Message from Senior Vice President of ESG

GRI2-22

Trade-off to Trade-on: ESG as Competitive Strength

Our corporate philosophy, *The Kao Way*, calls on us to create a *Kirei* life for all — providing care and enrichment for the lives of all people and the planet. We pursue this through *Yoki-Monozukuri*, embedding ESG into how we innovate, operate, develop products, and create lasting value.

Yoki-Monozukuri is built on the principle of “Maximum with Minimum”: maximizing the value delivered by our products while designing out unnecessary resource use and environmental burden, creating stronger business performance, positive societal outcomes, and sustainable long-term returns.

Too often, sustainability is framed as a choice between performance and responsibility. Our experience has been the opposite. Through science and innovation, better outcomes for consumers, society, and the environment reinforce one another. This is what we call a trade-on: lower-burden, higher-performance products strengthen pricing power and customer loyalty. For us, ESG is not only a core pathway to realizing our corporate mission; it’s how we strengthen competitiveness and corporate value.

ESG: Accelerating *Global Sharp Top*

As we advance our mid-term plan K27 and build the foundations for future growth, ESG does not simply complement our strategy, it is positioned to accelerate it. Our *Global Sharp Top* strategy focuses on the solutions where society’s needs meet our distinctive strengths, and that is where we find opportunities to create innovations that are socially meaningful and competitively differentiated.

Take *CuCute*, our foam dishwashing detergent: a simple spray delivers powerful cleaning while using less water, helping people live more sustainably without changing their daily habits. For industry, our *STAY BRIGHT* metal-cleaning technology prevents rust without heat, so our B2B customers can cut operating costs and environmental impact at the same time. These are not compromises between performance and sustainability; they are proof that we can deliver both: Meeting our customers’ changing needs while sharpening our competitive edge with sustainable innovation delivers growth and contributes meaningfully to ROIC and EVA across the portfolio.

Our ability to create these “Trade-ons” is rooted in the design of our business model. We operate both consumer products and chemical businesses, with a vertically integrated supply chain that runs from key materials such as surfactants through to final product development and manufacturing. This lets us design for function and environmental performance together, from the raw-materials stage.

Palm and palm kernel oil show what this makes possible. As a key raw material behind the surfactants and cleaning bases at the heart of our products, they let us build in responsibility at the source: we continue to advance traceability to oil palm plantations — 91% in 2025, on the way to 100% by 2030. We also develop cleaning bases such as BIO IOS®, which turns previously underused parts of the fresh fruit bunch into a high-performance surfactant. This is how we turn sustainability into competitive edge, and exactly what our ESG strategy, the Kirei Lifestyle Plan, is designed to do: improve everyday life, reduce environmental burden, and strengthen corporate value.

Our work is far from complete and the opportunity ahead is significant. Our Scope 1+2 emissions are down 47% against our 55% target for 2030 — a target the SBTi has validated as consistent with 1.5°C — supported by renewable electricity, which now accounts for 78% of our consumption. The greater challenge is Scope 3: where most of our footprint resides, concentrated in raw materials and product use. Our strengths in innovation and chemical-to-consumer integration position us to drive change, but progress depends on collaboration across the entire value chain. We will continue working closely with suppliers and other stakeholders.

I believe Kao has the science, the integration, and the innovation capability to keep turning trade-offs into trade-ons and, by creating value for people, society, and the planet, to strengthen the cycle of trust, innovation, and growth that underpin our Corporate Purpose: *to realize a Kirei world, where all life lives in harmony.*

Junko Ohtani
Executive Officer
Senior Vice President, ESG