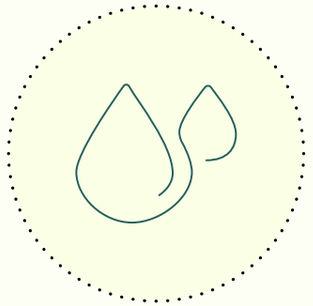
Water Conservation

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
- Deteriorated occupational health environment across sites resulting from degraded water quality, water shortages, etc.
- 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 maintenance and reduction through efficient use of water resources and water-saving technology

Strategy, Metrics, targets and results, Initiatives

Strategy		Metrics	Targets	2025 results	Initiatives
Overall	(1) Maintaining water quality and ensuring access to clean water	Water consumption in production (2)	–	20.1 million m³	Address water pollutants (1)
Overall	(2) Efficient Water Use and Circular Water Management	% reduction in water consumption per unit of sales at sites (Base year: 2005) (2)	45% in 2030	51%	Spreading rainwater harvesting systems in Indonesia and improving quality of life (1) (2) 3R activities at sites (2) (5)
Overall	(3) Thorough compliance with laws and regulations within and outside Japan	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal) (2) (5)	100% in 2030	– (KPI established in 2025; progress tracking to begin in 2026)	Establishing and disclosing site-specific water management targets in water-stressed area (2) (5) Regulatory compliance (3)
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 (4) Launch and improvement of new eco-infrastructure products (4)
External collaboration	(5) Sharing Knowledge and Collaborating with Stakeholders	% reduction in full lifecycle water use per unit of sales (Base year: 2017) (2) (5)	10% in 2030	18%	Water conservation education (Let's Save Water Together) (2) (5) Participation in the Water Cycle Company Registration and Certification System and introduction of case studies (5)
External collaboration	(5) Sharing Knowledge and Collaborating with Stakeholders	Number of schools reached by water-saving activities for elementary school through the Let's Save Water Together program (2) (5)	–	459 Schools	Water conservation activities in Indonesia in 2025 by the Kao Life-in-Harmony Foundation (5) Promotion of the corporate advertising series, "Wastefulness —Mottainai. Never today, nor tomorrow." (5)
External collaboration	(5) Sharing Knowledge and Collaborating with Stakeholders	Number of suppliers with activity level (water)*1 above the reference level*2 (5) *1 Self-assessment based on the CDP Supply Chain Program *2 three or more out of five	–	85 Companies	Promoting water conservation activities in the supply chain using the CDP Supply Chain Program (5) Preparing for Situations Where Water Is Unavailable (Hair Washing and Hygiene Support) (5)

Financial impact

- Sales revenue of products with water-saving effects 206.6 billion yen

Environmental and social impact

- Amount of contribution to reducing water consumption through products with water-saving effects 571 million m³

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

Strategy

To address water-related risks and create opportunities, we are implementing Kao-specific strategies that are effective and contribute to both business growth and the resolution of social issues.

Social issues

For Kao to remain a sustainable and competitive company, 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 watershed. 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
- Biodiversity affected by changes in water quality and quantity

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

- Supply instability of raw materials and products, increased procurement costs, and product quality issues resulting from worsening water pollution and water scarcity
- Reduced operating rates at manufacturing sites due to water withdrawal restrictions
- Deterioration of occupational health and hygiene conditions at business sites due to declining water quality and water scarcity
- Litigation and reputational risks arising from local residents' and NGOs' concerns regarding the company's 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

Kao will promote the following strategies to address identified risks and opportunities.

Kao promotes a comprehensive approach to the sustainable use of water resources from three perspectives: reducing water use and managing water quality in its own operations, reducing water impacts across the entire value chain, and contributing to society through products and technologies.

Our mission is conserving water resources so that they remain sustainably available for future generations by reducing impacts on water resources in terms of both quantity and quality of water at every stage, including production, product use, and local communities. This will be achieved by building on initiatives at our own sites, including improving water-use efficiency and enhancing water reuse at our manufacturing sites, combined with designing products that promote efficient and effective water use, including water-saving products, as well as collaboration with stakeholders to address the specific challenges of each watershed.

We will prioritize sites exposed to high water stress, and standardize Kao's knowledge and management standards across the Group to strengthen trust and enhance the effectiveness of our measures across regions. We will also extend the knowledge gained through these initiatives across the value chain and to society as a whole, thereby aiming to pass on sustainable water resources to future generations.

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

Maintain water quality in the regions where we conduct business and operate facilities and ensure sustainable access to clean water through initiatives tailored to regional characteristics.

ACTION (1): Address substances of concern for water quality

Promote product design to minimize environmental impact through the entire lifecycle, taking into account the product lifecycle through use and post-disposal stages. Regarding microplastic beads and other ingredients that may be released into the environment during product use, take into account scientific evidence and public concerns, identify risks early, and promote the transition to alternative materials to ensuring consumer safety and peace of mind and conserve the environment.

Microplastic beads
https://www.kao.com/jp/innovation/safety-quality/ingredients-contained/plastic-microbeads-policy/

ACTION (2): Expand access to safe water

Expand communities that can secure clean water regardless of the rainy or dry season by utilizing rainwater. This also enables us to accumulate knowledge tailored to local conditions and explore opportunities to apply that knowledge to product manufacturing, process development, and product development.

Related initiative: P184 Expanding rainwater harvesting systems in Indoneshia and improving QOL

(2) Efficient Water Use and Circular Water Management

Promote the 3Rs (reduce, reuse, recycle) of water resources throughout the entire value chain to achieve sustainable water use across the entire product lifecycle.

ACTION: By implementing the 3Rs throughout the value chain, we will implement robust business continuity measures, maintain or reduce water withdrawal costs, mitigate reputational risks, and strengthen the resilience of our business.

Related initiatives: P177 Our ESG Vision & Strategy > Water Conservation > Metrics and targets > Establishing and Disclosing Site-Specific Water Management Targets in Water-Stressed Areas, P182 Initiatives during product use, P184 Expanding rainwater harvesting systems in Indoneshia and improving QOL

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

Comply with international and domestic laws related to water.

ACTION: We will promote measures to address regulations related to water pollution, including those concerning microplastics. By incorporating advanced global harmonization practices, we will ensure business continuity in each market, build trust with local communities, and enhance 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 technologies, we develop and deploy products and technologies that enable the effective and efficient use and management of water across both the consumer and chemical (industrial) domains.

These initiatives help industrial customers reduce water-related risks and environmental impacts.

At the same time, Kao positions the reduction of water use in its own operations, water quality management, and the conservation of water resources within watersheds as priority issues. We position this initiative as complementing these efforts and helping to accelerate the resolution of water-related challenges across society.

ACTION (1): Develop and commercialize water-saving products and technologies to reduce the burden on consumers in their daily lives and improve customer loyalty, while also capturing growth opportunities in new markets.

ACTION (2): Contribute to reducing water risks and environmental impacts for industrial customers by promoting recycling and providing chemical products that help reduce impacts on water quality.

Leverage the knowledge gained through these technology developments to improve water-use efficiency and enhance wastewater management at our own sites, thereby contributing to improvements in the overall level of water management across our business activities.

Related initiative: P182 Initiatives during product use, P183 Initiatives in the Water Infrastucture Sector

(5) Sharing Knowledge and Collaborating with Stakeholders

Promote resilience and behavioral change through collaboration with stakeholders.

ACTION (1): Strengthening the company's and communities' resilience

Strengthen value-chain resilience under normal operating conditions and establish a corporate system for flexible disaster response. Provide products, information, and support to reduce consumer water stress, thereby enhancing community resilience.

ACTION (2): Promoting behavioral change through awareness and sharing

Share the importance of water conservation with consumers and partners and collaborate with NGOs, industry associations, communities, government agencies, and local authorities, and other stakeholders to drive behavioral transformation throughout society.

Related initiative: P182 Initiatives during product use, P183 Initiatives in the Water Infrastucture Sector, P184 Water conservation activities in Indonesia in 2025 by the Kao Life-in-Harmony Foundation (Expanding rainwater harvesting systems in Indoneshia and improving QOL), P186 Promoting efforts to drive the water cycle throughout society —Participation in the Water Cycle Company Registration and Certification System and introduction of case studies—

Impact generated by implementing the strategies

We believe that the aforementioned strategies will generate the following financial as well as environmental and social impacts.

Financial impact

- Strong demand for, and enhanced profitability of, businesses supported by efficient water-use and water-management technologies
- 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 resources and ecosystems in the watersheds where our 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 compliance with water quality 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 improving the efficiency of water use and water 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 business resilience and enabling rapid recovery should risks materialize 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 repeatedly making improvements through the PDCA cycle by regularly reviewing progress toward these targets.

The calculation scope and methodologies have been revised in the 2025 report as follows:

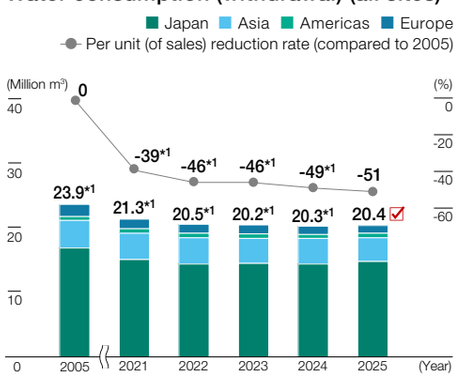
(i) Due to a review of the scope of calculation, water consumption data from Inogami Co., Ltd. in the Kao Group, have been included in the data from 2025 onward. We have also retroactively revised data from previous fiscal years to the base year of 2005. (ii) To enhance the accuracy of calculations regarding lifecycle water consumption, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. The data on lifecycle water consumption in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(2)	% reduction in water consumption per unit of sales at sites (Base year: 2005)*1	39% reduction*1	46% reduction*1	46% reduction*1	49% reduction*1	51% reduction	45% reduction	2030
(2) (5)	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	5%*2 increase	4%*2 reduction	6%*2 reduction	13%*2 reduction	18% reduction	10% reduction	2030
(2) (5)	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal)*1	KPI established in 2025; progress tracking to begin in 2026				-	100%	2030

*1 Actual figures have been revised (see note * in "water consumption (withdrawal) (all sites)" below).
*2 Actual figures have been revised (see note * in "water consumption trends throughout the product Lifecycle" on the next page).

Water consumption (withdrawal) (all sites)

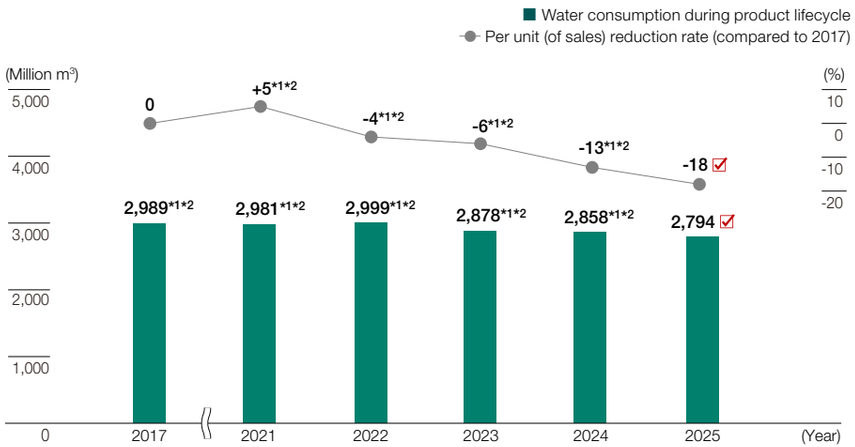


* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. Non-production sites are included from 2016 (excluding Oribe Hair Care, LLC, and Washing Systems).
* Assurance provided for water consumption (withdrawal)
*1 Due to a revision of the reporting boundary, water consumption data for Ino Paper Co., Ltd., a Kao Group company (approximately 4 million m^3 per year), has been included in the calculation boundary from FY2025, and historical data have been retrospectively revised back to the FY2017 baseline year. The impact of this revision on the reduction rate per unit of sales (compared with FY2017) is less than 1%, and the overall trend remains unchanged.

Water consumption throughout the product lifecycle (Kao Group) changed as a result of several factors, including an increase in the sales ratio of products that help reduce water use during the use phase, such as laundry detergents that require only a single rinse, as well as changes in the sales mix of laundry detergents in Asia. In addition, sales revenue increased due to price revisions implemented in response to rising raw material costs, contributing to an improvement in water consumption per unit of sales. As a result of these combined factors, water consumption per unit of sales was reduced by 18 percentage points compared with the FY2017 baseline.

Going forward, while taking into account the effects of changes in product sales mix, we will continue to expand products that contribute to reducing water consumption, with the aim of achieving both reduced environmental impacts and improved profitability.

Water consumption trends throughout the product lifecycle (Kao Group)



* "Water consumption throughout the product lifecycle" 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
*1 To enhance the accuracy of calculations regarding lifecycle water consumption, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. The data on lifecycle water consumption in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.
*2 Due to a review of the scope of calculation, water consumption (withdrawal) data from Inogami Co., Ltd. (approximately 4 million m^3/year) in the Kao Group have been included in the data from 2025 onward. We have also retroactively revised data from previous fiscal years to the base year of 2017. The impact of this revision on the intensity (net sales) reduction rate (compared with fiscal 2017) is less than 1% and does not materially affect the overall trend.

Establishing and Disclosing Site-Specific Water Management Targets in Water-Stressed Areas

In the 2025 report, we disclosed our policy of establishing site-specific targets for production sites located in water-stressed areas, together with a new KPI of achieving a 100% site-level water management target achievement rate by 2030. In this year's report, based on the results of the risk assessment and evaluation process conducted in 2025, we provide additional disclosure on the sites covered by this initiative and the specific actions being implemented.

(1) Company-wide KPI and Approach to Site-specific Water Management

Kao Group has established a company-wide KPI of achieving a 45% reduction in water consumption (water withdrawal) per unit of sales by 2030 compared with the 2005 baseline. In addition, all production sites set annual targets and continuously promote the management and reduction of water withdrawal in a systematic and ongoing manner. Building on these efforts, we are establishing water management targets for production sites located in water-stressed areas. Recognizing that water is a local resource and that its availability and associated challenges vary significantly by watershed, we regard these sites as requiring more focused management and are setting site-specific water management targets while taking into account the circumstances of each site.

(2) Identification of Priority Manufacturing Sites in Water-stressed Areas (14 Sites)

In 2024, we conducted a water risk assessment using the following approaches and identified a total of 14 production sites as priority sites requiring enhanced water management due to high water-stress risk.

- Analysis using the Baseline Water Stress indicator of WRI Aqueduct 4.0 (High or above)
- Watershed assessment results from Context-Based Water Targets (CBWT) studies conducted during 2021–2022
- Supplementary assessment of climate change impacts and policy and regulatory trends

In our water risk assessment, we use screening of all production sites based on WRI Aqueduct 4.0 as the foundation of our evaluation. In addition, for some production sites, we conduct more detailed assessments using CBWT to gain a deeper understanding of watershed characteristics.

This approach enables us to supplement quantitative assessments with a broader understanding of regional water supply-demand balances and water-related risk factors, thereby improving the accuracy of our evaluations.

Based on the results of these assessments, we identified a total of 14 sites as priority sites requiring enhanced water management, consisting of 12 sites identified through WRI Aqueduct screening and two additional sites that were subject to supplementary assessment using CBWT.

This report discloses the names and locations of these 14 sites for the first time.

1st STEP Identify 14 manufacturing sites in water-stressed areas (withdrawal-based).

3. Formulate water management targets by site

For the 14 identified sites, we conducted surveys using third-party assessment tools, performed AI analysis, and engaged with local staff between 2024 and 2025, and developed water withdrawal-related targets based on localized issues and watershed situations identified through these processes. Site-specific targets have been established at 13 sites.

These targets can be broadly categorized into the following four areas:

- Water-saving (enhanced efficiency)
- Reuse (utilizing reclaimed water and treated wastewater)
- Watershed management, including conservation and recharge of local water resources
  In particular, for sites located in areas facing serious groundwater depletion, we have established targets tailored to local issues for collaborative projects with local authorities and neighboring companies (e.g., utilizing reclaimed water).
- Achievement of management targets aimed at reducing operational impacts and future risks

We have established management items covering areas such as monitoring water-withdrawal performance, target management, emergency response preparedness, and assessment of external conditions. In addition to the mandatory common items, each site sets site-specific management targets by incorporating optional items according to its local circumstances.

4. Full-scale operations launched in 2026

In 2026, we began operations based on the targets formulated for the 13 sites. Each site is currently advancing initiatives tailored to local conditions, including reduction of water withdrawal, broader use of recycled water, effective utilization of rainwater, conservation of water resources through watershed management projects, and achievement of management targets to reduce operational impacts and future risks.

Target setting incorporating watershed management (2 sites)

Site No.	Site	Targets
14	Quimi-Kao.S.A de C.V	Aims to achieve an 80% utilization rate of reclaimed water (reclaimed water)
9 10	Kao Corporation S.A. (Mollet, Olesa)	S.A.(Mollet, Olesa) Obtained the AWS international certification

Participation in a reclaimed water pipeline installation project (Collective action)

In Guadalajara, Mexico, home to Quimi-Kao S.A. de C.V., the Kao Group's affiliate (hereinafter "Quimi Kao"), many companies use groundwater. However, its ever-decreasing availability has become a serious social issue.

To address this situation, the government of Jalisco State, where Guadalajara is located, Quimi Kao, and five neighboring companies launched a reclaimed water pipeline installation project, implementing wastewater recycling for the first time in Mexico. Wastewater from Quimi Kao and four other neighboring companies, as well as from households in Guadalajara and nearby areas, are treated to reclaimed water quality (intermediate between potable water and wastewater) at a sewage treatment facility called "El Ahogado." Reusing this reclaimed wastewater helps reduce the volume of industrial water intake.

Quimi Kao was one of the first to join this project, and aims to eventually operate the plant using only reclaimed water.

Water Withdrawal-related Targets for Priority Sites Based on Water Risk Assessment (14 Sites)

Site No.	Region	Site	2030 Goal (Base year: 2025)	Key Action
1	Asia	Kao Corporation Shanghai (China)	Water use 12% reduction*1	Increase the recovery rate of condensate generated from steam and air-conditioning systems.
2		Kao Shanghai Chemical Industries (China)	Water use 10% reduction*1	Recover and reuse cooling tower blowdown water.
3		Kao Huludao Casting Materials (China)	Water use 55% or below*1 Wash-water recovery rate 95% or higher	Increase the recovery rate of condensate from steam systems.
4		PT Kao Indonesia Cikarang Plant (Indonesia)	Achieve 100% of management targets*1	Install flow meters on individual equipment, establish water-use balances, and implement water-saving activities.
5		PT Kao Indonesia Chemicals (Indonesia)	Achieve 100% of management targets*1	Implement water-saving activities based on water consumption by individual equipment.
6		PT Kao Indonesia Karawang Plant (Indonesia)	Achieve 100% of management targets*1	Implement water-saving activities based on water consumption by individual equipment.
7		Kao Taiwan Corporation (Taiwan)	Water use 30% reduction*1	Recover and reuse cooling tower blowdown water.
8		Kao Industrial (Thailand) Co., Ltd. Rayong Plant (Thailand)	Water use 10% reduction*2	Increase the recovery rate of condensate from steam systems.
9 10	Europe	Kao Chemicals Europe, S.L. Möre Plant (Spain) Kao Chemicals Europe, S.L. Olesa Plant (Spain)	Acquire AWS certification*3	Increase the recovery rate of condensate from steam systems and assess opportunities for wastewater reuse.
11		Chemigraphic S.A. Madrid Plant (Spain)	Sanitary water use 10% reduction*2	Install sensor-operated faucets and enhance employee awareness.
12		Molton Brown Limited Elsenham Plant (United Kingdom)	Under consideration; to be set by 2027	
13		Kao Specialties Americas LLC (United States)	Achieve 100% of management targets*	Optimize cooling tower operation to prevent excessive water evaporation.
14	Americas	Kao Chemicals Mexico, S.A. de C.V. (Mexico)	Increase the utilization rate of recycled water to 80% (45% as of 2025)	Increase the wastewater recycling rate in collaboration with a local wastewater treatment facility.

*1 Per unit (of production) reduction rate *2 Absolute volume reduction rate *3 International certification: Alliance for Water Stewardship (AWS)
*4 Target items are selected according to site conditions from Kao's common water risk management items (including mandatory items) to reduce operational impacts and future risks.

4. Disclosing future progress (FY2027 edition and onward)

Starting from the 2027 report, we will annually disclose our progress towards the site-level targets by fiscal year. We will also consider adding or revising applicable sitesin accordance with impacts of climate change and evolving situations across the watersheds.

5. Kao's commitment

Kao will achieve sustainability of water resources and further strengthen co-creation with local communities through detailed water management at the site level and a watershed-based approach.

Metrics and results

Strategy	Metrics	Results			
		2022	2023	2024	2025
(2)	Water consumption in production (Million m³)	20.3*1	19.9*1	20.1*1	20.1
(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	85 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	459 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	206.6 billion yen
(2) (5)	Water conservation: Amount of contribution to reducing water consumption through products with water-saving effects* * Company-specific standards	526 million m³	523 million m³	552 million m³	571 million m³

*1 Actual figures have been revised (see note * in "Water use (withdrawal) (all sites)" on P176).

Water withdrawal amount by source (Million m³)* (all sites)

	2021	2022	2023	2024	2025
Surface water	0	0	0	0	0 ☑
Brackish water / seawater	0	0	0	0	0 ☑
Rainwater	0	0	0	0	0 ☑
Groundwater (renewable)	9.4*2	9.4*2	9.5*2	9.2*2	9.0 ☑
Groundwater (not renewable)	0	0	0	0	0 ☑
Oil-contaminated water /process water	0	0	0	0	0 ☑
City water	11.9	11.1	10.7	11.0	11.3 ☑
Wastewater from other organizations	0.01	0.03	0.05	0.10	0.13 ☑

* Boundary: All Kao Group sites (excluding Oribe Hair Care, LLC, and Washing Systems)
*2 Actual figures have been revised (see note * in "Water use (withdrawal) (all sites)" on P176).

Wastewater discharge by destination (Million m³)* (all sites)

	2021	2022	2023	2024	2025
Rivers / lakes	6.9*3	6.9*3	7.2*3	6.9*3	6.9 ☑
Brackish water / seawater	5.7	5.0	4.9	5.2	5.2 ☑
Groundwater	0	0	0	0	0 ☑
Sewage system	2.9	2.7	2.5	2.7	2.6 ☑
Wastewater to other organizations	0	0	0	0	0 ☑
Total	15.5	14.6	14.5	14.7	14.7 ☑

* Boundary: All Kao Group sites (excluding Oribe Hair Care, LLC, and Washing Systems)
*3 Actual figures have been revised (see note * in "Water use (withdrawal) (all sites)" on P176).

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 progress toward 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 mechanism to incorporate external perspectives into management.

Furthermore, as a specific initiative focused on water conservation, the Responsible Care Promotion Committee, chaired by the Executive Officer (Corporate Planning) meets once a year. This committee formulates policies, develops plans for the following 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 essential knowledge for advancing the Kirei Lifestyle Plan in both English and Japanese, and we have been delivering water conservation-themed content globally in both Japanese and English since 2021.

P62 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	Address substances of concern for water quality	Promoting rainwater harvesting systems in Indonesia and improving quality of life	
	(2) Efficient use and circulation management of water volume	3R initiatives at operational sites (e.g., use of reclaimed water at Quimi-Kao)	Establishing and disclosing site-specific water management targets in water-stressed areas	Expanding the adoption of existing water-saving products through promotional activities and reducing water consumption during product use
	(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	Launching and Improving Products for Water Infrastructure	
External collaboration	(5) Sharing and collaboration with consumers and stakeholders	Water conservation education (Let's Save Water Together)	Promoting efforts to drive the water cycle throughout society —Participation in the Water Cycle Company Registration and Certification System and introduction of case studies—	Water conservation activities in Indonesia in 2025 conducted by the Kao Life-in-Harmony Foundation (promoting rainwater harvesting systems and improving quality of life in Indonesia)
		Promotion of the corporate advertising series, "Wastefulness—Mottainai. Never today, nor tomorrow."		
		Promoting water conservation activities in the supply chain using the CDP Supply Chain Program	Preparing for situations where water is unavailable (hair washing and hygienic support)	

Initiatives during product use

Region: Japan, Asia
Corresponding strategies: (2) (4) (5)

Initiatives in the Product Use Phase

Kao recognizes that reducing water use, particularly in the use stage of the product lifecycle, is crucial for sustainable use of water resources. We continue to promote an approach that reduces water consumption through product design through product design, without placing an excessive burden on consumers in terms of awareness or behavioral changes.

Kao launched Attack Neo, a laundry detergent designed to reduce water consumption during laundry by enabling effective washing with a single rinse cycle, in Japan in 2009. In 2019, Kao introduced Attack ZERO, which delivers high cleaning performance, deodorizing power, and minimal detergent residue while supporting water-efficient laundry practices. The product can be used with a single rinse cycle, including in drum-type washing machines, which typically operate with lower water consumption. In 2024, Attack ZERO was further improved to remove biofilm, one of the causes of odor recurrence, at its source and deliver an exceptionally high level of deodorizing performance. Kao has also expanded the single-rinse concept to powder detergents through Attack ZERO Perfect Stick, a stick-type laundry detergent that can be used with a single rinse cycle. In 2024, Kao launched Attack ZERO Perfect Stick for Indoor Drying, designed to address the unpleasant odors that can develop when laundry is dried indoors, thereby responding to increasingly diverse consumer needs. Laundry detergents designed for use with a single rinse cycle are currently available in Japan, Taiwan, and Hong Kong.

Kao has also succeeded in reducing the amount of water required for rinsing in other product categories through its fundamental research focused on foam. In 2010, Kao launched Merit Shampoo, which reduces the amount of rinse water required by approximately 20% compared with conventional products. This was followed by the launch of CuCute dishwashing detergent in 2014, which reduces rinse water use by approximately 20%, and Bath Magiclin bathroom cleaner in 2015, which reduces rinse water use by approximately 10%.

True to the core principle forming the foundation of Kao's water conservation strategy, all these products are designed to require less water during use without requiring behavioral change in consumers.

Reducing Water Consumption During Product Use Through Changes in Dishwashing Behavior —*CuCute, No-Scrub Foam Pack*—

To curb water use in the product use stage, Kao takes an approach of not only improving the washing performance but also transforming consumers' dishwashing behavior itself.

One such example is *CuCute No-Scrub Foam Pack*, which was launched in 2025.

One feature of this product is that it enables users to remove dirt by simply spraying foam over dishes and rinsing them, without individually rubbing them with a sponge. High cleaning performance powered by enzymes, combined with a spray design that distributes foam over a wide area, reduces the need for rewashing and extended use of running water. It has been confirmed that this curbs water use by approximately 20% during rinsing, compared with our conventional products (Kao's estimate). We position this product as a new option that helps reduce dishwashing time while contributing to lower water consumption during product use.

A new water-saving approach through User Experience Innovation — *Bioré u the Body Foaming Type for Shower Head* —

Kao is also pursuing a new approach to reducing water use by transforming the user experience itself, in addition to improving conventional cleansing formulations. As one example, at the end of 2024, Kao launched the *Bioré-u the Body Foaming Type for Shower Head*. This product dispenses a soft, skin-friendly foam body wash from the shower head, improving cleansing efficiency while reducing rinsing time by an advantage of approximately 25%. By combining foam quality control technology with optimized water flow design, it reduces friction on the skin while reducing rinsing time by an average of approximately 25% and total water use by approximately 30% compared with

conventional washing methods (Kao estimate). User feedback indicates that the product enables water savings without compromising comfort, noting that they can “save water without being conscious of it” and “reduce water use while maintaining a comfortable user experience.” The product has been well received for its design, which enables water conservation without compromising user comfort.

Going forward, Kao will continue to advance the quantitative understanding and technological enhancement of water use reduction during the use phase through foam quality control, water flow analysis, and analysis of actual usage data. Kao will also expand the potential for water reduction through innovation in the user experience by applying the technical knowledge and validation results obtained from new product development to other product categories. Through the development of products and services that balance consumer comfort with environmental considerations, Kao will continue to contribute to the realization of sustainable water use.

In addition to these product design initiatives, Kao continuously promotes water conservation through encourages awareness and action. Through the corporate advertising series “Mottainai. Never today, nor tomorrow.”, which has been running since 2022, this fiscal year we focused on everyday activities such as dishwashing and bathing and communicated products and usage methods that help save water simply by using them through a variety of channels, including social media, videos, and transit advertising. Through these efforts, Kao aims to position environmentally conscious behavior not as a special effort, but as a natural choice in everyday life.

Initiatives in the Water Infrastructure Sector

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

Through its Chemical Business, Kao contributes to the maintenance and renewal of aging water and sewerage infrastructure while conserving water resources and reducing environmental impact. In Japan, the number of water and sewerage pipes that have exceeded their expected service life of 50 years is projected to grow. Left unaddressed, this increases the risk of sinkholes, making timely solutions essential.

One measure to address aging infrastructure is pipeline decommissioning through a “plugging” method, in which unused pipeline closure through a plugging method. Compared with conventional products, filler materials using Kao’s *VISCO TOP* 500K and *VISCO TOP* 500HF offer superior water resistance and fluidity, enabling efficient filling by displacing stagnant water remaining in the pipeline without mixing with it.

Wastewater contaminated with filler material must be treated as industrial waste; however, these properties significantly reduce the volume generated. As a result, both impacts on water quality and the burden on waste treatment processes are reduced, contributing to both water resource conservation and reduced environmental impact.

This technology received the Grand Prize at the Japan Resilience Award 2025 in recognition of its improving infrastructure safety and strengthening resilience.

Technology Contributing to the Eradication of Subsidence Accidents Wins Prize of Excellence at the Japan Resilience Award 2025
https://chemical.kao.com/jp/topics/topics2025/news-160/

Expanding rainwater harvesting systems in Indonesia and improving improve quality of life (QOL)

Region: Indonesia

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

The Kao Life-in-Harmony Foundation, established and funded by Kao Corporation to address serious water issues in Indonesia and achieve Kao's purpose of "realizing a Kirei World in which all life lives in harmony," has partnered with PT. Gama Inovasi Berdikari (Director: Ridha Nurul Azizah; hereinafter "GIB"), which works jointly with local governments to develop and promote the adoption of rainwater harvesting and purification systems. The Foundation is advancing an initiative for sustainable lifestyles called "Program RAIN (an acronym of "Rahmat Allah untuk INdonesia," meaning "God's blessings for Indonesia") by supporting the promotion of GIB's system and providing hygiene knowledge.

The program supports Girimulyo, a village in Panggang City, Gunung Kidul Regency, an area known in Indonesia for water scarcity. In FY2025, the Foundation and GIB first surveyed all households in the village and assessed the living conditions and residential environment by conducting fieldwork and utilizing drones. The results showed that many households and facilities did not have access to sufficient water for daily hygiene activities such as laundry and bathing.

Based on the survey results, we deployed a rainwater harvesting system called "Gama Rain Filter (GRF)" at 18 locations in the village this fiscal year. GRF is a sustainable system developed by the national Gadjah Mada University, equipped with multiple filtration mechanisms that can be maintained by local residents. Thanks to the deployment, approximately 1,000 residents gained access to rainwater for domestic use.

Starting this year, Kao Indonesia has joined the initiative and conducted its hygiene education program for people (#Kao BERGERAK) in the areas where GRF systems were installed in the village. With the participation of the village chief, local hygiene officers, and many residents, we were able to launch infrastructure and educational support this fiscal year. When we visited communities we supported in the previous year, residents gave us encouraging feedback, saying "The money we used to spend on water can now go toward our children's education."

In the next fiscal year and onward, we will continue to provide support focused on households and facilities identified through the latest survey, thereby improving local residents' QOL.

Installation of the GRF system: Transportation and installation carried out with the cooperation of villagers

The installed GRF system

Water supplied through GRF supports daily life, including tasks such as handwashing and laundry

Preparing for Water Scarcity and Emergencies (hair washing and hygienic support)

Region: Japan
Corresponding strategy: (5)

As a company contributing to people's QOL through cleanliness, beauty, and health, Kao is developing solutions for washing hair and maintaining hygiene when adequate access to water is unavailable during disasters and emergencies. Given that restricted access to water resources significantly affects consumers' health and increases their psychological stress, we emphasize preparedness and awareness even during normal times and conduct joint initiatives with public authorities and disaster prevention centers.

Sponsorship of Yokohama City's Hamakko Bosai Project

Kao sponsored Yokohama City's Hamakko Bosai Project to enhance disaster awareness among children. In the Hamakko Bosai Guide, a disaster preparedness guidebook distributed to local junior high school students, we introduce ways to wash hair and keep clean without using water.

For children in their developmental years, maintaining hygiene even during disasters is essential for mental and physical health. Our mission is to help them understand disaster preparedness as a natural extension of everyday life. Specific feedback regarding our sponsorship will be assessed at a later stage.

Educational and sales activities at the Tokyo Rinkai Disaster Prevention Park

Kao conducted educational and sales activities for the Kao Waterless Hygiene Set, which is designed to help maintain hygiene when water is unavailable, at the Tokyo Rinkai Disaster Prevention Park. This initiative was inspired by our commitment based on our approach to addressing hygiene concerns that consumers may experience during disasters.

This facility is known for attracting many visitors who are interested in disaster preparedness. During and after the event, many visitors showed strong interest in the product while considering specific scenarios of life during a disaster. As part of disaster preparedness stockpiling, this is helping promote understanding of options for maintaining cleanliness without water.

The issue of constrained water resources poses significant challenges and stress for people not only during disasters but also in everyday life, due to climate change and regional water stress. Kao will address such issues to help enhance consumer resilience by delivering information and offering products that support clean and comfortable living that is mindful of water use.

Moving forward, we will continue to tackle the challenge of living with water scarcity while ensuring sustainable use of water resources and adequate hygiene conditions across more regions and in a wider range of situations.

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

Promoting efforts to drive the water cycle throughout society —Participation in the Water Cycle Company Registration and Certification System and introduction of case studies—

Region: Japan

Corresponding strategies: (2) (5)

Kao has joined the Water Cycle Company Registration and Certification System operated by the Ministry of Land, Infrastructure, Transport and Tourism and other organizations to promote sustainable water use and a healthy water cycle. This system aims to foster broader societal momentum to address water-cycle-related challenges by visualizing initiatives that contribute to the water cycle and registering and certifying them based on the results. Depending on the nature of the initiatives, they are evaluated under two categories: Water Quantity & Quality, which focuses on direct contributions to the water cycle, and Human Resources & Funds, which evaluates contributions through human resources, funding, and other support.

In FY2025, a total of 148 companies were registered or certified as water cycle companies, with 145 certified as “Water Cycle ACTIVE Companies,” and three registered as “Water Cycle CHALLENGE Companies.” Among them, 21 were certified in both the Water Quantity & Quality and Human Resources & Funds categories. Meanwhile, 16 companies were certified across the two categories in both FY2024, when the system was launched, and FY2025. Kao is one of those companies.

As in the previous year, Kao applied for renewal in both categories in FY2025 and obtained certification. The certification recognizes our continued efforts to curb water use through business activities and outreach and awareness-raising activities, including the provision of educational materials on water conservation.

At the Corporate Partnership Fair attended by certified companies, Kao introduced our Let’s Save Water Together initiative in the case studies booklet distributed to attendees. This booklet is used to introduce a wide range of corporate initiatives that support the water cycle.

Going forward, Kao will utilize opportunities for information sharing and collaboration provided through this system to support the continued implementation and advancement of water cycle initiatives by registered and certified companies.

水循環認証 ACTIVE

Employees' opinions

Applying core technologies based on interfacial science to deliver value to the civil engineering industry

Shunsuke Moriyasu
Chemical Business
Performance Chemicals
Eco InfrastructureKao Corporation

The Chemical Business addresses issues faced by customers and industries on a global scale by providing innovative solutions. I work in the Eco infrastructure team, which helps tackle issues in the construction industry, including aging public infrastructure, through products based on interfacial science expertise cultivated over many years. In this article, I will introduce one such product called VISCO TOP 1000CP-D.

It is a thickener used when installing piles, one of the key components of structures. Among the various pile foundation methods available, the pre-bored piling method is one of the most widely used. This method involves excavating the ground using heavy machinery, then filling the borehole with a liquid material called cement milk—a mixture of water and cement—before installing a concrete pile. As it generates relatively little noise and vibration, it has a lower environmental impact and is suitable for use in urban areas.

However, some regions are extensively covered with what is known as gravelly soil, characterized by large particle sizes. When using this method in such soil, there is a risk that the cement milk will fluid loss through the gravel and spread into the surrounding ground. This could result in increased costs, and the escaped cement milk may adversely affect nearby rivers and groundwater.

For construction in such soil, we recommend VISCO TOP 1000CP-D. When added to cement milk, this product enhances its viscosity while maintaining fluidity, thereby preventing leakage. Thanks to our efforts to promotion and awareness-building this product, it has been adopted for projects nationwide, from Hokkaido to Kyushu. For example, when pre-bored piling method projects are planned in areas subject to groundwater conservation ordinances etc., our dealers actively propose this product. Recently, in an area where well water is used for daily needs, a contractor concerned about potential leakage into groundwater advocated to local authorities and councils to recommend this product, which ultimately led to its adoption. Through these practical applications, this product has demonstrated not only its economic value achieved by preventing leakage, but also its environmental benefits.

While we rarely think about it in our daily lives, water flows deep beneath the ground we walk on, and in some areas, it is a precious and indispensable resource. The research and business divisions will continue working together to deliver value that only Kao can offer even in such invisible areas.

Stakeholder engagement

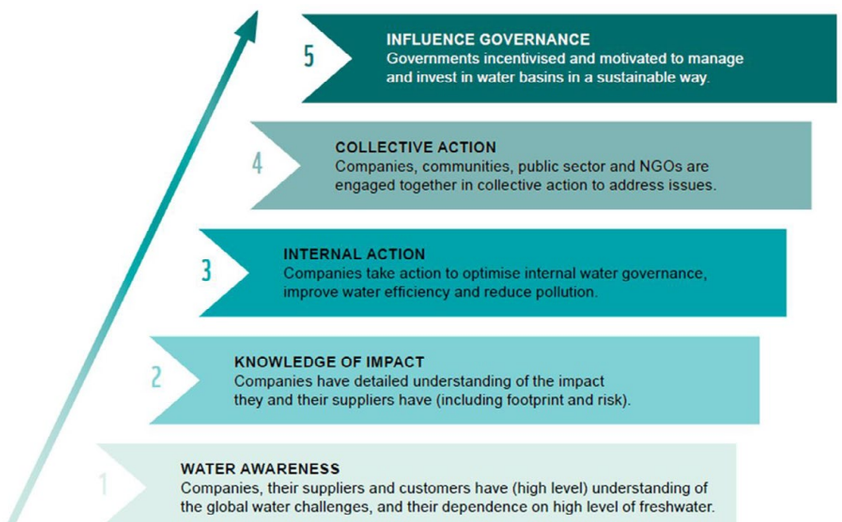
Putting water stewardship into practice

Mei Haneo
Freshwater Group,
Conservation Division,
WWF Japan

In recent years, various water-related issues such as restrictions on water withdrawal, impacts on agriculture due to drought, flood damage across regions, and health concerns caused by PFAS have become increasingly apparent in Japan. To tackle these multi-dimensional water challenges, including quantity, quality, flooding, governance, and WASH (water, sanitation and hygiene), a watershed-level perspective is essential. While corporate initiatives tend to prioritize direct operation sites such as plants, these single site efforts are insufficient to address watershed issues. It is essential to collaborate with diverse stakeholders across the watershed and adopt basin-wide approach that goes beyond individual corporate sites. Globally, companies are increasingly expected to contribute to equitable and sustainable water use and management through such initiatives across social, cultural, environmental, and economic dimensions. Known as “water stewardship,” these efforts serve as the foundation for companies to proactively engage in water conservation and promote sustainable water use and management.

WWF proposes the following water stewardship ladder that was designed to illustrate the journey companies tend to make with water over time. : (1) raising awareness on water; (2) sharing knowledge on environmental impacts and dependencies; (3) internal action including efforts across supply chain; (4) collective action and stakeholder engagement ; and (5) governance engagement. Compared to the previous year, Kao’s water-related initiatives have progressed in areas (1), (2), and (4). Specifically, through communication with individual sites, the company has been identifying watershed-level challenges and setting contextual water targets. Meanwhile, in Indonesia, the rollout of rainwater harvesting systems has begun, along with their

water stewardship into practice



socioeconomic benefits to local communities.

Based on water stewardship, Kao is expected to take the following three steps: 1) extend contextual water target setting beyond its own sites (establish water conservation targets that encompass the entire supply chain); 2) enhance initiatives across the supply chain accordingly; and 3) further strengthen on-the-ground activities and commitments.

Kao's existing targets and initiatives mostly focus on its own operational sites. However, extending the scope across the entire supply chain is crucial. Under its responsible sourcing policy, Kao is already working to reduce environmental impacts across the supply chain. In conjunction with these efforts, reducing water impact at raw material production sites would be an effective approach.

Ideally, such initiatives would be implemented at the watershed level, rather than being limited to production improvement at raw material sourcing farms. Watershed-level initiatives are not something any single company can achieve alone. They require collaboration with suppliers and stakeholders across the watershed, with local authorities fulfilling their respective roles (actively engaging in and influencing governance).

Initiatives such as the WASH activities in Indonesia have the potential to be further developed in this direction. We hope that Kao will strengthen these initiatives by engaging stakeholders such as other companies, organizations, public authorities, and NGOs, addressing on-site challenges, and replicating and expanding these initiatives to other regions.

The water stewardship journey is long, requiring sustained effort over time while navigating back and forth across the ladder. Currently, Kao is steadily progressing along this path. We look forward to its continued efforts to take a leading and pioneering role sustainable water management by extending on-site activities across the supply chain and deepening collaboration with stakeholders.

Kao's response to the views expressed last year

Based on the feedback from Ms. Haneo of WWF Japan, Kao has taken its efforts to address water risks as regional challenges a step further. In 2025, we identified 14 sites with high water-stress risk through assessments using WRI Aqueduct and Context-Based Water Targets (CBWT), and established site-specific water management targets.

At each site, initiatives are being implemented in accordance with local characteristics and risk conditions. These include reducing water withdrawal, increasing the use of reclaimed water and rainwater, promoting watershed management, and setting management targets aimed at reducing operational impacts and future risks. Concrete activities based on these targets have been underway since 2026.

Across the supply chain, we continue to utilize the CDP Supply Chain Program to monitor suppliers' water conservation efforts and promote ongoing engagement and dialogue.

Going forward, we will continue our efforts to conserve water resources from a watershed perspective and will regularly disclose progress on these initiatives.