	<i>est</i> : Development of projects to support learning among young people in Asia

Guhl – a hair care brand that is “Genuinely Familiar”

Region: EMEA

Corresponding strategy: (4)

As a brand deeply rooted in tradition, *Guhl* has embodied its core values, such as quality and reliability, for more than 80 years. But it’s not just the brand’s product sales performance that has made it become one of Germany’s fastest growing hair care brands in 2023—it is the brand motto *Guhl* shares with its consumers: the feeling to be “Genuinely Familiar” and the closeness and trust it has achieved to establish among its brand community in recent years.

Valuing empathy with the brand and connection to its customer base, *Guhl* redefined what its various values truly represent, based on the various ever-changing consumer needs in a hair care market. The values *Guhl* has always cherished—trust, closeness and care—are embodied as “Genuinely Familiar” and reflected in its authentic way of communication. For example, instead of showing perfectly styled hair in its advertising, *Guhl* focuses on everyday bathroom moments, supporting a new understanding of beauty—and diversity. Without explicitly addressing gender identity, skin color or age, *Guhl* incorporates everyday moments into its communication, supporting a more diverse representation in hair care advertising.

As a result of these efforts, the communication of *Guhl* resonates with consumers: thus *Guhl* was able to attract >700.000 more shoppers and increased sales by 15% compared to the period before *Guhl*’s re-positioning, making the brand grow significantly faster than the category. This is also reflected in consumer brand perception around the topics of trust and closeness. *Guhl* also received the German Brand Award and the acclaimed marketing award Effie, two of the most renowned German marketing awards.

In 2024, *Guhl* continued to build on its purpose-driven approach and the closeness it created not only with its consumers, but also with its partners. *Guhl*’s new Bond+ shampoo campaign focuses on Andrea, a woman with Down’s Syndrome, who already played a part in *Guhl*’s “Genuinely Familiar” campaign in 2022. The TV advert depicts Andrea’s beautiful hair as an expression of her inner strength and confidence. It sets itself apart from conventional hair care advertising. “During our last collaboration, Andrea told us that to her, her hair is a sign of strength, and that it gives her a feeling of self-

confidence and security,” says Anna Strohm, Associate Director for Marketing at *Guhl*. “We wanted to capture this as authentically as possible and have her reveal this to the audience in her own words.” An approach that was recognized by the audience: The response to the campaign featuring Andrea was overwhelmingly positive, with viewers highly praising *Guhl*’s promotion of inclusivity and authenticity. Many expressed emotional reactions, such as hope and inspiration, while others celebrated the use of a relatable and empowering model highlighting the importance of diversity.

Being closest to its consumers and their everyday lives was also a main driver of the brand’s decision to expand into a new category. In summer 2024, *Guhl* launched its Kids shampoo line, its first such line, positioning parents who grew up with the brand as a new and important target group. This generation is now looking for a trusted, high-quality offering for their children. “Introducing our Kids range was a natural development of our brand positioning around closeness and trust, and we are happy to see that it is being so well received,” says Anna Strohm. With a special focus on the needs of parents and kids alike, *Guhl* has had its range certified as natural cosmetics, offering a high-quality formulation that is gentle to the skin and a fun addition to the bathtime routine.

With all of these changes, *Guhl* not only succeeded in establishing itself as a brand with a purpose that evokes trust and empathy among its consumers but as a brand that is known for its commitment and dedication to environmental sustainability. The ingredients of *Guhl*’s shampoos are up to 99 percent biodegradable*¹, and the shampoo bottle bodies are made of 99 percent recycled material. Additionally, *Guhl* has reduced the number of ingredients in all products by approximately 30%, ensuring they are dermatologically tested, and free from silicones*², parabens, and microplastics. All



ingredients are up to 99 percent of natural origin^{*3}. *Guhl* is also officially certified by PETA.

For 2025 and beyond, *Guhl* is looking to continue its journey as a purpose-driven brand that offers sustainable, high-quality products in an authentic and approachable way.

^{*1} According to OECD regulations & including water.

^{*2} 2-Phase Sprays and blow-dry lotion excluded.

^{*3} Including water.

***Laurier* in the Workplace: Brand activities
that contribute to individual lifestyles and
solving social issues**

Region: Japan

Corresponding strategies: (1) (2) (3) (5)

Our *Laurier* brand for sanitary napkins has a brand perspective of making menstruation easier to live with. As working styles and lifestyles continue to change, we strive to listen closely to individuals, empathize with their needs, and engage in *Yoki-Monozukuri* to improve the environment surrounding menstruation. Our goal is to create a society where individuals can feel secure, be themselves, and live comfortably. Beyond product development, we also work to reduce the inconveniences associated with menstruation. As part of this effort, in spring 2022 we launched the *Laurier* in the Workplace project. This project promotes the stocking of sanitary napkins as standard workplace supplies, similar to toilet paper. 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 400 (as of April 2025), 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. Additionally, those responsible for implementing the program have reported that the installed sanitary napkins and training videos have helped instill awareness of creating a more inclusive workplace for employees, and that the initiative has provided a valuable opportunity to deepen understanding of menstruation. In July 2024, we

launched an internal ambassador program for *Laurier* in the Workplace. This initiative involves distributing business card-sized informational cards about the project to family members, friends, and business partners, encouraging broader adoption. Currently, 590 employees are participating as ambassadors, working to promote *Laurier* in the Workplace. 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 2024, we expanded these efforts across seven Asian countries, focusing on schools. In Japan, we provided menstrual education kits free of charge to more than half of the nation's elementary schools.



Laurier in the Workplace logo



Image of *Laurier* in the Workplace in a restroom

**est: Supporting the education of
young people in Asia through the Light up
Curiosity Project**

Region: Japan

Corresponding strategies: (1) (2) (3) (5)

Kao's cosmetics brand *est* is driven by its brand purpose of "Enhancing each individual's true beauty through evidence-based dermatology and supporting a life free from age-related constraints." In particular, *est* values and aims to safeguard the spirit of intelligence and curiosity that drives the pursuit of truth.

However, around the world, many individuals are denied the opportunity to learn simply because of where they were born, preventing them from cultivating their intelligence and curiosity. With the desire to bring these young people the joy of exploration and the power to shape their own futures, *est* launched the Light up Curiosity Project in 2022 in collaboration with the certified NPO e-Education to support the education of young people in Asia. This project focuses on the Philippines and Bangladesh, two countries said to have particularly severe educational disparities. In addition to providing educational materials, the initiative also dispatches top university students from urban areas as tutors, among other support efforts. To date, the project has assisted more than 100,000 students. In 2023, we established the Light up Curiosity Fund to provide continued financial support to university students who, despite gaining admission, are forced to abandon their studies due to an inability to afford tuition fees, which to just tens of thousands of yen per year. *est* is committed to ensuring that these students can continue their education.

Students who have received support have shared messages filled with hope and gratitude, such as, "I do not want to give up on pursuing a career in society as a woman due to religious or financial reasons. My dream is to become a teacher and support local children in the future." Another student shared, "The Light up Curiosity Fund gave me this opportunity. I want to express my happiness, gratitude, and joy."

Additionally, *est* has established the *est Plant* within SMART GARDEN, a proprietary plant facility that utilizes equipment capable of capturing and refining CO₂ emissions from a waste treatment plant in Saga City, Saga Prefecture. At the *est Plant*, we can efficiently cultivate plants and reduce environmental impact in terms of both electricity and water use. Furthermore, we have developed ingredient control technology that

enables an integrated process from plant cultivation to extract production, allowing us to obtain high-purity, high-efficacy plant extracts.

Moving forward, *est* remains committed to these social and environmental initiatives, striving to create a society where everyone can explore limitless possibilities and pursue the truth.

 Our initiative | *est*



Learning scenes on-site (in Bangladesh)



Employees'
opinions



Anna Strohm

Associate Director,
Marketing, *Guhl*:

**Connecting with consumers
through authentic
communication**

Guhl has always been a brand defined by high-quality products that consumers can rely on. We are extremely proud that, today, it is also a brand that is known and valued for being close to its consumers and their everyday lives and needs – while also supporting sustainable choices. To me, the brand truly embodies the meaning of “Kirei”, contributing to a more beautiful life inside out. We are committed to building on this in the future and excited to connect with our consumers in new and meaningful ways.



Employees'
opinions



Yuki Tamura

Sanitary Business, Hygiene
Living Care Business,
Kao Corporation

**Promoting *Laurier* in the
Workplace to create a more
inclusive work environment**

Since 2024, I have been leading the promotion of *Laurier* in the Workplace. Through my efforts, I want people to recognize *Laurier* in the Workplace as one option for creating a workplace environment where everyone, regardless of menstruation, can work in comfort. In 2024, in addition to our internal ambassador activities, we expanded awareness through our first-ever event exhibitions and seminars, providing more opportunities than ever for people to learn about *Laurier* in the Workplace. As this initiative gains recognition and continues to grow through collaboration with companies, I feel a sense of responsibility. Moving forward, I aim to broaden our perspective to encompass a wider range of workplace environments and deepen our efforts.



Employees'
opinions



Makiko Kiyohara

est Brand Manager,
Prestige Brand Business,
Cosmetics Business,
Kao Corporation

**Bringing the light of intelligence
and the joy of exploration to
young people**

The Light up Curiosity Project was founded with the desire to share the light of intelligence and the joy of exploration—values cherished by *est*—with young people who have been deprived of learning opportunities due to various circumstances. Through this initiative, I have been deeply moved to witness just how many young individuals are brimming with dreams, talent, and ambition, and I have also been incredibly touched by the strong support this project has received from so many customers. Moving forward, we will continue this initiative to be a guiding light for young people with promising futures.

Additionally, with the establishment of the *est Plant*, we can now create cosmetics that are not only highly effective but also environmentally friendly, with fewer impurities and a reduced environmental impact. This aligns with the founding vision of Sofina: to provide high-quality and safe products to our customers. We remain committed to carrying forward this brand philosophy, ensuring our initiatives contribute to realizing a richer world.



Stakeholder engagement

A future without educational disparities: Bringing light to children's futures through learning support

Takeru Sakai

Deputy Representative,
Certified NPO e-Education

Certified NPO e-Education operates under the mission of “Delivering the best education to the ends of the world.” We provide education through technology, such as video lessons, to underprivileged children in four Asian countries.

Since 2022, est has been supporting our activities through the Light up Curiosity Project, guided by the belief that “We want to be a light for all those who seek knowledge.”

In Bangladesh and the Philippines, there is a significant educational disparity between urban and rural areas. Although every child should have the right to education, the reality is that these opportunities are not provided equally. To address this, est donates a portion of its product sales to support education through video lessons, helping to create learning opportunities for children in these regions. In FY2023, as part of a broader initiative to support education in developing countries, we collaborated with est to establish the Light up Curiosity Fund, which provides financial assistance to university students who, despite gaining admission, face economic hardships that prevent them from continuing their studies. This fund covers 4 years of university tuition. In

Bangladesh and the Philippines, many students are forced to abandon their education because they lack access to the money needed for annual tuition. Imagine how many dreams have been left behind with the thought, “Why me?” However, today, a light has begun to shine. In just 2 years, 882 students have applied for the Light up Curiosity Fund. After extensive discussions with the est team, we selected six passionate students from Bangladesh and the Philippines as scholarship recipients. These six scholars are now pursuing their dreams and ambitions through education. One of them, Felicity, a student at the University of the Philippines, shared her thoughts: “I did not grow up in a financially privileged environment, but thanks to being selected as an est scholar, I can continue chasing my dreams. My goal is to become a speech-language pathologist and give back to my local community by helping individuals with speech and hearing impairments.” Because of the Light up Curiosity Fund, students are able to continue learning. And now, these very students will become lights themselves, illuminating the path for the next generation. We hope to see this cycle of hope continue to grow.