

FOR IMMEDIATE RELEASE

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## Kao's New Challenges for the Future: Accelerating Purposeful Business Commitment with ESG

The Kao Group will make a major shift to ESG-driven management as it takes on new challenges to build the foundation for enabling sustainable growth in 2025, 2030, and beyond. As a first step, Kao released its ESG (Environmental, Social, and Governance) strategy, the Kirei Lifestyle Plan, on April 22, 2019. It is now beginning the full implementation of related activities by enhancing its core value of *Yoki-Monozukuri* that it has built up through its corporate activities to “*Yoki-Monozukuri* with ESG integration (ESG-driven *Yoki-Monozukuri*).” Kao defines *Yoki-Monozukuri* as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. It plans to further strengthen its initiatives incorporating environmental and social considerations, aiming to establish a global corporate presence.

### Kirei Lifestyle Plan—*Yoki-Monozukuri* with ESG integration

Over the past 130 years, Kao has worked to improve people's lives and help consumers realize more fulfilling lifestyles. In 2017, Kao announced its key theme “Transforming Ourselves to Drive Change” as it launched its four-year mid-term plan K20. In July 2018, Kao established its ESG Division, and further enhanced its ESG activities, including releasing its ESG strategy Kirei Lifestyle Plan in April 2019.

In the face of global challenges like climate change, aging societies, resource scarcity, and plastic waste in the ocean, consumers around the world have expressed growing

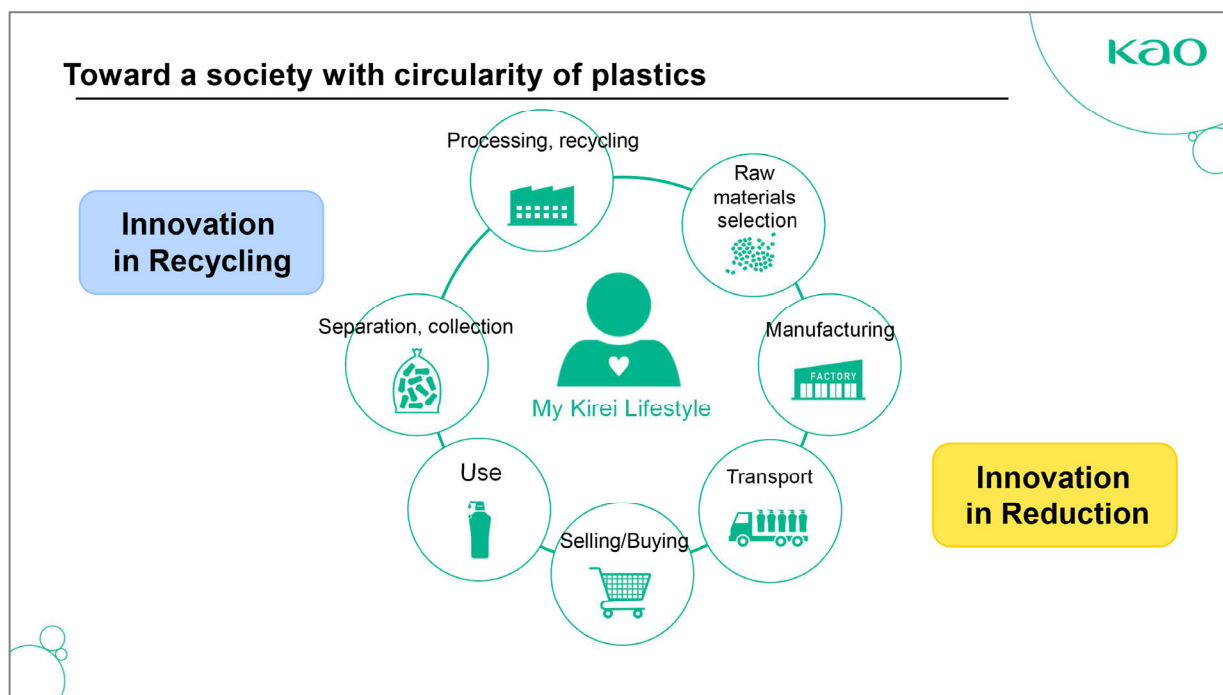


desire for a gentler and more sustainable way of living, which Kao has named the Kirei Lifestyle. The Japanese word ‘kirei’ describes something that is clean, well-ordered and beautiful, all at the same time. Kao has established its ESG strategy the Kirei Lifestyle Plan to deliver this vision of a Kirei Lifestyle for all. This enhances the *Yoki-Monozukuri* that Kao has practiced to ESG-driven *Yoki-Monozukuri*, which integrates ESG considerations from the initial product design stage. With this unique approach, Kao seeks to deliver wholehearted satisfaction and enriched lives for people globally and to contribute to the sustainability of the world.

## Priority actions in ESG-driven *Yoki-Monozukuri*

As a first step in the implementation of ESG-driven *Yoki-Monozukuri*, Kao is focusing on innovations in reducing resource consumption and recycling to achieve plastic resource circulation, and social innovations contributing to improved QOL\*.

\*QOL: Quality of life, generally defined as the standard of health, comfort, and ability to enjoy and participate in life events experienced by an individual or group.



### Innovation in reduction

Kao will continue to promote use of thinner product packaging, refill packs, more concentrated and compact products, and eco-friendly bulk-size refills, in addition to the following initiatives.

- **Accelerate the shift away from using rigid plastic bottles: Offer ways to use new film type packaging**

Kao will promote the shift away from the use of rigid plastic bottles by making it possible to use film type refill packs as a primary package. The refill packs are an original Kao innovation that it is working to have widely adopted. In addition to using the refill packs with the Smart Holder\*, they can be hung upside down and used with the attached spout (photo on right). Kao will also proactively offer such new packaging options, including the novel Air in Film Bottle\*.



\*Smart Holder: A holder that can be repeatedly used without refilling in combination with film type refill packs.

\*Air in Film Bottle: Air is inserted on the outside of the film type packaging to expand the packaging so that it can stand on its own and be used as a bottle in the same way as the primary package.

### ● Elimination of eye-catching plastic stickers

Kao aims to eliminate use of plastic stickers designed to attract consumers' attention that are added to products. The eye-catching plastic stickers have the advantage of communicating targeted information such as the product features and usage instructions to consumers at the time of purchase, but they cause increased plastic consumption and pose the problem of adding to plastic waste and higher CO<sub>2</sub> emissions during disposal. When the stickers must be used, for example to communicate usage instructions, Kao will switch to using recycled paper stickers and otherwise rapidly discontinue all use of eye-catching plastic stickers to reduce plastic waste and CO<sub>2</sub> emissions.



### ● Zero Waste (products/sales promotion goods) initiatives

Product returns from retail stores incur major processing costs from their final disposal, in addition to resulting in wasted resources and added environmental impacts including CO<sub>2</sub> emissions. Going forward, Kao will work together with retail stores to revise how products are distributed and switched out, with the aim of minimizing waste. Together with this, Kao will also switch to digital means to communicate information, as sales promotion goods are disposed of after use.

### ● Sustainable Logistics Movement

In Japan, there has been recent talk of a logistics crisis that could impede goods from being transported due to increases in the volumes and frequency of transporting goods and a shortage of drivers. To alleviate this logistics crisis, Kao is looking at securing longer delivery lead times, shortening truck wait times at logistics centers, and equalizing freight volumes. Kao aims to realize sustainable logistics by eliminating inefficiencies in transportation processes, reducing the number of trucks and time drivers spend on the job, and coordinating with suppliers throughout the supply chain.

### Innovation in recycling

As part of its ESG-driven *Yoki-Monozukuri*, Kao will strive to act with responsibility until product disposal (waste treatment). Based on the fundamental technologies it has built up, Kao will focus on developing innovative recycling technology to recycle used plastic packaging, developing and using

high-quality, low-priced recycled plastics, promoting RecyCreation\*, a program in which new value is created from used plastics, and using plastic waste in industrial applications among other efforts.

\*RecyCreation: A combination of the words recycle and creation, RecyCreation upcycles items through fun experiences to create new value, rather than recycling materials for the purpose of reproducing the same types of materials.

## **Social innovations**

### **● Fine fiber technology (announced November 2018)**

Kao has developed fine fiber technology that creates an ultra-thin, multi-layer membrane composed of superfine fibers directly on the surface of the skin. This ultra-thin membrane is light, soft, and natural, and displays outstanding capillary action. This gives it the ability to even out various cosmetic ingredients and hold them firmly between the fiber layers. At the same time, the technology maintains just the right amount of moisture permeability. As a first step in commercialization, Kao plans to apply the technology in Cosmetics Business fields from the end of 2019. Kao also plans to investigate applications in medical fields in the future.

### **● RNA Monitoring technology (announced November 2018)**

Ribonucleic acid (RNA) is involved in the expression of genes that affect day-to-day changes in the skin. Kao has developed new RNA Monitoring technology to isolate and analyze RNA from sebum on the face. This technology makes it possible to easily analyze the current state of the skin in detail, and the application of AI is expected to make it possible to predict changes in the skin over time. Kao has also uncovered correlations with conditions occurring inside the body, and will also investigate applying the technology to physical risk evaluations. Kao plans to release a progress update on this technology in the near future.

### **● Infection prevention research**

Kao will strive to prevent the spread of communicable diseases from a new approach based on research related to the workings of hygiene and sanitation. By researching the mechanisms of infection of the common communicable disease of influenza in depth, Kao has discovered a new approach that can heighten the efficacy of infection prevention. In the future, Kao will give back to society through its *Yoki-Monozukuri* and advance innovations in sanitation fields encompassing prevention of communicable diseases from a broad viewpoint.

Another manifestation of Kao's shift to ESG-driven management will be the launch of a new brand embodying the Kirei Lifestyle in the United States and Europe in spring 2020, aimed at establishing a global corporate presence.

**About Kao**

Kao creates high-value-added products that enrich the lives of consumers around the world.

Through its portfolio of over 20 leading brands such as *Attack*, *Bioré*, *Goldwell*, *Jergens*, *John Frieda*, *Kanebo*, *Laurier*, *Merries* and *Molton Brown*, Kao is part of the everyday lives of people in Asia, Oceania, North America and Europe. Combined with its chemical division, which contributes to a wide range of industries, Kao generates about 1,500 billion yen in annual sales. Kao employs about 33,000 people worldwide and has 130 years of history in innovation. Please visit the Kao Group website for updated information.

<https://www.kao.com/global/en/>

**Media inquiries should be directed to:**

Corporate Communications

Kao Corporation

Tel.: +81-3-3660-7043

Fax: +81-3-3660-7044