


# Full Transparency

Kao promotes ESG *Yoki-Monozukuri* that incorporates ESG perspectives. To make the right choices for people, society and the planet, it is important to ensure full transparency for all stakeholders, both inside and outside the company. By actively disclosing information about Kao's products and initiatives and building strong relationships of trust with all stakeholders, we will realize the basic policy of our Mid-term Plan K27, which is to become an essential company in a sustainable world.

Risks		Strategy		Metrics, targets and results			Initiatives	Financial impact
<ul style="list-style-type: none"><li>• Poor sales due to a decline in product appeal arising from a lack of reflection of the needs and demands of consumers, customers, and society in products, combined with a deterioration in reputation caused by a lack of and delay in information dissemination</li><li>• Decrease in trust and loss of business opportunities due to insufficient and delayed information dissemination to consumers, customers, and society caused by the lack of development of information infrastructure</li><li>• Decline in position and exclusion from the market in a competitive market based on sustainability</li><li>• Delay in responding to social issues such as climate change and loss of biodiversity due to delays in disclosing sustainability information</li></ul>		Disclosure of Information	(1) Disclosure of information on ingredients and themes of high social interest	Metrics  Percentage of consumer product brands for which people can easily access complete ingredients information (1)	Targets  100% In 2030	2024 results  22%	Disclosure of information on ingredients and themes of high social interest that anticipate social needs (1)	<ul style="list-style-type: none"><li>• Higher sales by strengthening ties with customers through information disclosure</li><li>• Lower costs by improving information infrastructure</li><li>• Lower capital costs and higher long-term return on capital through sustainability information disclosure</li></ul>
			(4) Action for sustainability information disclosure				TNFD: Information disclosure regarding the Task Force on Nature-related Financial Disclosures (4)  <a href="https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-tnfd.pdf">https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-tnfd.pdf</a>	
Opportunities		Information Infrastructure	(2) Improve communication and internal activities through the development of information infrastructure				Promotion of the Kao ESG Data Platform Project to support full transparency (2)	<ul style="list-style-type: none"><li>• Empowering consumers to enjoy a higher quality of life through the disclosure of ingredients and product information</li><li>• Improving customers' sustainability activities through the provision of product information</li><li>• Helping to improve the transparency of society through leadership by example</li></ul>
			Information Control					

Walking the Right Path

Effective Corporate Governance

> Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

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

## Strategy

To reduce risks and create opportunities arising from transparency, and to foster trust with stakeholders, we are implementing strategies that are characteristic of Kao, are effective, and contribute to business growth and the resolution of social issues.

### ■ Social issues

For Kao to remain a sustainable and competitive entity, having a firm grasp of social issues is essential. This will not only mitigate business risks for Kao but also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Increased risk of the spread of false information and the proliferation of product, brand and company reputations due to the development of the information society.
- Increased use of sustainability information in consumer product selection due to the spread of ethical consumption.
- Expansion of product information disclosure requests in line with the strengthening of sustainability activities by major global distribution and retail companies
- Compliance with sustainability information disclosure standards in the world (IFRS S1 and S2, CSRD, TCFD, TNFD etc.)

### ■ 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

- Deterioration of reputation and decline in sales due to a combination of a lack of information dissemination and delays, in addition to the inability to incorporate the needs and requests of consumers, customers and society into products and services at the level expected or exceeding expectations.
- Decrease in trust and loss of business opportunities due to insufficient and delayed information dissemination to consumers, customers, and society caused by the lack of information infrastructure.

- Decline in position and exclusion from the market in a competitive market based on sustainability
- Delay in responding to social issues such as climate change and loss of biodiversity due to delays in disclosing sustainability information

#### Opportunities

- Increase in corporate value and sales through improvement of reliability and sense of security of Kao and Kao products among consumers, customers and society.
- Increase in sales through strengthened collaboration with customers by providing product information
- Increase in corporate competitiveness through an accurate grasp of the needs and demands of consumers, customers and society, and reflecting this in product development.
- Promotion of digital marketing, including ESG and related information
- Contribution to a sustainable and prosperous society and to nature through the disclosure of sustainability information.

### ■ Strategy

Kao has formulated the following strategies in response to the identified risks and opportunities. Improving information transparency and strengthening relationships of trust through proactive two-way communication with all stakeholders, including consumers, customers, and society, is an important strategy for achieving one of the basic policies of the K27 Medium-term Plan. That policy is: to become an essential company in a sustainable world. To realize a Kirei World in which all life lives in harmony, which is the mission of Kao's corporate philosophy (The Kao Way), and through it we aim to further strengthen our relationships of trust with all stakeholders, and to improve social trust and achieve sustainable development.

#### (1) Disclosure of information on ingredients and themes of high social interest

By actively disclosing information on socially noteworthy ingredients and themes such as fragrances, we aim to improve the reliability of Kao and Kao products, while also contributing to consumers making the right choices and leading fulfilling lives.

Related initiative: [P183](#) Disclosure of information on ingredients and themes that are of high social interest, anticipating social needs

#### (2) Improve communication and internal activities through the development of information infrastructure

We accurately ascertain the needs of consumers, customers, and society and use this information to develop products and formulate strategies that ensure our competitive advantage. At the same time, we are developing an information infrastructure related to ESG

data that will enable us to quickly and accurately ascertain information on the entire Kao Group and on individual products and use this information to communicate with consumers and customers.

Related initiative:  Promotion of the Kao ESG Data Platform Project to support full transparency

### (3) Maintain and control information quality based on international standards and scientific knowledge

Through our daily work, we strive to gain knowledge through interactions with industry groups and academia, and we practice manufacturing based on international standards and the latest scientific knowledge, as well as maintaining and managing highly transparent, high-quality information, to ensure the reliability and innovation of Kao.

### (4) Action for sustainability information disclosure

We make use of the information infrastructure of Strategy 2 to compile ESG-related data, and we actively respond to information disclosure obligations such as legal regulations, as well as questions from various organizations regarding ESG-related information such as chemical substance management, CDP, and S&P, and TCFD\*1 and TNFD\*2, as information disclosure for people, society, and the planet.

 Our Progress > Decarbonization

 Initiatives for Biodiversity  
<https://www.kao.com/global/en/sustainability/nature/biodiversity/>

\*1 TCFD: The Task Force on Climate-related Financial Disclosures

\*2 TNFD: The Task Force on Nature-related Financial Disclosures

### Impact generated by implementing the strategies

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

#### Financial impact

- Higher sales by strengthening ties with customers through information disclosure
- Lower costs by improving operational efficiency and accuracy through the development of information infrastructure
- Lower capital costs and higher long-term return on capital through sustainability information disclosure

#### Environmental and social impact

- Empowering consumers to enjoy a higher quality of life through the disclosure of ingredients and product information

- Improving customers' sustainability activities through the provision of product information
- Helping to improve the transparency of society through leadership by example

### Strategic resilience

Two-way communication that accurately captures external interest and proactive information disclosure can greatly contribute to improving social trust. In addition, through developing advanced information infrastructure, it is possible to achieve sustainable development by contributing not only to external communication but also to improving the quality of internal activities.

## 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

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. Also, we have set the target of making all our brands selling consumer products transparent brands by 2030.

In addition to information that is required to be disclosed by law, we have also been promoting the disclosure of fragrance ingredient names as an activity to voluntarily disclose information that consumers are seeking.

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Percentage of consumer product brands for which people can easily access complete ingredients information	9%	12%	18%	22%	22%	100%	2030

With regard to the disclosure of fragrance ingredient names, we have finished developing a system to improve disclosure efficiency, and are proceeding with disclosure in stages while considering product development plans. There was no disclosure for new brands, but in the household products field, we disclosed and updated fragrance ingredient names for 32 items,

including two new products. In the cosmetics field, we disclosed information about 62 items.

In Japan, there has not been the same level of demand for the disclosure of fragrance ingredients as we had expected, so we are proceeding with disclosure mainly for product categories that are high priority. However, we have not yet disclosed all categories, and progress is delayed.

For disclosure of ingredients that are attracting public attention, please refer to Safer Healthier Products.

 Our Progress > Safer Healthier Products

We established the platform for ESG information by managing projects in Europe, the United States, and Asia, as well as developed the IT environment and launched the application as scheduled. We are currently working on the following development themes, and everything is progressing as planned.

## Governance

Under the supervision of the Board of Directors, ESG is in charge of promoting activities, and the head of ESG Global Action Promotion supervises these activities. The ESG Managing Committee regularly checks the progress of projects related to system construction and data infrastructure development, and works to ensure progress.

Furthermore, under the ESG Promotion Meeting, which is a subordinate organization of the ESG Managing Committee, we have established a task force with the aim of appropriately disclosing product information, and are building a system to accelerate global and divisional activities.

 Our ESG Vision and Strategy > Governance

## Risk and opportunity management

### ▀ Policies

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

 Fragrance Policy  
<https://www.kao.com/global/en/innovation/safety-quality/fragrance-policy/>

### ▀ Management process

Regarding the disclosure of fragrance ingredient names, the business entity discloses and updates information in accordance with the business plan. The task force compiles progress data once a year and reports on KPI performance to the ESG Managing Committee. In addition, when an unexpected issue arises, a meeting is convened on an ad hoc basis to resolve the issue.

The status of initiatives related to the Kao ESG Data Platform Project is managed through the planning, implementation, evaluation, and correction processes as described below, and steady improvements are being made. A meeting structure is set up for each activity unit and level, and the project manager is responsible for the overall progress of the project, while the project owner is responsible for final approval. Progress and results are reported to the ESG Managing Committee.

#### P (Planning)

Set activity design and goals when the project is launched. Obtain approval at the project owner meeting and proceed.

#### D (Implementation)

Promote activities in accordance with the development schedule for the project. For details of the activities, please see the initiatives (P183-184).

#### C (Evaluation of results)

Share the situation at the core leader meeting (each month) and the progress meeting (every week).

#### A (Corrective action)

Resolve issues at the project manager meeting. Each working group carries out the next PDCA cycle.

### ▀ Initiatives

Kao is taking various steps toward Full Transparency. These initiatives are based on the aforementioned strategies and are being promoted in coordination with each other toward the achievement of our goals. Here, we would like to introduce some of the important initiatives from among the many we are taking.

Strategy		Initiatives
Disclosure of Information	(1) Disclosure of information on ingredients and themes of high social interest	Disclosure of information on ingredients and themes of high social interest that anticipate social needs
Information Infrastructure	(2) Improve communication and internal activities through the development of information infrastructure	Promotion of the Kao ESG Data Platform Project to support full transparency

**Disclosure of information on ingredients  
and themes of high social interest that  
anticipate social needs**

Region: Global

Corresponding strategy: (1)

Kao promotes the disclosure of the names of fragrance ingredients contained in its products as an important initiative. We have been disclosing and updating information on new items and brands using a system that automatically links the list of fragrance ingredients introduced in 2022 to the Product Catalog on the website.

In FY2024, we disclosed and updated the names of fragrance ingredients for 94 products, including new products within existing brands, and the KPI achievement rate at the end of FY2024 was 22%.

The year 2025 is the halfway point towards our goal of achieving 100% transparent branding by 2030. Since the start of our activities, there has been a great deal of interest in fragrance ingredient disclosure, particularly in the European and American markets, so we have been focusing on building a disclosure system by forming a task force. On the other hand, while disclosure requirements in the Japanese market have been gradually increasing, they have not risen to the extent we initially expected. However, Kao believes that it is important to anticipate social needs. As a company that contributes to the realization of a sustainable society, we recognize the importance of taking proactive action ourselves rather than waiting for market trends.

In the future, we will continue to collect and disclose information on fragrance ingredients, while determining priorities based on our business plan and assessing market trends.

\* For details on ingredients other than fragrances that are of high social concern, please refer to Safer Healthier Products (P73).

[P73](#) Our Progress > Safer healthier products

## Promotion of the Kao ESG Data Platform Project to support full transparency

Region: Global

Corresponding strategy: (2)

Kao has launched the Kao ESG Data Platform Project with the aim of strategically utilizing ESG information and further improving transparency. This project is a company-wide initiative with the ESG director and the head of DX Solutions as the owner and representatives from the business, sales, R&D, and Enterprise Information Systems as core leaders. The project manager and working groups are in charge of the practical work, and the progress of the project is regularly reported to the ESG Managing Committee and the ESG Promotion Meeting.

In FY2024, we finished developing an application to consolidate ESG-related information on the cloud and link data together, as planned, to search for and aggregate the ESG-related information we were looking for. This system is already being used in full-scale operations, supporting the efficiency of responses to legal regulations and external inquiries, as well as ESG-driven *Yoki-Monozukuri*. For example, data collection and tabulation work that used to take several hours or even several weeks can now be completed in just five minutes or even a few dozen seconds in some cases. In addition, the adoption of a globally unified data source has greatly improved data reliability, allowing us to respond quickly and accurately to inquiries from major global distribution companies and research organizations.

Through these improvements, we can allocate the people and time that were previously required for surveys to higher value-added activities, and believe that this will help to improve the trust of our stakeholders and, in turn, generate new business opportunities.

In FY2025, we plan to further utilize the platform and data we have accumulated, and have already completed preliminary studies to expand the scope of the information we handle.

We will continue to strongly promote full transparency through ESG data-driven management and aim to further improve our business competitiveness while fulfilling our social responsibilities.

### Employees' opinions

## Towards Global, More Rapid and Transparent Disclosure of ESG Information

**Makiko Kimura**

PLM Group, Enterprise Business Excellence,  
Enterprise Information Systems, Digital Strategy



The Kao ESG Data Platform Project has been working on three main activities: (1) building an ESG data platform; (2) establishing global data links; and (3) visualizing ESG information using those data.

In building the ESG data platform, we have been working to consolidate information from various business areas, such as prescriptions, packaging containers, sales, and production information, which had previously been managed independently in each region and business area, into a data lake. The goal is to provide reliable data in a form that is easy for anyone to use. By connecting the data from each of these business areas globally, we have linked information from product design to sales across the entire Kao Group, transcending national borders. Until now, when product design and sales information crossed national borders, the information was fragmented and data was mainly linked manually. However, by building this data platform, we have established a more transparent and reliable data platform on a global scale. In addition, by utilizing this data platform, we can now respond more quickly to ESG-related inquiries from third parties, regardless of where the product was designed, manufactured, or sold.

It is not easy to continuously collect and utilize data that is both transparent and up-to-date on a global scale. However, this activity was made possible with the support of many colleagues both within and outside Japan. This project is the crystallization of the wisdom and technology of Kao members from around the world and across all divisions. I am very happy to have been able to participate in a project that will help accelerate ESG-driven management with such colleagues. We will continue to work towards the disclosure of ESG information that is even faster and more transparent.

Effective Corporate  
Governance

> Full Transparency

Respecting Human  
Rights

Human Capital  
Development

Inclusive & Diverse  
Workplaces

Employee Wellbeing  
& Safety

Responsible  
Chemicals  
Management