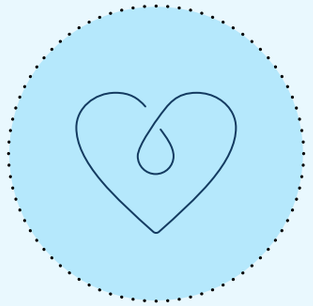
Purpose Driven Brands

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



Risks

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

Opportunities

- Business growth through increased loyalty among existing customers and acquisition of new customers. This is done through marketing based on a brand purpose that addresses consumer and social issues
- Enhancement of long-term competitiveness through the advancement of marketing based on consumer empathy
- Higher brand credibility, favorability, and brand value through the expansion and communication of activities aimed at solving consumer and social issues

Strategy

Overall	(1) Evolve all brands into purpose driven brands that have a significant purpose for existing—to address issues of consumers and society and resonate with them.
Overall	(2) Improve loyalty through stronger marketing based on brand purpose
Branding	(3) Spread awareness of the brand's role and value through brand purpose
Branding	(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose
Products and support activities	(5) Communicate with consumers and society about the value of products based on brand purpose
Products and support activities	(6) Support activities for solving issues facing consumers and society based on brand purpose

Metrics, targets and results

Metrics	Targets	2025 results
The percentage of brands that make a contribution to solving social issues and that make people feel and empathize with the brand's social usefulness (1)	100% in 2030	59%
Degree of brand favorability among consumers using the product (3)	–	76.2%

Initiatives

- *Merries*: Ongoing development of "Going to nursery schools by Kao," a childcare support service for nursery schools (1)
- *THE ANSWER*: Transformation of the hair care business to focus on emotion and technology (2)
- *Curél*: Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets (3)
- *Laurier*: Ongoing development of "Laurier in the Workplace" and "Laurier at School" to contribute to the daily lives of individuals and to social issues
- *SENSAI*: Consistent endeavors from a sustainability perspective: "In Harmony with Nature," "Weaving Beautiful Traditions," and "Nurturing Connections" (5)
- *est*: Ongoing development of projects to support learning among young people in Asia (6)

Financial impact

- Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyalty
- Improvement in investment efficiency through purpose-driven and consistent marketing, leading to the securing of price premiums through enhanced brand value and to improved profitability and ROIC through efficient customer acquisition.

Environmental and social impact

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

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

Strategy

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

Social issues

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

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

Risks and opportunities

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

Risks

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

Opportunities

- Business growth through increased loyalty among existing customers and acquisition of new customers. This is done through marketing based on a brand purpose that addresses consumer and social issues
- Enhancement of long-term competitiveness through the advancement of marketing based on consumer empathy
- Higher brand credibility, favorability, and brand value through the expansion and communication of activities aimed at solving consumer and social issues

Strategy

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

(1) Evolve all brands to be purpose driven brands with a significant purpose for existing—to address issues of consumers and society and resonate with them.

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

Related initiatives: P118 *THE ANSWER:* Transformation of the hair care business to focus on emotion and technology
P119 *Curél:* Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets

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

Kao will enhance consistent marketing activities aligned with brand purpose. We will foster the significance of each brand's purpose for existing within consumers to strengthen brand loyalty and strive for greater stakeholder support. This will reinforce our revenue base and drive mid- to long-term growth.

Related initiatives: P118 *THE ANSWER:* Transformation of the hair care business to focus on emotion and technology

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

Kao will clearly communicate the role of its services based on brand purpose to consumers, fostering a deeper understanding of the brand's value. This will enhance consumer affinity with the brand and strengthen support from consumer stakeholders.

Related initiatives: P119 *Curél:* Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets

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

Kao will accurately assess consumer empathy toward its brands and promote marketing activities based on a deep understanding of consumers, while also continuing to refine our marketing by driving digital transformation and implementing data-driven management to maximize effectiveness.

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

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

Related initiatives: P120 *SENSAI:* Consistent endeavors from a sustainability perspective: "In Harmony with Nature," "Weaving Beautiful Traditions," and "Nurturing Connections"

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

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

Impact generated by implementing the strategies

Through executing these strategies, Kao expects to be able to generate the following impacts financially, environmentally, and socially.

Financial impact

- Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyalty
- Improvement in investment efficiency through purpose-driven and consistent marketing, leading to the securing of price premiums through enhanced brand value and to improved profitability and ROIC through efficient customer acquisition.

Environmental and social impact

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

Strategic resilience

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

Metrics and targets

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

Targets and progress

Strategy	Metrics	Result					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	The percentage of brands that make a contribution to solving social issues and that make people feel and empathize with the brand's social usefulness (1)	–	52% (53%)*1	52% (57%)*1	55%	59%	100%	2030

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

Under this theme, we aim to evolve our brands into meaningful ones that address social issues and resonate with consumers and society, and we have set the ratio of purpose-driven brands as an indicator of this progress. From fiscal 2025, in line with changes in the Cosmetics Business strategy, we reviewed part of the calculation scope to more substantively assess each brand's contribution to consumers and to solving social issues, reflecting our brand strategy for driving business growth and changes in the market. As a result, we believe this indicator now more appropriately reflects progress in both business growth and social-value creation. In 2025, the ratio reached 59%, and brand favorability among consumers who use our products stood at 76.2%, showing a steady increase in resonance and trust. Going forward, we will further strengthen our response to the issues facing consumers and society and develop these efforts as consistent brand activities, thereby earning resonance, enhancing brand loyalty, and driving sustainable business growth.

Metrics and results

Customer Satisfaction

Strategy	Metrics	2022	2023	2024	2025
(3)	Degree of brand favorability among consumers using the product (3) *2	73.0%	73.3%	75.6%	76.2%

*2 Selection percentage of preferred brands in each product category

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

Governance

With Global Consumer Care serving as the supervising division, we regularly hold the following three meetings to promote our strategy for Improved Quality of Life.

The meeting attended by the heads of business divisions and the managers of each division shares information on ESG promotion, including the discussions at the ESG Managing Committee, regulatory trends outside Japan, and the response policies of each business, and also discusses material issues and policies.

We also hold a meeting attended by the Officer in Charge, the heads of business divisions, and the managers of R&D, manufacturing, and procurement divisions, where we discuss new products and major investment projects from a global perspective, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, for each business division, we hold a meeting attended by the managers and staff in charge of the business, research, manufacturing, product quality management, and other divisions, where we check the product performance, product value, and business potential involved in commercialization from an ESG perspective.

P62 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Management process

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

P (check for risks and opportunities)

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

D (response based on risk/opportunity)

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

* For details on each activity, refer to Initiatives (P118-120).

C (monitoring and evaluation of response status)

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

A (response to issues and improvements)

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

Initiatives

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

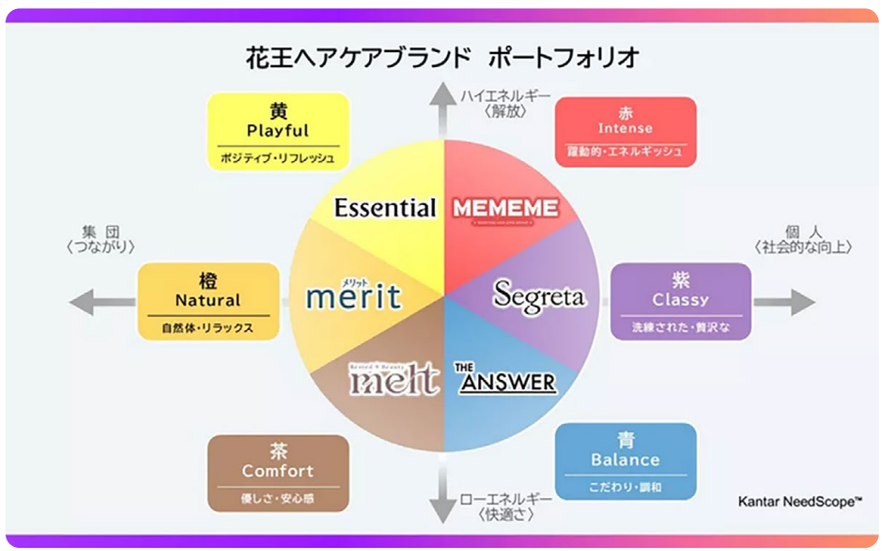
Strategy		Initiatives
Overall	(1) Evolve all brands into purpose driven brands that have a significant purpose for existing—namely, to address issues of consumers and society and resonate with them.	*Merries*: Ongoing development of “Going to nursery schools by Kao,” a childcare support service for nursery schools
	(2) Improve loyalty through stronger marketing based on brand purpose	*THE ANSWER:* Transformation of the hair care business to focus on emotion and technology
Branding	(3) Spread awareness of the brand’s role and value through brand purpose	*Curél*: Applying Kao’s technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets
	(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose	*Laurier*: Ongoing development of "Laurier in the Workplace" and "Laurier at School" to contribute to the daily lives of individuals and to social issues
Products and support activities	(5) Communicate with consumers and society about the products’ value based on brand purpose	*SENSAI:* Consistent endeavors from a sustainability perspective: “In Harmony with Nature,” “Weaving Beautiful Traditions,” and “Nurturing Connections”
	(6) Support activities for solving issues facing consumers and society based on brand purpose	*est*: Ongoing development of projects to support learning among young people in Asia

Transformation of the hair care business to focus on emotion and technology

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

Under the business vision of “Hair: The Power of Life,” Kao is restructuring its hair care brand structure based on the fundamental needs of human emotion (refer to the Portfolio). With roots in emotion and driven by Kao’s assets of a century of hair care research, Kao has been advancing product development within each brand and exceeding consumer expectations.

THE ANSWER, launched in 2024, is a brand that embodies such business transformation. The target customers are women with a strong desire to be independent who enjoy a genuine and well-balanced life and who prioritize their personal standards when making decisions. For hair care as well, these consumers seek authentic quality that offers formulations and repair capabilities that are backed by advanced technologies.



To address these needs, *THE ANSWER*, having been developed from 100 years of research by Kao, was released as a world-first shampoo and treatment containing all five essential ingredients for beautiful hair (repairs). With a product design that simultaneously delivers a high level of moisture, manageability, gloss, smoothness, and softness, the product offers a perceived quality that becomes evident to users through continued use.

Furthermore, care ingredients are able to reach every hair strand due to its unique approach of “applying and washing,” in which shampoo is applied and spread on wet hair before lathering, offering a distinctive use experience. By combining sensory elements and technology, this experience transcends simple functional appeal and fosters hair care habits that consumers can confidently choose and continue over time.

These initiatives have resulted in a strong performance within Kao’s high-premium brands, including *melt*, which launched in spring of the same year. Since its launch, *THE ANSWER* has exceeded a total of 3.4 million units shipped and has significantly improved its position within manufacturer share rankings in the high-premium segment (from 32nd in 2023 to third in the fourth quarter of 2025). The brand was also profitable in its first year after launch.

THE ANSWER will empower people’s inner strength to live through continued cultivation of the brand with emotion at its core.

Curél: Applying Kao's technologies to reach people with dry, sensitive skin worldwide and accelerating its efforts within global markets

Region: Global

Corresponding strategies: (1) (3)

In recent years, due to global climate change, the spread of air pollution, and an increase in stress levels, there is a growing number of people who feel they have sensitive skin. The cosmetics market for sensitive skin in Japan expanded by more than 150% between 2015 and 2025.

Since it was launched in 1999, *Curél* has held the top share in Japan's sensitive skin market and has remained committed to its purpose of helping people with dry and sensitive skin live with peace of mind. In 2025, the brand's market shares reached an all-time high.

Based on over 40 years of ceramide research unique to Kao that began with studies on the causes of chapped hands, pseudo-ceramide (SLE), developed in 1987, was incorporated as the core technology to investigate the fundamental causes of sensitive skin, with the goal of enhancing the skin's original functions. The brand also applies its technology to a diverse range of products, including sprays and balms, that other competitors find difficult to develop. This enables *Curél* to respond to the wider range of consumer lifestyles and usage applications.

Curél is positioned as one of Kao's growth drivers. With a focus on regions prone to dry and sensitive skin, from 2026 and onward, the brand will build on its foundation in Japan and China to expand into EMEA (Europe, the Middle East and Africa), as well as North America and ASEAN, to further accelerate its entry into the global sensitive skin market, which has grown 2.8 times over the past decade to become a 4.95 trillion yen market.

For its global strategy, *Curél* will leverage the trust earned from physicians through consistent academic endeavors in Japan as a starting point to deepen collaboration worldwide and enhance evidence-based retention marketing. The goal is to establish a long-term advantage grounded in quality and trust, setting the brand apart from the large-scale mass advertisements typical of global competition.

Curél customers continue to send in comments, such as how their child's dry skin is no longer a concern and how they intend to continue using the product, or how their child's discomfort had clouded their emotions, but after trying *Curél* as a last resort, they discovered that the product was truly wonderful.

Going forth, *Curél* plans to leverage Kao's strengths in technology to further pursue the fundamental causes of sensitive and dry skin and contribute towards improving the quality of life for people suffering around the world with the aim of becoming a brand with a strong presence in the global sensitive skin market.

Japan's market for sensitive skin cosmetics in 2025 saw a 150% growth when compared to 2015.
* intage SRI+data; estimated sales scale (value) for sensitive-skin cosmetics, body care, and hair care.

In 2025, the brand's share reached an all-time high.
* intage SRI+data; sensitive-skin cosmetics

The global sensitive-skin market has grown 2.8 times over the past decade to become a 4.95 trillion yen market.
* Euromonitor International; derma care (sensitive skin) market based on retail sales

Making Thoughtful Choices for Society

Sustainable Lifestyle Promotion
> Purpose Driven Brands
Transformative Innovation
Responsibly Sourced Raw Materials

Making the World Healthier & Cleaner

Walking the Right Path

SENSAI: Consistent endeavors from a sustainability perspective: "In Harmony with Nature," "Weaving Beautiful Traditions," and "Nurturing Connections"

Region: Global

Corresponding strategy: (5)

SENSAI is a global prestige brand launched in 1983 by Kanebo, which had been expanding its reach throughout EMEA (Europe, the Middle East and Africa), including at Harrods in London, with EMEA still accounting for 80% of the brand's sales today.

The brand's purpose is to create precious moments in time to connect with one's skin and mind through care with *SENSAI*, for mindful and sensitive living, in our modern, fast-paced society. It all began when people started to notice the exceptionally lustrous hands of the artisans who spun silk. This unique discovery by a company born from the textile industry led to the development of cosmetics using ingredients derived from silk (for moisture). This philosophy has been passed down to this day as the Koishimaru Silk extract (for moisture) that is the signature ingredient of *SENSAI*.

The concept of extraction and formulation of active ingredients from waste generated by silk spinning is similar to the creation of the highly acclaimed, luxury cosmetic bar soap SAVON DE SOIE, which was created from discarded oil from the textile industry. This illustrates the ongoing spirit of sustainability that Kanebo holds to this day.

Sustainability is at the foundation of *SENSAI*, which has EMEA as one of its primary markets. This mindset enhances brand value and fosters deeper relationships with customers.

With this background, *SENSAI* has established "In Harmony with Nature," "Weaving Beautiful Traditions," and "Nurturing Connections" as its three pillars for future initiatives. As part of "In Harmony with Nature," *SENSAI* supports nature conservation and biotope environment development at the UNESCO Aya Biosphere Reserve in Aya Town, Miyazaki Prefecture, where one of *SENSAI*'s signature ingredients is sourced. For "Weaving Beautiful Traditions," the brand makes efforts to support the preservation of Japanese culture and Koishimaru Silk, which is the basis of its identity, and through "Nurturing Connections," *SENSAI* donates cosmetics to the global "look good feel better" program which supports cancer patients. These diverse activities are all conducted under the consistent philosophy of the brand.

Against this backdrop, the global sales of *SENSAI* have been seeing a strong performance with double-digit growth. In Germany, which is the brand's largest market by sales composition, *SENSAI* rose in the special care category rankings of Beauty Alliance Deutschland (a cooperative of local retail organizations) to take second place in the skin care category in 2025, solidifying its presence as a prestige brand.

Moving forward, the brand will leverage the actual performance level it has established in EMEA to expand into other areas starting with Asia. It will aim to further strengthen its role as a leading global and sustainable brand within the Kao Group.

01 In Harmony with Nature
02 Weaving Beautiful Traditions
03 Nurturing Connections

Employees' opinions

Sharing our proven technologies with consumers to help those lost in the sea of hair care products

Tomohiro Yamaoka
Brand Manager, Hair Care Business
Health Beauty Care Business
Kao Corporation

Every time I come in contact with Kao's 100-year history of hair care research through my work as brand manager, I am profoundly aware of the depth of technology and knowledge accumulated by our predecessors over the years. Despite having such proven technologies, I continue to worry that we might not be reaching customers who are lost in the sea of hair care products.

This is because I have realized on many occasions that technology itself is not enough to resonate with customers. Some quality products are not chosen by consumers, and some values are not effectively conveyed.

By designing the brand around the fundamental emotional needs of humanity, I feel that *THE ANSWER* is able to naturally communicate the value of its technologies and successfully reach consumers. Changing its delivery allows technology to exert its true power. I am genuinely grateful to have experienced this feeling myself. Going forward, I would like to continue to foster the brand in order to assist as many individuals as possible in finding a hair care solution.

Employees' opinions

Healthy skin, better lives: *Curel*'s global commitment

Carla Ferrario
Director, Mass A/
EMEA & US Therapeutic

As *Curél* continues to expand across AEMEA, we are proud to bring the sensitive skin consumer a dedicated line of high-quality products with our Ceramide Care Technology that are rooted in science & Japanese expertise.

Each formula is thoughtfully developed to deliver a premium product experience that is gentle yet effective, clinically proven, & consistently praised.

This combination of efficacy, trust, & sensorial excellence is what sets *Curél* apart.

What motivates our team in driving these initiatives is simple yet powerful: the real impact on our consumers lives. When someone feels comfortable in their own skin, it affects their confidence, wellbeing, & daily interactions. *Curél*s purpose connects directly to this human truth—supporting healthier skin means supporting better quality of life.

By addressing sensitive skin concerns with respect & scientific rigor, we contribute to a society where skin health is not a luxury, but a foundation for self-confidence & comfort. This purpose fuels our passion, guides our decisions, and unites us as we continue to grow *Curél* globally—bringing relief, trust, and healthier skin to more people.

Employees' opinions

SENSAI's vision of Japanese sustainable luxury

Yoshiko Sakurai
Brand Manager, *SENSAI*
Prestige Brand Business,
Cosmetics Business,
Kao Corporation

The goal of *SENSAI* is not to compete by being extravagant. Rather, it seeks to use cosmetics to provide the world with a refined luxury that comes from living every day with thoughtfulness and sensitivity. The brand's origins can be traced back 90 years. Silkworm pupae oil, a once discarded material in the company's original textile business, was reborn as a luxury soap. This paved the way for a Japanese brand to enter the cosmetics market, which had been dominated by EMEA brands in that era. Having inherited this history, our team is now discussing how *SENSAI* can contribute to society today and in the future and support Koishimaru Silk, which is the main ingredient for our products, along with other initiatives related to our purpose. This includes participation in nature conservation activities at the UNESCO Aya Biosphere Reserve in Aya Town, Miyazaki Prefecture, where clear waters flow and Koishimaru Silk is produced. We also support the preservation of Japanese culture, such as silk weaving with Koishimaru silk. We have also launched support initiatives for people around the world who face illnesses to enable them to live each day with thoughtfulness. These ongoing initiatives are part of what *SENSAI* proposes is true luxury.