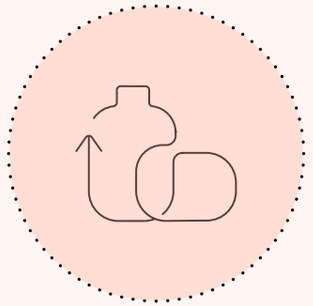
Safer Healthier Products

We foster peace of mind and trust among consumers and customers based on four pillars: the proactive information provision regarding ingredients of concern or of particular interest to society, the development of safe products, the utilization of evaluation methods based on scientific evidence, and collaboration with the government and industry.



Risks

- A lack of proper understanding or misinterpretation of the safety of specific ingredients or products may increase concerns among consumers, customers, and society, potentially leading to decline in product sales
- The use of ingredients of safety concern may result in a drop in corporate and brand reputation and trust, a loss of sales opportunities, as well as a decline in the company's stock price
- Competitors' disclosure of product safety information earlier than the Company's may erode the Company's brand value and result in lost business opportunities

Opportunities

- Fostering accurate understanding and peace of mind among consumers and customers regarding the safety of ingredients and products can enhance brand value and loyalty, and drive business growth
- Indicating our policies on ingredient use can help enhance reputation and trust among consumers, customers, and society
- Proactive initiatives to provide information related to safety can cultivate new customer segments and expand sales opportunities

Strategy

Overall	(1) Transparent information disclosure
Overall	(2) Proactive information provision regarding ingredients with a high level of vague concern in society
Products	(3) Use of safe ingredients and development of safe products
Products	(4) Utilization of scientific evaluation methods
Communication	(5) Promotion of understanding through communication
Communication	(6) Collaboration with industry associations and government

Metrics, targets and results

Metrics		Targets	2025 results
% of targeted ingredients of concern on which views are disclosed (1)		100% 2030	87%
Number of ingredients of concern on which views are disclosed (2)		30 2030	26
Number of people reached the disclosure web-site about ingredients contained in Kao' products (5)	Ingredients contained in Kao's product	–	49,606
	Ingredients we do not use	–	2,124

Initiatives

Establishment of a plan for disclosing our ingredient policy (1) (2)
Use of safe ingredients and development of safe products (3) (4)
Acting in anticipation of chemical regulations through communication and industry activities (5) (6)

Financial impact

- Prevention of sales decline in sales in Kao's Consumer Products Business, which accounts for approximately 80% of Kao's sales, by strengthening the provision of accurate safety information
- Enhancement of our brand value owing to accurate proactive information provision, and a stable foundation for revenue owing to reinforced long-term customer loyalty
- Development of new markets and customer segments, and greater opportunities for revenue owing to proactive initiatives related to safety and ingredients
- Avoidance of penalties and costs for additional action owing to rapid response in an information society and stricter regulations

Environmental and social impact

- Prevention of damage to consumers' health, as well as environmental pollution
- Contribution toward building and effectively operating social system aimed at ensuring the safety of ingredients and products
- Improvement in information literacy among consumers through the dissemination of accurate information in an information society, and preventing confusion caused by misinformation, resulting in a decrease in consumer inquiries
- Contribution toward building a fair society where everyone can access accurate information and benefit from safe and reliable products

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

Strategy

We are executing effective strategies that are unique to Kao and that contribute to growing businesses and solving social issues, with the aim of reducing risks and creating opportunities in delivering safer healthier products.

Social issues

An accurate understanding of social issues is essential for Kao to continue to be a sustainable and competitive company. Understanding social issues can not only help reduce Kao's risk in business but also serve as a key driver in identifying new business opportunities to stimulate growth. Kao recognizes the following social issues in relation to this theme:

- A rise in vague concerns regarding the safety of ingredients and products among consumers, customers, and society
- Enhancing access to information and the spread of misinformation among consumers with the advancement of information society
- Issue of striking a balance between the risk of excessive regulation based on the precautionary principle and enjoying the benefits of chemical substances

Risks and opportunities

In a business landscape that has the social issues listed above, Kao faces various risks while also discovering new business opportunities. The identification of risks and opportunities is a critical process in formulating corporate strategies and initiatives. The major risks and opportunities that Kao has identified in relation to this theme are described below:

Risks

- A lack of proper understanding or misinterpretation of the safety of specific ingredients or products may increase concerns among consumers, customers, and society, potentially leading to decline in product sales
- The use of ingredients of safety concern may result in a drop in the corporate and brand reputation and trust, a loss of sales opportunities, as well as a decline in the company's stock price
- Competitors' disclosure of product safety information earlier than the Company's may erode the Company's brand value and result in lost business opportunities

Opportunities

- Fostering accurate understanding and peace of mind among consumers and customers regarding the safety of ingredients and products can enhance brand value and loyalty, and drive business growth
- Indicating our policies on ingredient use can help enhance reputation and trust among consumers, customers, and society
- Proactive initiatives to provide information related to safety can cultivate new customer segments and expand sales opportunities

Strategy

To respond to these identified risks and opportunities, Kao has formulated the strategies listed below.

We will ensure the safety of ingredients and products based on scientific evidence and assessment while also fulfilling accountability to gain the trust of consumers, customers, and society. These strategies are key pillars underpinning Kao's competitiveness, closely aligned with the core principle of the Mid-term Plan "K27"—"to become an essential company in a sustainable society"—as well as with the development of products that have exclusive uniqueness, and they support Kao's competitive edge. By leveraging synergy between Consumer Products Business and the Chemical Business, we drive the efficient and effective use of safe ingredients and the development of products with a high level of safety.

(1) Transparent information disclosure

We will provide safety information and Kao's policies based on scientific evidence, in an easy-to-understand way. Through transparent disclosure, we fulfill corporate accountability and address the concerns of consumers and customers, while also securing the trust of consumers, customers, and society.

Related initiative: P104 Establishment of a plan for disclosing our ingredient policy

(2) Proactive information provision regarding ingredients with a high level of vague concern in society

We will proactively provide information and Kao's policies in relation to the safety of such ingredients, as well as initiatives to reduce or eliminate the use of ingredients of concern. Through these efforts, we will build an environment where people can select products with peace of mind, while also enhancing stakeholders' understanding.

Related initiative: P104 Establishment of a plan for disclosing our ingredient policy

(3) Use of safe ingredients and development of safe products

Various divisions will consider human and environmental safety, antiseptic and antifungal properties, compliance with applicable laws and regulations, and other matters when designing formulas and selecting raw materials (including the substitution with safer ingredients) in the product development stage. Furthermore, we will systematically invest the necessary research and development resources and budget with respect to the development of materials with high

biodegradability and low environmental persistence, thereby enhancing our long-term capabilities to respond to regulations while also maintaining brand value and reducing litigation risk. Moreover, we will comply with chemical substance regulations in the countries and regions where our products are distributed, while promoting appropriate chemical substance management throughout our entire supply chain. For example, in Japan, we will maintain a 0% intentional use rate of Class I Specified Chemical Substances under the Chemical Substances Control Law in both products and raw materials. In addition, we will ensure reliability in products by performing comprehensive evaluations and checks based on how consumers actually use products, conducting tests in many different usage conditions, and implementing consumer panel evaluations. Through these efforts, we deliver safe and high-quality products to the market.

Related initiative: P105 Use of safe ingredients and development of safe products

(4) Utilization of scientific evaluation methods

We will utilize the latest scientific evaluation methods and information to ensure the safety of ingredients and products and thereby maintain and strengthen trust among society and stakeholders.

Related initiative: P105 Use of safe ingredients and development of safe products

(5) Promotion of understanding through communication

We will share information with consumers and customers to promote understanding about the safety of ingredients and products. In this way, we will build an environment where they can use products with peace of mind, while also maintaining and enhancing trust among consumers, customers, and society.

Related initiative: P105 Acting in anticipation of chemical regulations through communication and industry activities

(6) Collaboration with industry associations and government

We will deepen collaboration and communication with industry associations and governments in multiple countries and areas to help build a society with secure the safety of ingredients and products.

Related initiative: P105 Acting in anticipation of chemical regulations through communication and industry activities

Impact generated by implementing the strategies

The following financial, environmental and social impacts are expected to result from these strategies:

Financial impact

- Prevention of sales decline in sales in Kao's Consumer Products Business, which accounts for approximately 80% of Kao's sales, by strengthening the provision of accurate safety information
- Enhancement of our brand value owing to accurate proactive information provision, and a stable foundation for revenue owing to reinforced long-term customer loyalty
- Development of new markets and customer segments, and greater opportunities for revenue owing to proactive initiatives to provide information related to safety and ingredients
- Avoidance of penalties and costs for additional action owing to rapid response in an information society and stricter regulations

Environmental and social impact

- Prevention of damage to consumers' health, as well as environmental pollution
- Contribution toward building and effectively operating social system aimed at ensuring the safety of ingredients and products
- Improvement in information literacy among consumers through the dissemination of accurate knowledge in an information society, and prevention of confusion from misinformation, resulting in a decrease in consumer inquiries (UV absorbers: Safety-related inquiries decreased by approximately 40% after information was published on our website.)
- Contribution toward building a fair society where everyone can access accurate information and benefit from safe and reliable products

Strategic resilience

We have built resilience to respond swiftly to the concerns of consumers and customers with a highly transparent system for providing information about the safety of ingredients and products, as well as the adoption of assessment methodologies based on scientific evidence. We have also conducted awareness initiatives and ongoing brand value enhancement measures to differentiate ourselves from competitors. In this way, we have the flexibility to maximize business opportunities while minimizing risks related to sales decline and erosion of trust.

Metrics and targets

To enhance the effectiveness of our strategies, we set performance metrics related to risks and opportunities, and we periodically monitor our progress. We set targets and check their progress for metrics related to particularly significant risks and opportunities, thereby making continual improvements and steadily driving initiatives through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	% of targeted ingredients of concern on which views are disclosed	30% (56%)*	60% (100%)*	67%	77%	87%	100%	2030
(2)	Number of ingredients of concern for which views are indicated	10	18	20	23	26	30	2030

* Values in parentheses are based on the former definition.

In 2025, we successfully published a statement about adding three more ingredients that we do not use, on the basis of the Kao Chemical Stewardship Policy. We did not intentionally add

these ingredients to our products; however, from a global perspective, we selected them here and executed this plan as we understood that stakeholders' may have significant concerns about them.

Metrics and results

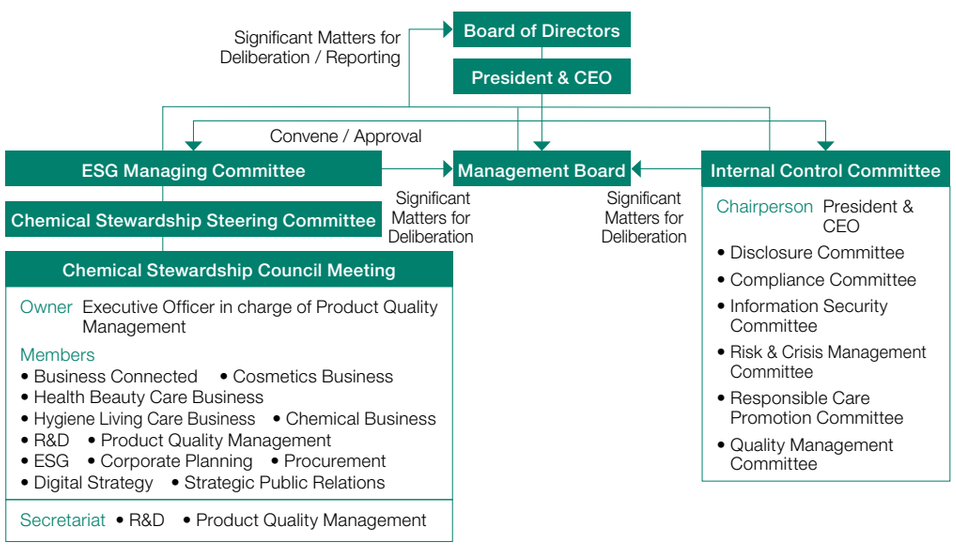
Strategy	Metrics		Results			
			2022	2023	2024	2025
(5)	Number of people reached the disclosure web-site about ingredients	Ingredients contained in Kao's product	–	–	36,268	49,606
		Ingredients we do not use	–	–	1,099	2,124

We have newly disclosed three ingredients that we do not use (benzene, bisphenol A and heavy metals), all of which we have already ceased intentionally adding to our products. We have conducted ongoing reviews of the ingredients used in existing products and promoted a shift to safer alternatives.

In accordance with the Kao Chemical Stewardship Policy, we are currently reviewing these ingredients with a view to disclosing of PFAS, formaldehyde, and other ingredients, while also building an understanding of actual usage and evaluating the feasibility of alternatives.

Governance

Framework for promoting responsible chemicals management activities



We have established a governance framework for this theme under the supervision of the Board of Directors, with the Product Quality Management Division in charge. The Senior Executive Officer and The Senior Vice President in charge of Product Quality Management serves as the owner in this framework and holds Chemical Stewardship Council meetings six times a year to discuss important matters regarding raw materials and ingredients. The council deliberated information disclosure twice in 2025, reviewing the information to be disclosed and finalizing the policies.

Risk and opportunity management

Policies

Kao has established the following policies to function as guidelines in regular operations and decision-making, so that it can provide safer healthier products. Further details are available on our website.

- Kao Chemical Stewardship Policy
  Based on this policy, we promote the appropriate use of chemical substances and the transition to safer ingredients, among other efforts.
  https://www.kao.com/global/en/innovation/safety-quality/saicm/stewardship-policy/
- Kao Group Basic Quality Policy
  https://www.kao.com/global/en/innovation/safety-quality/safety-quality-policy/
- Safety Standards for Household Products
  https://www.kao.com/global/en/innovation/safety-quality/houseware-quality/
- Safety Standards for Cosmetic Products
  https://www.kao.com/global/en/innovation/safety-quality/cosmetics-quality/
- Safety Standards for Food Products
  https://www.kao.com/global/en/innovation/safety-quality/food-quality/
- Fragrance Policy
  https://www.kao.com/global/en/innovation/safety-quality/fragrance-policy/
- Kao's Risk Assessment Policy on Chemicals
  https://www.kao.com/global/en/innovation/safety-quality/saicm/saicm-risk-assessment/
- Kao Sustainable Product Development Policy
  https://www.kao.com/global/en/sustainability/klp/policy/product-development-policy/

Management process

We manage the processes for planning, implementation, evaluation of results, and corrective actions, and we carry out steady improvements through initiatives that address risks and opportunities related to safer, healthier products.

P (Planning)

The Chemical Stewardship Council formulates plans regarding targets and activities for the next fiscal year. Authorization is carried out by the Senior Vice President in charge of Product Quality Management.

D (Implementation)
In addition to Kao's multiple initiatives, a working group established under the Chemical Stewardship Council operates on a monthly or bimonthly basis. It drives efforts from the perspectives of safety, regulatory, and social risks. (P104-105).

C (Evaluation of results)
The Chemical Stewardship Council evaluates the results of activities. It summarizes the evaluation method and results and reports to the Senior Vice President in charge of Product Quality Management, who serves as the accountable executive. The Chemical Stewardship Steering Committee convenes monthly to share reports and hold discussions. In addition, the details of these discussions are also reported to the ESG Managing Committee in the following fiscal year.

A (Corrective action)
The Chemical Stewardship Council carries out corrective measures, and reviews targets and activities. Authorization is carried out by Senior Vice President in charge of Product Quality Management.

Initiatives

Kao carries out various initiatives for safer healthier products mentioned above. These initiatives are based on the strategies outlined above and are advanced in a coordinated manner toward the achievement of our targets. Some significant examples among our many initiatives are described below.

Strategy		Initiatives
Overall	(1) Transparent Information disclosure	Establishment of a plan for disclosing our ingredient policy
	(2) Proactive information provision regarding ingredients with high level of vague concern in society	
Products	(3) Use of safe ingredients and development of safe products	Use of safe ingredients and development of safe products
	(4) Utilization of scientific evaluation methods	
Communication	(5) Promotion of understanding through communication	Acting in anticipation of chemical regulations through communication and industry activities
	(6) Collaboration with industry associations and government	

Establishment of a plan for disclosing our ingredient policy

Region: Global
Corresponding strategies: (1) (2)

We have established a plan for disclosing our FY2025 ingredient policy (and ingredients that we do not use) to enhance transparency regarding product safety. With this plan, we aimed to disclose ingredients that are not used in Kao's consumer products (excluding professional-use and chemical products): benzene, bisphenol A and heavy metals. We researched the laws and regulations of multiple countries around the world with a focus on AEMEA (the Americas, Europe, the Middle East and Africa), as well as disclosure at other companies and the status of internal use, and carried out the disclosure based on scientific evidence. Meanwhile, careful consideration is required regarding the disclosure of ingredients that we do not use scheduled for release in 2026 and onward (including PFAS and formaldehyde); namely the details to disclose and the phrasing to use. This is because it may lead to risk of misunderstanding among consumers and may lose their trust as a company if we do not provide information appropriately. We are closely collaborating with relevant divisions as we determine the appropriate disclosure approaches for these ingredients.

We believe that the social impact of this initiative will enhance consumers' information literacy and prevent confusion caused by misinformation. We conducted a preliminary assessment of its impact by analyzing the number of customer inquiries. As a result, regarding the UV absorbers that we disclosed in our ingredient policy in 2020, the number of inquiries with safety-related concerns decreased by approximately 40% compared to the period before this disclosure.

Kao will continue to engage in transparent information disclosure and proactive provision of information about ingredients with a high level of vague concern in society, thereby living up to the trust that society holds in the company while making safer healthier products.

- About Ingredients Contained in Kao's Products
  https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/
- Ingredients we do not use
  https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/we-do-not-use/

Use of safe ingredients and development of safe products

Region: Global
Corresponding strategies: (3) (4)

We have established a system to scientifically assess the safety of ingredients and products in all categories, so as to use safe ingredients and develop safe products. In particular, highly novel products and raw materials require detailed safety verification owing to their characteristics, and we have developed a system for cross-divisional checks. We have also established a framework for continually checking whether customers are using products safely after launch, and for responding promptly if necessary.

In one recent example of our development efforts, by gaining inspiration from advanced wetting control technology in the agriculture business, we developed an effective firefighting foam that does not include PFAS, persistent substances that remain in the environment for decades and are linked to potential health risks. Through this development, we aim to address global challenges. Additionally, we developed *Bioré GUARD Mos Block Serum* without any chemical repellents, thereby helping to bring effective protection against mosquito bite for consumers dealing with the threat of dengue fever.

Kao will enforce strict safety assessment and thoroughly pursue true safety, while also providing information based on scientific evidence to consumers and society to enhance understanding and trust among customers and society.

- PFAS-free firefighting foams
  https://chemical.kao.com/global/business/key-technology/fluorine-free_AFFF_technology/
- Saving Future Lives from Dengue Fever, an Infectious Disease Spread by Mosquitoes GUARD OUR FUTURE
  https://www.kao.com/global/en/newsroom/stories/dengue/

Acting in anticipation of chemical regulations through communication and industry activities

Region: Global
Corresponding strategies: (5) (6)

There is a recent global trend of chemical regulations becoming more stringent. In particular, the EU has introduced many strict regulations in rapid succession, resulting in a significant business impact for companies that deal in chemicals. In response, Kao acts strategically on trends in chemical regulations through communication with governments as well as industry activities. As one example, in 2025 we contributed to the refinement of the Japanese government's safety Classification for benzalkonium chloride (based on the Globally Harmonized System of Classification and Labelling of Chemicals (GHS)). Specifically, a conservative classification had been applied for skin sensitization due to insufficient safety data in the classification process. This posed the risk of people having inaccurate safety concerns about products containing this ingredient. However, Kao provided accurate additional data to help achieve a more appropriate assessment result ("not classified" status).

GHS classification results for benzalkonium chloride
https://www.chem-info.nite.go.jp/chem/english/ghs/m-nite-8001-54-5e.html

In a similar vein to this initiative, we have also submitted detailed safety data to authorities about the chemical substances that we use in relation to REACH regulations (in the EU) and TCSA regulations (in the U.S.) as part of our global activities. Through these efforts, we make expansive contributions to the appropriate government administration of chemicals management.

Additionally, we collaborate with partner companies in industrial associations and proactively holding dialogue with government agencies in multiple countries. In 2024, we joined the World Business Council for Sustainable Development (WBCSD) with the aim of gathering more comprehensive information worldwide and bolstering our capabilities for information provision. Last year, we have also participated in initiative aimed at developing new methodologies for assessing sustainability. By identifying global trends in regulations at an early stage, rapidly deploying the necessary defensive measures, and swiftly considering the development of replacement ingredients, we will continue to minimize the impact of new regulations on business operations and mitigate financial risk.

Going forward, Kao will utilize its global partnerships and continue to take advanced response to chemical regulations as it promotes sustainable business activities.

Employees' opinions

Accelerating alternative raw materials with portfolio-focused evaluation

Kenkichi Fujii
R&D Strategy Promotion and Administration Center, R&D

To evolve the raw materials used in our products toward safer and more environmentally responsible alternatives, Kao has established its own policy through a companywide cross-sectional structure called the Chemical Stewardship Council. To support the implementation of these policies, We utilize an assessment framework called Portfolio Sustainability Assessment (PSA) V2.0, which was developed by the World Business Council for Sustainable Development (WBCSD). The defining characteristic of this system is that it can evaluate a wide range of sustainability values in many forms—covering not just chemical substance safety and compliance with laws and regulations, but also product usefulness, future product substitutability, and even social expectations. By assessing raw materials as entire product portfolios rather than focusing on individual raw materials separately, we can identify the raw materials that should be substituted preferentially and thereby make improvements for a more effective product portfolio. In addition, using an internationally coordinated methodology helps us uphold accountability to external parties more easily. Through the development of policies based on evidence, we reduce risks as a responsible business, while steadily driving initiatives to create new value.