Full Transparency

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

Risks

- Deterioration of reputation and decline in sales due to the inability to reflect the needs and requests of consumers, customers and society in products and services, as well as insufficient or delayed information dissemination
- Decrease in trust and loss of business opportunities due to insufficient and delayed information dissemination to consumers, customers, and society caused by the lack of information infrastructure, as well as an increased burden on human resources for information dissemination activities
- Decline in position and exclusion from the market in a competitive market based on sustainability
- Delay in responding to social issues such as climate change and loss of biodiversity due to delays in disclosing sustainability information

Opportunities

- Increase in corporate value and sales through improved reliability and peace of mind regarding Kao products among consumers, customers and society
- Increase in sales through strengthening of ties with customers through the provision of product information
- Increase in corporate competitiveness through accurately grasping the needs and demands of consumers, customers, and society and reflecting this in product development
- Promotion of digital marketing, including ESG and related information
- Contribution to a sustainable and prosperous society and to nature through the disclosure of sustainability information

Strategy

Disclosure of Information	(1) Disclosure of information on ingredients and themes of high social interest
	(4) Action for sustainability information disclosure
Information Infrastructure	(2) Improve communication and internal activities through the development of information infrastructure
Information Control	(3) Maintain and control information quality based on international standards and scientific knowledge

Metrics, targets and results

Metrics	Targets	2025 results
Percentage of consumer product brands for which people can easily access complete ingredients information (1)	100% In 2030	22%

Initiatives

- Disclosure of information on ingredients and themes of high social interest that anticipate social needs (1)
- TCFD (The Task Force on Climate-related Financial Disclosures) (4)
  P143 Our Progress > Decarbonization
- TNFD(The Task Force on Nature-related Financial Disclosure) (4)
  Kao TNFD Report
  https://www.kao.com/global/en/sustainability/nature/biodiversity/tnfd-report/
- Promotion of the Kao ESG Data Platform Project to support full transparency (2)

Financial impact

- Higher sales by strengthening ties with customers through information disclosure
- Cost reduction through improved operational efficiency and accuracy by building information technology infrastructure (reducing working time to approximately one-tenth to one-hundredth of previous levels and equivalent to a reduction of 9,000 working hours per year (Calculated based on the time saved per case.))
- Lower capital costs and higher long-term return on capital through sustainability information disclosure

Environmental and social impact

- Empowering consumers to enjoy a higher quality of life through the disclosure of ingredients and product information
- Enhanced transition to a sustainable society through strengthened collaboration with business partners via sustainability-related information

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

Strategy

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

Social issues

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

- Increased accessibility to information regarding evaluations of products, brands, and companies, along with a heightened risk of the spread of false information due to the development of the information society
- Increased use of sustainability information in consumer product selection due to the spread of ethical consumption
- Expansion of product information disclosure requests in line with the strengthening of sustainability activities by major global distribution and retail companies
- Compliance with sustainability information disclosure standards in the world (ISSB, CSRD, TCFD, TNFD, etc.)

Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Deterioration of reputation and decline in sales due to the inability to reflect the needs and requests of consumers, customers and society in products and services, as well as insufficient or delayed information dissemination
- Decrease in trust and loss of business opportunities due to insufficient and delayed information dissemination to consumers, customers, and society caused by the lack of information infrastructure. Increased burden on human resources for information dissemination activities
- Decline in position and exclusion from the market in a competitive market based on sustainability
- Delay in responding to social issues such as climate change and loss of biodiversity due to delays in disclosing sustainability information

Opportunities

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

Strategy

Kao has formulated the following strategies in response to the identified risks and opportunities.

Strengthening mutual trust through proactive and transparent two-way communication with all stakeholders, including consumers, customers, and society, is an important strategy for achieving one of the basic policies of the K27. That policy is: to become an essential company in a sustainable world. Kao's information dissemination is backed by accurate and honest data, grounded in a steadfast pursuit of scientific truth. To realize a Kirei World in which all life lives in harmony, which is the mission of Kao's corporate philosophy (The Kao Way), and through it we aim to further strengthen our relationships of trust with all stakeholders, and to improve social trust and achieve sustainable development.

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

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

Related initiative: P223 Disclosure of information on ingredients and themes of high social interest that anticipate social needs

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

We accurately ascertain the needs of consumers, customers, and society and use this information to develop products and formulate strategies that ensure our competitive advantage. At the same time, through the development of an information infrastructure related to ESG data, we quickly and accurately identify and share information across the entire Kao Group, as well as at the business and product levels, and leverage this information for *Yoki-Monozukuri* and communication with consumers and customers. The resources generated through the significant efficiency improvements in these operations are then utilized to create higher added value.

Related initiative: P223 Promotion of the Kao ESG Data Platform Project to support full transparency

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

Through our daily work, we strive to gain knowledge through interactions with industry groups and academia while conducting manufacturing based on international standards and the latest scientific knowledge. In addition, we maintain and manage highly transparent, high-quality information to ensure the reliability and innovation of Kao.

(4) Action for sustainability information disclosure

We make use of the information infrastructure of Strategy 2 to compile ESG-related data and disclose information to people, society, and the planet. In addition to information subject to disclosure obligations under laws and regulations, we actively respond to inquiries related to ESG from various organizations, including information on chemical substance management, as well as CDP, S&P, TCFD*1, and TNFD*2.

P143 Our Progress > Decarbonization

Initiatives for Biodiversity, Kao TNFD Report
https://www.kao.com/global/en/sustainability/nature/biodiversity/tnfd-report/

*1 TCFD: The Taskforce on Climate-related Financial Disclosures
*2 TNFD: The Taskforce on Nature-related Financial Disclosures

Impact generated by implementing the strategies

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

Financial impact

- Higher sales by strengthening ties with customers through information disclosure
- Lower costs by improving operational efficiency and accuracy through the development of information infrastructure (for example, reducing the time required for the same task to between one-tenth and one-hundredth)
- Lower capital costs and higher long-term return on capital through sustainability information disclosure

Environmental and social impact

- Empowering consumers to enjoy a higher quality of life through the disclosure of ingredients and product information
- Enhanced transition to a sustainable society through strengthened collaboration with business partners via sustainability-related information

Strategic resilience

Two-way communication that accurately captures external interests and proactive information disclosure have become essential for earning social trust. In addition, by developing advanced information infrastructure, we can globally grasp the current situation more quickly and accurately and anticipate future trends to support decision-making. Through these efforts, we also contribute to improving the quality of internal activities, thereby helping to realize sustainable development for people, society, and the planet.

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 by continuously making improvements through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. Also, we have set the target of making all our brands selling consumer products transparent brands by 2030. In addition to information that is required to be disclosed by law, we have also been promoting the disclosure of fragrance ingredient names as an activity to voluntarily disclose information that consumers are seeking.

Strategy	Metrics						Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1)	Percentage of consumer product brands for which people can easily access complete ingredients information	12%	18%	22%	22%	22%	100%	2030

Metrics and results

With regard to the disclosure of fragrance ingredient names, there were no disclosures for new brands. However, in the hygiene living care business field, we disclosed fragrance ingredient names for 16 products, including seven new products within brands that have already begun disclosing such information. In the cosmetics business field, disclosures were made for 23 products.

Strategy	Metrics	Results		
		2023	2024	2025
(4)	Number of products for which complete targeted ingredient information was newly disclosed or updated (annual results and cumulative total since the start of disclosure)	55 (cumulative total: 388)	94 (cumulative total: 482)	39 (cumulative total: 521)

Five years have passed since we began initiatives to disclose fragrance ingredient names. However, in Japan, consumer interest in fragrance ingredient names remains limited to certain product groups and has not expanded widely across many products. Going forward, we plan to continue disclosing the latest fragrance information, focusing on high-priority products, including brands marketed globally.

At the same time, it is necessary to redefine what information consumers currently expect and to review our transparent brands strategy.

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

P100 Our Progress > Safer Healthier Products

In building the platform for ESG-related information, we established the underlying global IT environment and launched the application. Following the launch of the application, significant improvements in operational efficiency have been achieved.

From April 2025, a team responsible for aggregating and analyzing CO_2 emissions data, which forms the basis of environmental-related data, joined the project, and progress toward completing the themes set at the project's launch is on schedule.

In addition, the IT infrastructure environment established last year is increasingly being utilized outside the project as well.

Governance

Under the supervision of the Board of Directors, ESG Division is in charge of promoting activities, and the head of ESG Global Action Promotion supervises these activities. At the ESG management committee, we report on fragrance ingredient name disclosure progress and the progress status of projects related to system development and infrastructure construction.

P62 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Policies

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

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

Management process

Regarding the disclosure of fragrance ingredient names, we disclose and update information with a focus on fields and product groups with particularly high disclosure demand. Once a year, progress is compiled and KPI performance is reported to the ESG Managing Committee. The status of initiatives related to the Kao ESG Data Platform Project is managed through the planning, implementation, evaluation, and correction processes as described below, and steady improvements are being made. A meeting structure is set up for each activity unit and level, and the project manager is responsible for the overall progress of the project, while the project owner is responsible for final approval. Progress and results are reported to the ESG Managing Committee.

P (Planning)

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

D (Implementation)

Promote activities in accordance with the development schedule for the project. For details of the activities, please see the initiatives (P223).

C (Evaluation of results)

Core leader meeting: Held at phase transition points according to the progress of each development theme (seven meetings were held in FY2025). Progress reports are provided to the core leaders and proposals for transition to the next phase are presented.

Project manager meeting: Held weekly. The leaders responsible for promoting each working group report the progress to the project managers and raise issues requiring action.

A (Corrective action)

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

Initiatives

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

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

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

Region: Global
Corresponding strategy: (1)

Kao positions the disclosure of fragrance ingredient names contained in its products as an important theme and is promoting initiatives as part of its information disclosure efforts to enhance consumer confidence and trust. Since introducing a system in 2022 that automatically links the function for creating lists of fragrance ingredient names with the web-based Product Catalog, we have been promoting the disclosure and updates of information, focusing primarily on new brands and new products.

In 2025, we steadily disclosed and updated fragrance ingredient names when we introduced new products and updated information within existing brands, covering 16 products in the hygiene living care business field and 23 products in the cosmetics business field. On the other hand, the current KPI uses the “number of brands subject to disclosure” as its calculation indicator. This makes it difficult for the figure to change unless disclosures are made for new brands, and the KPI achievement rate stood at 22% as of the end of 2025.

In addition, in light of changes in the market environment, we recognize the need to review our strategy regarding the disclosure of fragrance ingredient names. In the market in Japan, at present, requests for such disclosures remain limited to certain product groups and have not expanded widely. Meanwhile, for globally developed brands and brands sold in the Americas and EMEA markets, the disclosure of fragrance ingredient names became a common expectation. These differences in regional expectations represent an important point to consider when determining our future disclosure policies and priorities.

Kao believes that acting in anticipation of social expectations, rather than waiting for rising public interest or regulatory trends, is part of its responsibility as a company contributing to the realization of a sustainable world. Going forward, based on the achievements and challenges identified to date, we will further examine our disclosure strategy, including the appropriate design of KPIs. At the same time, we will continue to effectively promote the disclosure of information on ingredients and themes of high social interest, including fragrance ingredient names, while setting priorities that reflect our business plans and market characteristics.

* For details on ingredients other than fragrances that are of high social concern, please refer to Safer Healthier Products (P100).

P100 Our Progress > Safer Healthier Products

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

Region: Global
Corresponding strategy: (2)

Kao is promoting the Kao ESG Data Platform Project with the aim of strategically utilizing ESG information and further improving transparency. This project adopts a company-wide structure in which the head of ESG Division and the head of Digital Strategy Division, serve as the owners and representatives from the business, sales, R&D, and Enterprise Information Systems serve as core leaders. The project manager and working groups are in charge of the practical work, and the progress of the project is regularly reported to top management through the ESG Managing Committee and the ESG Promotion Meeting.

Through this project, we have developed a cloud-based data infrastructure and built applications for searching and aggregating the necessary information, with the aim of centrally managing and utilizing ESG-related data on a global basis. These systems have already been incorporated into practical operations and contribute to improving the speed and accuracy of responding to regulatory requirements and handling inquiries from research organizations, as well as in aggregating performance data for activities under the KLP (such as CO_2 emissions and packaging usage). In addition, the cloud-based data infrastructure that has been developed is being increasingly utilized not only within this project but also in other areas of operations.

Verification of the application’s implementation effects shows that working time has been reduced to approximately one-tenth to one-hundredth of previous levels, Approximately 9,000 hours of work were reduced annually. This has significantly reduced the workload associated with aggregating and managing ESG information, while enabling human resources to be redirected toward higher value-added activities, such as analysis and decision-making support.

In FY2025, a CO_2 emission aggregation function, which forms the basis for collecting environmental-related data, was newly added, further expanding the functionality of the ESG Data Platform. At present, the development of three additional applications is also underway in parallel, and all the projects are progressing smoothly as planned.

Kao will continue to enhance the utilization of ESG data through this project, thus improving the reliability of disclosures and the quality of decision-making. Through these efforts, we aim to fulfill our social responsibilities while strengthening our sustainable business competitiveness.

Employees' opinions

Improving transparency and strengthening disclosure capabilities through enhancement of the ESG data platform

Risa Arinaga
PLM Group, Enterprise Business Excellence,
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The Kao ESG Data Platform Project was launched to enable accurate and timely responses to diverse ESG disclosure requests from around the world. To provide comprehensive ESG information, it is necessary to integrate a wide range of data, including formulations, packaging, sales, and production information. Previously, it was necessary to contact the responsible departments individually for each area, which placed a heavy burden on many departments.

In this project, we reconstructed it into a usable format rather than simply consolidating data that had been managed separately by each region and business area, we reconstructed data into usable and standardized format based on a unified data model. By doing so, we established a common platform that enables anyone to access highly reliable data.

In Step 1 in 2024, we developed two new applications, enabling us to respond to ESG-related inquiries more quickly and consistently.

We are currently developing three additional applications in Step 2 and building a system that will enable us to respond to a broader range of disclosure needs.

The ESG information infrastructure developed through this project is increasingly being utilized in various other operations and has begun to contribute as a foundation supporting data-driven management across the entire Kao Group.

Bringing together knowledge and technologies across divisions and regions to establish a common platform for Kao on a global scale is a significant achievement. I also feel that this platform is being extended to areas beyond the project and is contributing to more advanced use of data.

I am very pleased to have been involved in building the foundation to further accelerate ESG-driven management, and that the results are already being utilized in many operations. We will continue to work toward further enhancing transparency and strive to respond appropriately to the increasingly diverse needs for ESG information disclosure.