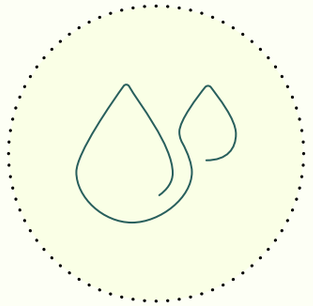
Water Conservation

GRI 303-1

Kao regards the sustainable use of water resources as one of the key issues in its management and is promoting company-wide initiatives on the theme of water conservation. To pass on limited water resources to the next generation, we aim to create sustainable value that supports safe, secure and comfortable living while coexisting with all life on Earth.



Risks

- Instability in the supply of raw materials and products and increased supply costs due to worsening water pollution and water shortages, as well as quality issues
- Decreased operating rate of manufacturing sites due to water intake restrictions, deterioration of occupational health environment
- Lawsuits and reputational risk from local residents and NGOs regarding corporate use of water resources

Opportunities

- Increased sales of products that use water efficiently and effectively, including water-saving products, and improvement in loyalty
- Stable operation of manufacturing bases through the strengthening of water management systems, including water quality, water volume and regulations
- Cost reduction through efficient use of water resources and the introduction of water-saving technology

Strategy

Overall	(1) Maintaining water quality and ensuring access to clean water	
Overall	(2) Efficient use and circulation management of water volume	
Overall	(3) Thorough compliance with laws and regulations within and outside Japan	
Products	(4) Development and deployment of products and technologies that enable the effective and efficient use of water	
External collaboration	(5) Sharing and collaboration with consumers and stakeholders	
External collaboration	(6) Strengthening the resilience of the Company and the region	

Metrics, targets and results

Metrics	Targets	2024 results
Water consumption in production (2)	–	16,048 million m^3
% reduction in water consumption per unit of sales at sites (Base year: 2005) (2)	45% in 2030	51%
% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal) (2) (5) (6)	100% in 2030	New
% reduction in full lifecycle water use per unit of sales (Base year: 2017) (2) (5)	10% in 2030	12%
Number of schools reached by water-saving activities for elementary school through the Let's Save Water Together program (2) (5)	–	587 Schools
Number of suppliers with activity level (water)*1 above the reference level*2 (6)	–	79 Companies

*1 Self-assessment based on the CDP Supply Chain Program
*2 three or more out of five

Initiatives

- Spreading rainwater harvesting systems in Indonesia and improving quality of life (1) (2)
- 3R activities at sites (2) (5)
- Popularization and expansion through the promotion of existing water-saving products, and reduction of water usage in usage situations (2) (5)
- Regulatory compliance (3)
- Launching new water-saving products and improving existing water-saving products (4)
- Water conservation education (Let's Save Water Together) (2) (5)
- Certification under the "Water Recycling Company Registration and Certification System" and introduction of initiatives at the Company Collaboration Fair (5)
- Water conservation activities in Indonesia in 2024 by the Kao Life-in-Harmony Foundation (5)
- Development of the "Wastefulness—Mottainai. Never today, nor tomorrow" Sad Stories of Water Campaign (5)
- Promoting water conservation activities in the supply chain using the CDP Supply Chain Program (6)
- Support in the event of a disaster (hair washing and hygiene support in situations where water is not available) (6)

Financial impact

- Sales revenue of products with water-saving effects 186.8 billion yen

Environmental and social impact

- Amount of contribution to reducing water consumption through products with water-saving effects 552 million m^3

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

Strategy

To reduce the risk of water conservation and create opportunities, we are implementing strategies that are unique to Kao, effective, and contribute to business growth and solving social issues.

Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao but will also be an important starting point for identifying new business opportunities that will drive growth. Water is a regional resource, and the status and challenges of the water cycle vary significantly by river basin. Differences in water quality, water volume, and related laws and regulations necessitate effective water resource management, pollution countermeasures and freshwater ecosystem conservation, along with on-site initiatives that respond to regional characteristics. Based on this, Kao recognizes the following social issues related to this theme.

- Expansion of water scarce area and aggregation of water shortage due to climate change
- Decline in the safety of water for human needs due to water pollution
- Localized overconsumption of water and expansion of droughts due to industrial activities
- Rapid increase in water demand due to urban development
- Insufficient development of water infrastructure (water supply and sewage systems) due to population changes

Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Unstable supply of raw materials and products and increased supply costs due to deterioration water pollution and water shortages, as well as water quality issues
- Decreased operating rate of manufacturing sites due to water intake restrictions, deterioration of occupational health environment
- Lawsuits and reputational risk from local residents and NGOs regarding enterprise use of water resources

Opportunities

- Increased sales of products that use water efficiently and effectively, including water-saving products, and improvement in loyalty
- Stable operation of manufacturing bases through the strengthening of water management systems, including water quality, water volume and regulations
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Strategy

Kao has formulated the following strategies to respond to the identified risks and opportunities. The conservation of water resources is an initiative based on our goal, “Become an Essential Company in Sustainable World,” which is the basic policy of the Mid-term Plan K27 and will have a significant impact on building a *“Global Sharp Top”* business. In order to fulfill its responsibilities as a company that uses water in its business, Kao will promote the sustainable use of water resources and protect future lives by analyzing issues related to water from multiple perspectives and proposing solutions that are tailored to the characteristics of the countries and regions where it conducts production and sales.

(1) Maintaining water quality and ensuring access to clean water

Maintain the quality of water in the areas where we operate and have sites and ensure sustainable access to clean water through initiatives tailored to regional characteristics.
ACTION: Expand communities that can secure clean water regardless of the rainy or dry season by utilizing rainwater.

Through this action, acquire opportunities to accumulate knowledge in line with regional characteristics and apply it to our business, such as product manufacturing, process development and product development.

Related initiative: P146 Spreading rainwater harvesting systems in Indonesia and improving QOL

(2) Efficient use and circulation management of water volume

Promote the 3Rs (reduce, reuse, recycle) of water resources throughout the entire value chain to achieve sustainable water use throughout the entire lifecycle.
ACTION: Implement the 3Rs at bases and in the value chain reduces water intake costs and avoids reputational risk, strengthening business resilience.

Related initiatives: P146 Spreading rainwater harvesting systems in Indonesia and improving QOL, P146 Reducing water consumption at sites (reusing wastewater), P145 Efforts during use

(3) Thorough compliance with laws and regulations within and outside Japan

Comply with international and domestic laws related to water.

ACTION: Respond to regulations concerning microplastics and other water pollution, promote the measure, incorporate advanced global-level harmonization to ensure business continuity in each market and build relationships of trust with local communities, thereby enhancing public confidence in Kao products.

(4) Development and deployment of products and technologies that enable the effective and efficient use of water

By applying Kao's unique surfactant and biotechnology, we develop products and technologies that use water effectively and efficiently to ensure the quantity and quality of water.

ACTION: Develop and market water-saving products and technologies to reduce the burden on consumers and improve customer loyalty, while also capturing growth opportunities in new markets.

Related initiative: P145 Efforts during use

(5) Sharing and collaboration with consumers and stakeholders

Share the importance of water conservation with consumers and partners, and work with stakeholders such as NGOs, associations, communities, and national and local governments to encourage behavioral changes throughout society.

ACTION: Collaborate with partners and stakeholders.

Related initiatives: P145 Efforts during use, P148 Introduction of efforts at the Water Cycle Company Registration and Certification System and at the Company Collaboration Fair, P145 Water conservation activities in Indonesia in 2024 by the Kao Life-in-Harmony Foundation (promoting rainwater harvesting systems and improving quality of life in Indonesia)

(6) Strengthening the resilience of the Company and the region

In addition to strengthening the resilience of the entire value chain in peacetime and developing a corporate structure that can respond flexibly in times of disaster, we contribute to strengthening regional resilience by providing products, information and support that reduce water stress on consumers.

ACTION: Utilize the CDP Supply Chain Program, utilize regional collaboration within the Kao Group in times of disaster.

Related initiatives: P145 Promoting water conservation activities in the supply chain using the CDP Supply Chain Program, P147 Support for people affected by the Noto Peninsula earthquake (hair washing and hygiene support in situations where water was not available)

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Vigorous demand for and high profitability of business as a company with efficient water use and management technology
- Increased consumer interest in water conservation leads to increased sales of environmentally friendly products
- Avoidance of litigation and fines by complying with regulations through innovative water resource efficiency and product development technology
- Reduction of production costs through water reuse and water conservation technology

Environmental and social impact

- Preservation of freshwater and ecosystems in the watershed where the sites are located
- Alleviation of water shortages in local communities through the efficient use of water resources
- Reduction of health risks for residents and improvement of living environments through water quality conservation
- Reduction of the burden of water and sewage charges on residents through the use of water-saving products

Strategic resilience

Through strict adherence to water quality conservation and environmental regulations, as well as by promoting improvements in the water usage and management capabilities of our suppliers, we strive to strengthen our management systems for sustainable water resource management and the technological development that supports them. In addition, we aim to achieve sustainable management by utilizing our technological assets, by developing highly transparent corporate activities based on ESG and by making efficient use of water usage and management through the application of Kao's core technologies, such as surfactant and biotechnology, to water conservation. Furthermore, we continue to build relationships of trust with consumers and NGOs, and work to minimize the risk of litigation. This allows us to respond flexibly to regulatory tightening and market changes, enhancing the resilience of our business, and even in the event that risks do materialize, we are able to recover quickly and build a system that allows for sustainable business operations.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to track progress toward achieving these targets.

Targets and progress

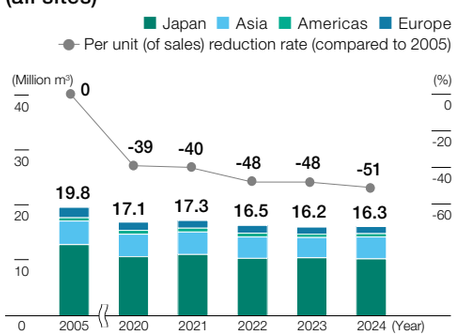
Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(2)	% reduction in water consumption per unit of sales at sites (Base year: 2005)	39% reduction	40% reduction	48% reduction	48% reduction	51% reduction	45% reduction	2030
(2) (5)	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	5% increase	5% increase	3% reduction	6% reduction	12% reduction	10% reduction	2030
(2) (5) (6)	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal)*1	Actual results will be disclosed starting in 2026 due to the newly set target for 2025.					100%	2030

*1 Change in metrics and target values

The water use over the entire product lifecycle (Kao Group) decreased by 16 million m^3 compared to the previous year. This was due to factors such as the inclusion of data on the water-saving rates and diffusion rates of water-saving equipment, and an increase in the sales ratio of products that contribute to reducing water use at the usage stage, such as laundry detergents and dishwashing detergents that enable one rinse. In addition, there was also an impact from the increase in sales due to the passing on of price increases caused by soaring raw material prices, and the per-unit (of sales) reduction rate decreased by 12 points compared to 2017.

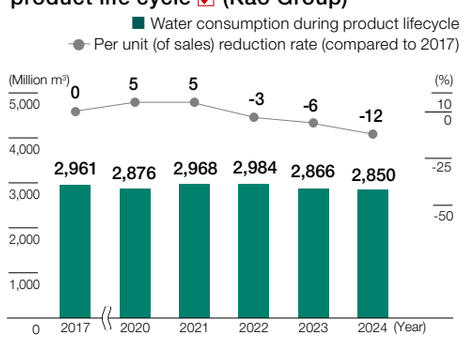
We will continue to expand the range of products that use water effectively and efficiently.

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

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(2)	Water consumption in production (1,000 m^3)	16,228	15,921	16,048
(6)	Number of suppliers with activity level (water)*1 above the reference level*2 *1 Self-assessment based on the CDP Supply Chain Program *2 three or more out of five	35 Companies	58 Companies	79 Companies
(2) (5)	Number of schools reached by water-saving activities for elementary school through the Let's Save Water Together program	459 Schools	533 Schools	587 Schools
(4) (5)	Sales revenue of products with water-saving effects* * Company-specific standards	157.3 billion yen	167.6 billion yen	186.8 billion yen
(2) (5)	Water conservation: Amount of contribution to reducing water consumption through products with water-saving effects* * Company-specific standards	526 million m^3	523 million m^3	552 million m^3

Water withdrawal amount by source (Million m^3)*2 ☑ (all sites)

	2021	2022	2023	2024
Surface water	0	0	0	0
Brackish water / seawater	0	0	0	0
Rainwater	0	0	0	0
Groundwater (renewable)	5.4	5.4	5.5	5.2
Groundwater (not renewable)	0	0	0	0
Oil-contaminated water / process water	0	0	0	0
City water	11.9	11.1	10.7	11.0
Wastewater from other organizations	0.01	0.03	0.05	0.10

*2 Boundary: All Kao Group sites

Wastewater discharge by destination (Million m^3)*3 ☑ (all sites)

	2021	2022	2023	2024
Rivers / lakes	2.9	2.8	3.1	3.0
Brackish water / seawater	5.7	5.0	4.9	5.2
Groundwater	0.0	0.0	0.0	0.0
Sewage system	2.9	2.7	2.5	2.7
Wastewater to other organizations	0.0	0.0	0.0	0.0
Total	11.4	10.5	10.5	10.8

*3 Boundary: All Kao Group sites

Governance

A governance structure centered on the ESG Managing Committee, which meets six times a year, has been established to appropriately manage issues and opportunities related to water conservation. The Committee reports and discusses the progress of KPIs and the need for additional KPIs at least once a year to ensure prompt decision-making. In addition, the ESG External Advisory Board, made up of external experts, makes recommendations, and a system has been established to reflect external perspectives in management.

Furthermore, as a specific initiative focused on water conservation, the Responsible Care Promotion Committee, chaired by the Managing Executive Officer (Corporate Planning) meets once a year. This committee formulates policies, plans for the next fiscal year, evaluates performance, identifies areas for improvement and reports the results of these activities to the Internal Control Committee.

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.

P34 Our ESG Vision and Strategy > Governance

Responsible Care (RC) activities
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/our_foudations2025-e-02.pdf

Risk and opportunity management

Policies

In implementing water conservation, Kao has formulated the following policies as guidelines for daily operations and decision-making. For details, please see the website.

- 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/
- Designing Eco-Friendly Products
  https://www.kao.com/global/en/sustainability/klp/policy/eco-products-policy/
- Policies for Procurement
  https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/

Management process

The status of our initiatives to address the risks and opportunities associated with water conservation is managed through the following processes: planning, implementation, evaluation of results, and corrective action, and we are working to make steady improvements.

<Overall>

P (Planning)

Design of activities for the following year (November-December), approval of targets (February)

D (Implementation)

Improvement and promotion of activities (from February)

C (Evaluation of results)

Reporting of results in the Sustainability Report (June), reporting of results in CDP (October)

A (Corrective action)

Reflection and identification of areas for improvement (October)

<Site>

P (Planning)

The Responsible Care Promotion Committee formulates company-wide targets (September) and annual plans for each site (February)

D (Implementation)

Improvement and promotion initiatives.

C (Evaluation of results)

Internal inspection (June), RC secretariat audit, ISO 14001 internal audit, external audit, etc. (around August)

A (Corrective action)

Corrective requests within the workplace, corrective action requests from the ISO Central Secretariat, corrective action requests from the RC Secretariat, etc. (as needed)

Initiatives

Kao is engaged in a variety of initiatives aimed at water conservation. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking.

	Strategy	Initiatives		
Overall	(1) Maintaining water quality and ensuring access to clean water	Spreading rainwater harvesting systems in Indonesia and improving quality of life		
	(2) Efficient use and circulation management of water volume	3R activities at sites (Use of gray water in Quimi-Kao, etc.)	Popularization and expansion through the promotion of existing water-saving products, and reduction of water usage in usage situations	
	(3) Thorough compliance with laws and regulations within and outside Japan	Regulatory compliance		
Products	(4) Development and deployment of products and technologies that enable the effective and efficient use of water	Launching new water-saving products and improving existing water-saving products		
External collaboration	(5) Sharing and collaboration with consumers and stakeholders	Water conservation education (Let's Save Water Together)	Certification under the "Water Recycling Company Registration and Certification System" and introduction of initiatives at the Company Collaboration Fair	Water conservation activities in Indonesia in 2024 by the Kao Life-in-Harmony Foundation (promoting rainwater harvesting systems and improving quality of life in Indonesia)
		Development of the "Wastefulness—Mottainai. Never today, nor tomorrow": Sad Stories of Water Campaign		
	(6) Strengthening the resilience of the Company and the region	Promoting water conservation activities in the supply chain using the CDP Supply Chain Program	Support in the event of a disaster (hair washing and hygiene support in situations where water is not available)	

Efforts during use

Region: Japan

Corresponding strategies: (2) (4) (5)

As water consumption during the product use stage accounts for around 90% of water consumption across the entire lifecycle, we are providing water-saving products that meet diversifying needs 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. Even with front-load washers that use less water, it is possible to wash clothes with just one rinse. In 2024, the product was improved to achieve sterile-level deodorizing power that goes beyond disinfectant and antibacterial detergents by fundamentally cleaning the "bio-film," one of the key causes of return of odor. *The Attack ZERO Perfect Stick*, a stick-shaped laundry detergent, also makes it possible to use one rinse cycle even though it is a powder detergent. In 2024, we launched the *Attack ZERO Perfect Stick for Indoor Drying*, which eliminates the musty smell that often occurs when clothes are dried indoors, and we are responding to diversifying needs. Detergents that make it possible to use one rinse cycle are available 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. 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. As part of the Kao "Wastefulness—Mottainai. Never today, nor tomorrow." Campaign, in 2024, we published the "Sad Story of Water" (14 episodes in total) on Instagram to share key points for saving water in everyday life. We have also published a video on YouTube about eco-shampooing, a technique we

developed to wash hair with less water, to raise awareness among consumers. Communicating ways to conserve water while offering products with water-saving effects truly embodies “eco together,” the slogan of the Kao Environmental Statement.

Wastefulness—Mottainai. Never today, nor tomorrow.
https://www.kao.com/jp/mottainai/

Reducing water consumption at sites (reusing wastewater)

Region: Quimi-Kao S.A. de C.V.
Corresponding strategies: (2) (5)

The Kao Group is promoting water conservation at each of its sites, and in particular, each plant is working continuously to achieve its water consumption reduction targets. We believe that this activity will lead to the conservation of the watersheds from which the plants draw water, and we are working to reduce water usage and reuse water from the perspective of the 3Rs.

In Guadalajara, Mexico, where Quimi-Kao S.A. de C.V. (hereafter, Quimi Kao), an associated company outside Japan of the Kao Group, is located, many companies use groundwater. However, the amount of groundwater is decreasing year by year, and this has become a serious problem.

Therefore, a project to lay recycled wastewater pipeline was launched by Jalisco state government where Guadalajara is located, and five neighboring companies including Quimi Kao, it is a first wastewater reuse in Mexico.

The wastewater from five neighboring companies, including Quimi Kao, as well as domestic wastewater from Guadalajara and other areas, is purified at the El Ahogado wastewater treatment plant to a quality between that of tap water and sewage (gray water). By reusing this wastewater as gray water, the amount of industrial water taken can be reduced.

Quimi Kao was quick to join this project and aims to have a plant that operates entirely using recycled water from gray water in the future.

Spreading rainwater harvesting systems in Indonesia and improving QOL

Region: Indonesia
Corresponding strategies: (1) (2) (5)

There are still many people in the world today who are unable to wash properly due to a lack of water. Kao, which has set itself the purpose of “creating a Kirei world where all can live together in harmony,” established the Kao Life-in-Harmony Foundation (hereafter, the Foundation) in September 2023.

The Foundation is working with a local company, PT. Gama Inovasi Berdikari* (GIB), which is developing and promoting rainwater harvesting and purification systems in cooperation with local governments in Indonesia, to help solve the country’s serious water issues. The Foundation is also promoting the Program RAIN (Rahmat Allah untuk

INdonesia = God's Blessings for Indonesia) initiative, which supports the spread of the systems and aims to achieve a sustainable lifestyle through the provision of hygiene information and education.

The Foundation conducted a field survey with GIB and installed seven rainwater storage tanks (with a capacity of 5,000 liters) in Girimulyo Village, Panggang City, Gunung Kidul Regency, which is known as a region in Indonesia where water is particularly difficult to secure. The tanks are equipped with a simple and effective filtration system developed by Universitas Gadjah Mada and are designed to be sustainable, so that local residents can maintain and manage them themselves. They are installed in public places, such as kindergartens and places that can be shared by

multiple households, mainly for hygiene-related activities like washing and bathing.

In addition, by obtaining the cooperation of village residents who have experience and knowledge of construction work for the installation work, we have contributed to job creation and the revitalization of the local economy. Through this initiative, we were able to deepen our relationship of trust with the residents and local leaders and also build a cooperative relationship with the public works officials of the city and prefecture.

During the site visit, we received words of thanks and saw children washing their hands with water from the rainwater storage tank, which allowed us to truly feel the results of our initiatives. In the future, we will continue to contribute to improving the quality of life of local residents by working more closely with the community to gain a detailed understanding of their living conditions and expanding our support.

* Director: Ridha Nurul Azizah

Support for people affected by the Noto Peninsula earthquake (hair washing and hygiene support in situations where water was not available)

Region: Japan

Corresponding strategy: (6)

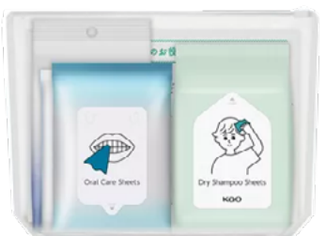
During times of drought or natural disaster, there are situations where the use of water is restricted. In order to support the hygiene of consumers living in such situations, products that can reduce the use of water and products that allow people to live hygienically without using water are needed.

Since its founding, Kao has continued to operate businesses related to "cleanliness, hygiene and *Kirei*," and has provided the market with many products that use water, but it is also working on the development of products that can contribute to lifestyles with limited water use.

In the wake of the Noto Peninsula earthquake that occurred on New Year's Day 2024, we provided support by supplying goods in response to government requests immediately after the earthquake. The relief supplies included items such as alcohol-based disinfectant, sanitizing detergent for use in the fight against norovirus, simple laundry bags, mouthwash, body sheets, dry shampoo and *Waterless Hygiene Sets* to support hygiene in environments where only limited amounts of water could be used.

Restrictions on water resources can cause a great deal of stress in people's lives. Through these kinds of initiatives, we will contribute to the sustainable use of water resources and the securing of sanitary environments in more regions and situations.

Providing a New Round of Kao Household Goods Sets to Support People Living in Temporary Housing
https://www.kao.com/jp/newsroom/news/release/2025/20250305-001/



The Kao *Waterless Hygiene Sets* contains four items that help people stay clean even without access to water.

Introduction of efforts at the Water Cycle Company Registration and Certification System and at the Company Collaboration Fair

Region: Japan

Corresponding strategies: (2) (5)

In 2024, Kao was certified as a Water Cycle ACTIVE Company, actively implementing initiatives related to the water cycle, under the Water Cycle Company Registration and Certification System established by the Secretariat of the Headquarters for Water Cycle Policy. By increasing incentives through certification and further promoting corporate initiatives, this approach is intended to address water cycle. In the first year, 2024, 89 businesses were certified. The certification has two categories—Water Quantity & Quality and Human Resources & Funds—both of which recognize initiatives that contribute to water cycle improvement. Kao received certification for its Reducing Water Usage at All Sites initiative and Let's Save Water Together program. Sixteen companies received certification in both categories.

Kao Certified as a Water Cycle ACTIVE Company in Japan by the Secretariat of the Headquarters for Water Cycle Policy
https://www.kao.com/global/en/newsroom/news/release/2024/20241218-001/

• Reduction of water usage at all business sites

Kao promotes water conservation in all its activities, including production, research and business. In our plants, we use water for product compounding, as well as for cleaning and cooling equipment. At our plants we are reducing water usage and recycling water from the perspective of the 3Rs (reduce, reuse, recycle). We believe that these efforts will also lead to the conservation of the watersheds that we use as water sources.

• Let's Save Water Together program

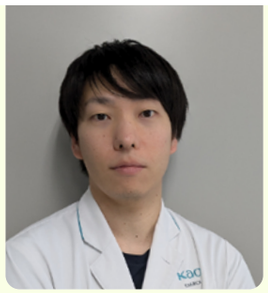
We offer the Let's Save Water Together program, which is designed to help children learn about water saving by incorporating it into elementary school classes. Furthermore, we aim to spread water saving to consumers of wide range of age by having elementary school children share the water saving habits they have learned through this program at their home.

Regarding this program, The Secretariat of the Headquarters for Water Cycle Policy held Collaboration Fair after we received the certification. By introducing the above initiatives to the participating organizations and companies and exchanging opinions, we cooperated in promotion of the initiatives of the registered and certified companies.

Report on the FY2024 Water Circulation Corporate Partnership Fair
https://www.cas.go.jp/jp/seisaku/mizu_junkan/category/event_webinar.html

Employees' opinions

A new way of washing that is gentle on the skin and the environment, simply by bathing



Yuito Muroi
Skin Care Products Research 4,
Business Development Research Center, R&D
Kao Corporation

At our Skin Care Products Research, we are developing gentle cleansing agents that both remove dirt from the skin and reduce the irritation caused by cleansing.

In recent years, skin problems have become more complex due to the increasingly harsh external environment, with large temperature differences and strong ultraviolet rays. While more and more people are washing their hands to gently wash their skin, we have received feedback such as "I can't wash my back thoroughly," "It takes time and effort to wash my whole body gently with my hands," and "I'm worried about the friction even when I wash my hands." Therefore, we have collaborated with Packaging Technology Research, which develops tools and devices, to develop the *Bioré-u the Body Foaming Type for Shower Head*, which gently washes the entire body without rubbing the skin.

The shower head we developed has a built-in tank for body wash in the head, and when the switch on the handle is set to foam mode, the cleaning liquid, a mixture of body wash and hot water, is sprayed out as a shower. In addition, since this product is non-electric, it can be easily used by simply replacing the shower head at home.

By washing with this cleaning solution, the cleaning ingredients lift the dirt, and the bubbles and water flow effectively remove the lifted dirt. Furthermore, compared to conventional cleaning methods, the concentration of the cleaning agent that comes into contact with the skin is lower*, allowing you to wash while protecting the skin's moisture. After repeated investigations into the cleaning ingredients suitable for use in showers, as well as the optimal discharge and foam volumes, we have achieved the same level of cleansing power as washing your hands, while also being gentle on the skin.

This new washing habit of gently washing your entire body with just a shower can reduce the amount of water used compared to conventional washing methods. By showering with body wash and hot water, rinsing becomes easier than with conventional washing methods, reducing the time spent rinsing. The shower head itself also has a water-saving function, which means that by simply adopting this new washing habit, you can achieve a gentle washing method that is both kind to your skin and the environment.

Rather than forcing people to adopt new washing habits, we want to continue our research with the aim of developing products that people will want to use, enabling them to wash in a way that is gentle on both the skin and the environment.

*Comparison within Bioré Body Wash

Stakeholder engagement

Toward the further expansion of water targets, strategies and on-site activities: Contextual water targets and collective action in river basins

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With water-related risks such as flooding, drought and pollution becoming more and more pronounced in various parts of the world, there is increasing demand for companies to take action and disclose information about water. In this context, it can be said that Kao's water initiatives are making steady progress. In particular, the company's revision of its water strategy and the formulation of a new one, along with the establishment of a medium- to long-term strategy that focuses not only on water usage but also on the environment of the value chain, is a major step forward.

As the next step in the water strategy, I would like to see Kao adopt contextual targets, which are targets that consider the current situation. As Kao is already aware, water is a regional resource, and the risks and challenges differ greatly depending on the location. Contextual targets take into account these regional variations. For example, in areas with a high risk of drought, more ambitious water usage reduction targets would be set than in areas with a low risk of drought. Kao has already partially adopted this approach and is currently working on a plan to set targets tailored to the characteristics of each manufacturing site in regions with water scarcity. In the future, it is expected that the company will set targets that reflect the situation from a variety of perspectives, including water quality, water governance, WASH and flooding, in addition to water usage.

In addition, Kao is gradually beginning to implement local activities while also reviewing its systems, such as its strategies and goals. When promoting collaboration with stakeholders, the key concept from a water perspective is that of a basin. It is essential to take a comprehensive view of the water environment and freshwater ecosystems that nurture water, which is essential for business. This includes considering not only the company's own operations but also the upstream and downstream areas, looking at the entire water cycle and natural environment. Moreover, collective action is important in comprehensively understanding and addressing these issues. Water risk cannot be solved by a single company. For example, in a river basin where pollution is a problem, simply tightening the effluent treatment standards at a single plant located there will not solve the issue. Only when many stakeholders involved with the river basin, including companies, government agencies and local residents, from upstream to downstream, understand the common issues and work together to address them, will a solution begin to emerge.

Kao, which is developing its business globally, also has a huge impact on society. I hope that Kao will continue to lead the way in corporate water initiatives, particularly by promoting initiatives that are essential for protecting water and the natural environment. This includes setting contextual targets and taking collective action in priority basins identified through water risk analysis.