

(Translation)

Kao Corporation

Corporate Governance

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Kao Corporation

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[www.kao.com/global/en/](http://www.kao.com/global/en/)

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

In order to sustainably enhance corporate value over the long term while working to realize a Kirei World in which all life lives in harmony, which is our purpose, and to become an essential company in a sustainable world, Kao positions corporate governance as a top-priority management issue and continuously strengthens governance in both systems and operations. Kao's corporate governance is a framework for transparent, fair, prompt and decisive decision-making. It takes into account the perspectives of all stakeholders and responds in a timely and appropriate manner to changes that are increasingly diverse, complex, and difficult to predict so that we can contribute to society and continuously enhance corporate value. The foundations of our efforts to achieve this are establishing and operating the necessary management structures and internal control systems, implementing the necessary measures in a timely manner, and demonstrating accountability. In addition, we work to understand social trends at all times and actively engage in dialogue with stakeholders to review the status of corporate governance from time to time and implement appropriate and necessary countermeasures and improvements.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

[Updated]

Kao Corporation (hereinafter referred to as "the Company") implements all principles in accordance with those established in the Corporate Governance Code.

<Definitions>

As used in these matters to be disclosed, the definitions of the following terms shall be as follows:

"Management" means Executive Directors and Executive Officers.

"Senior Management" means Executive Officers with titles.

#### [Disclosure Based on the Principles of the Corporate Governance Code] [Updated]

Disclosures under this item are described in the "Kao Corporate Governance Policy (hereinafter referred to as the "Policy")" and "Disclosure Based on the Principles of the Corporate Governance Code" in later of this report. As a result of the establishment of the Policy on July 5, 2023, Disclosure Based on the Principles of the Corporate Governance Code has been revised.

The Policy is available on the Company's website.

[www.kao.com/global/en/corporate/policies/corporate-governance/](http://www.kao.com/global/en/corporate/policies/corporate-governance/)

### 2. Capital Structure

Foreign Shareholding Ratio: More than 30%

#### [Status of Major Shareholders] [Updated]

(As of June 30, 2023)

Name / Company Name	Number of Shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	86,875,200	18.65
Custody Bank of Japan, Ltd. (Trust Account)	33,528,500	7.20
SMBC Nikko Securities Inc.	13,634,863	2.93
STATE STREET BANK WEST CLIENT - TREATY 505234	8,724,767	1.87
THE BANK OF NEW YORK 134104	7,312,805	1.57
JAPAN SECURITIES FINANCE CO., LTD.	7,021,300	1.51
Nippon Life Insurance Company	6,691,215	1.44
JPMorgan Securities Japan Co., Ltd.	6,690,345	1.44

NATIONAL MUTUAL INSURANCE FEDERATION OF AGRICULTURAL COOPERATIVES	6,334,000	1.36
JP MORGAN CHASE BANK 385781	6,048,383	1.30

Controlling Shareholders (except for Parent Company)	None
Parent Company	None

Supplementary Information **Updated**

- The number of shares in the list above may include the number of shares held in trusts or subject to share administration.
- The ratio of shareholding for each shareholder above has been calculated based on the number of issued shares excluding treasury shares.

1. The amendment to the large shareholdings report filed by BlackRock Japan Co., Ltd. and 11 other persons on April 20, 2022, which is open to the public, stating that they held shares of the Company as shown below as of April 15, 2022. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
BlackRock Japan Co., Ltd. and 11 other persons	34,539	7.27

2. The large shareholdings report filed by Mitsubishi UFJ Trust and Banking Corporation and two other persons on July 3, 2023, which is open to the public, stating that they held shares of the Company as shown below as of June 26, 2023. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Mitsubishi UFJ Trust and Banking Corporation and two other persons	25,328	5.44

3. The amendment to the large shareholdings report filed by Nomura Securities Co., Ltd. and two other persons on July 6, 2023, which is open to the public, stating that they held shares of the Company as shown below as of June 30, 2023. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Nomura Securities Co., Ltd. and two other persons	26,753	5.74

4. The amendment to the large shareholdings report filed by Sumitomo Mitsui Trust Asset Management Co., Ltd. and another person on July 6, 2023, which is open to the public, stating that they held shares of the Company as shown below as on June 30, 2023. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Sumitomo Mitsui Trust Asset Management Co., Ltd. and another person	29,136	6.25

Also, the amendment to the large shareholdings report filed by Sumitomo Mitsui Trust Asset Management Co., Ltd. and another person on July 21, 2023, which is open to the public, stating that they held shares of the Company as of July 14, 2023, decreased to 28,830 thousand shares which is 6.19% to the total number of outstanding shares.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	December 31
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

None

#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
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Details of the information about Audit & Supervisory Board Members are reported on the Japan Audit & Supervisory Board Members Association's website.

[www.kansa.or.jp/support/el009\\_130711\\_2.pdf](http://www.kansa.or.jp/support/el009_130711_2.pdf)

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	0 (Not stipulated)
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	10
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)		Relationship with the Company (*)										
Name	Attributes	a	b	c	d	e	f	g	h	i	j	k
		Osamu Shinobe	From another company								○	
Chiaki Mukai	Others								△			
Nobuhide Hayashi	From another company								△			
Eriko Sakurai	From another company								○			
Takaaki Nishii	From another company								○			

\*Categories for "Relationship with the Company"

\*"○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

\*"●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the listed company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

<b>Outside Directors' Relationship with the Company (2)</b>
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Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Shinobe	○	<p>Mr. Shinobe previously had executive authority at ALL NIPPON AIRWAYS CO., LTD., but ceased to have such authority from April 2017. ALL NIPPON AIRWAYS CO., LTD. provides public transportation services as an airline company, and the Kao Group engages in regular transactions with ALL NIPPON AIRWAYS CO., LTD. and its group companies in terms of the directors, officers and employees of the Company using its services as a means of transportation in making business trips, however, the amounts involved in such transactions account for less than 0.1% of the ALL NIPPON AIRWAYS group's consolidated net sales and the Kao's consolidated net sales for the latest fiscal year, respectively. While there are transactions to sell Kao Group's products to ALL NIPPON AIRWAYS group, the amounts involved in such transactions account for less than 0.1% of the ALL NIPPON AIRWAYS group's consolidated net sales and the Kao Group's consolidated net sales for the latest fiscal year, respectively. He currently has executive authority at the Japan Institute of International Affairs. The Company pays membership fees to the Institute, however, the ratios of the amount involved in such transactions account for less than 0.1% of the Institute's ordinary income and the Kao Group's consolidated net sales for the latest fiscal year, respectively.</p>	<p>(i) He has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections of an international airline which carries both cargo and passengers where safety and security took top priority. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. Since March 2022, he has demonstrated outstanding leadership as the Chairperson of the Board in enhancing the effectiveness of the Board of Directors toward enhancing the corporate value. The Company expects him to continue to supervise the management of the Kao Group as an Independent Outside Director.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to him, and also that he has the necessary independence based on the "Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.</p>
Chiaki Mukai	○	<p>Ms. Mukai previously had executive authority at Tokyo University of Science, but</p>	<p>(i) She has an extensive and high level of expertise in the scientific field. She has a wealth</p>

		<p>ceased to have such authority from April 2016. In addition, although the Company conducts joint research with Tokyo University of Science, the amounts of such transactions account for less than 0.1% of the university's income from education activities and the Kao Group's consolidated net sales for the latest fiscal year, respectively.</p>	<p>of experience and track record in various fields from her achievements as a medical doctor, astronaut and Specially Appointed Vice President of a university. Based on such experience and expertise, she has been actively presenting opinions and proposals in deliberations at the Board of Directors concerning material matters in the management of the Kao Group. Since 2022, she has played an important role in increasing the transparency and fairness of the Company's management as the Chairperson of the Committee for the Examination of the Nominees for Directors and Audit &amp; Supervisory Board Members. The Company expects her to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason nominates her as a candidate to continue as an Outside Director. Although she has never been directly involved in company management other than through her experience as an outside director.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to her, and also that she has the necessary independence based on the "Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.</p>
Nobuhide Hayashi	○	<p>Mr. Hayashi previously had executive authority at Mizuho Bank, Ltd., but ceased to have such authority from April 2017. The Kao Group conducts regular bank transactions with Mizuho Bank, Ltd. and its group companies, and receives consulting service, etc. in overseas markets, however, the amounts involved in such transactions account for less than 0.1% of the Mizuho Bank group's consolidated ordinary income and the Kao Group's</p>	<p>(i) Over many years, he has played an active role on an international basis in the fields of finance and financial affairs, such as by experiencing an extensive range of duties in sales, international business planning, etc. at leading financial institutions. He has an abundance of experience and a high level of expertise in company management, such as having served as a corporate manager amidst global changes in the business environment</p>

		consolidated net sales for the latest fiscal year, respectively.	<p>surrounding the financial industry. Amid uncertain business environment, with hikes in raw material prices, sudden exchange rate fluctuations, and price fluctuations caused by these factors, he has been actively giving opinions and making proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. Since 2022, he has played an important role as the Chairperson of the Compensation Advisory Committee for Directors and Executive Officers in increasing the transparency and fairness of the Company's management in deliberations of compensation for Directors and Audit &amp; Supervisory Board Members and Executive Officers and others. The Company expects him to continue to supervise the management of the Kao Group as an Independent Outside Director.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to him, and also that he has the necessary independence based on the "Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.</p>
Eriko Sakurai	○	Ms. Sakurai previously had executive authority at Dow Chemical Japan Limited, but ceased to have such authority from July 2022. As a Japanese subsidiary of a US chemical manufacturer, Dow Chemical Japan Limited manufactures, imports, and sells various chemical products and provides technical services. The Kao Group conducts transactions related to the purchase of raw materials, etc. with the corporate group to which Dow Chemical Japan Limited is affiliated, however, the amounts involved	<p>i) She has a wealth of experience in global companies, including many years of corporate management at the Japanese subsidiary of a US chemical manufacturer with global business operations, as well as supervision of management as an Outside Director at a major manufacturer and a financial institution. Based on her experience in the chemical industry, she also has a high level of expertise in the Chemical Business, which comprises the two key pillars of the Kao Group together with the</p>

		<p>in such transactions account for less than 0.1% of such group’s consolidated net sales and the Kao Group’s consolidated net sales for the latest fiscal year, respectively.</p>	<p>Consumer Products Business. From this perspective, she has been actively giving opinions and making proposals at Board of Directors meetings. In addition, she has been providing advice based on her experience in planning and executing human resources strategies such as remuneration, developing and placement of human capital in global business. The Company expects her to continue to supervise the management of the Kao Group as an Independent Outside Director by leveraging her wealth of experience and high level of insight.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to her, and also that she has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>
Takaaki Nishii	○	<p>Mr. Nishii previously had executive authority at Ajinomoto Co., Inc., but ceased to have such authority from June 2022. The Ajinomoto Group is engaged in business that uses amino acids as raw materials, and there are raw material purchasing and other relations between the Ajinomoto Group and the Kao Group, however, the amounts involved in such transactions accounted for less than 0.5% of Ajinomoto Group’s consolidated net sales, and less than 0.1% of Kao Group’s consolidated net sales for the latest fiscal year. He also has executive authority at FINET, INC. The Kao Group pays usage fees for services provided by FINET, INC., however, the amounts involved in such transactions accounted for less than 0.1% of FINET, INC.’s net sales and the Kao Group’s consolidated net sales for the latest fiscal year, respectively.</p>	<p>He has been involved in corporate management for many years at a food manufacturer with global business operations, and has displayed strong leadership in transforming the company’s corporate culture and continuously enhancing corporate value. He has also held important positions in the human resources department and overseas subsidiaries, and has extensive knowledge of human capital strategies and business outside Japan. The Company expects him to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to her, and also that she has the necessary</p>

			independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee’s Name, Composition, and Attributes of Chairperson **Updated**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee for Directors and Executive Officers
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	0	1
Outside Directors	5	5
Outside Experts	0	0
Other	1	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation **Updated**

The Company has established the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers which fulfill functions similar to the nominating committee and compensation committee of a “company with committees.”

Details of each committee are described in "Policy 2.2 Voluntary Establishment of Committees" and “Disclosure Based on the Principles of the Corporate Governance Code” [Principle 3.1 (iii)]Directors’ Remuneration, [Principle 3.1 (iv)] Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit & Supervisory Board Members and the Appointment and Dismissal of Senior Management.

In addition, the composition of the committee members was reviewed in order to promote specialized and focused deliberations in each committee.

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	0 (Not stipulated)
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

■ Cooperation between Audit & Supervisory Board Members and the Accounting Auditor  
 Audit & Supervisory Board Members work together with the Accounting Auditor and the Department of Internal Audit to improve the effectiveness of audits.  
 For more information, please see 2. Matters on Functions of Business Execution, Auditing,



Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3
Outside Audit & Supervisory Board Members' Relationship with the Company (1)	

Name	Attribute	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Hideki Amano	CPA														
Nobuhiro Oka	Attorney-at-law										○				
Takahiro Nakazawa	CPA														

\*Categories for "Relationship with the Company"

\* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past;

\* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- Executive of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- An Audit & Supervisory Board Member of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the an Audit & Supervisory Board Member himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the an Audit & Supervisory Board Member himself/herself only)
- Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)
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Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Hideki Amano	○	None	(i) Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at a major auditing firm as a member of management, he has served as an Audit &

			Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to Mr. Amano, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Nobuhiro Oka	○	Mr. Oka serves as a Professor at the Keio University Law School, and is involved in business execution. The Company conducts joint research with Keio University; however, the amounts of such transactions account for less than 0.1% of the university’s income from education activities and the Kao Group’s net sales for the latest fiscal year, respectively.	(i) He, in his career as an attorney and a university professor, has obtained considerable professional expertise and experience in relation to corporate legal affairs and corporate governance. Having served as an audit & supervisory board member of principal subsidiary of the Company since 2014, he also has expertise in relation to the business of the Kao Group. He has served as an Audit & Supervisory Board Member of the Company since March 2018, conducting effective audits from a professional perspective including group governance. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to Mr. Oka, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Takahiro Nakazawa	○	None	(i) Mr. Nakazawa has a high level of professional expertise as a certified public accountant. During his service with major auditing firms, he has been involved in providing auditing services for leading companies and has also engaged in various advisory

			<p>services such as those relating to the introduction of U.S. accounting standards and the International Financial Reporting Standards (IFRS), thereby glean significant and valuable insights concerning governance and internal control systems which contribute to the growth of globally-operating companies. The Company expects that he will make full use of his experience in the auditing of the entire Kao Group.</p> <p>(ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to Mr. Nakazawa, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>
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**[Independent Directors/Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	8
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**Matters relating to Independent Directors/Audit & Supervisory Board Members [Updated]**

All Outside Directors and all Audit & Supervisory Board Members of the Company meet qualification for Independence and the Company has reported these members to the TSE as Independent Directors/Audit & Supervisory Board Members.

■ **The Company’s Policy for Independence of Outside Directors/Outside Audit & Supervisory Board Members**

The Company has adopted at a meeting of its Board of Directors the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation”, with the unanimous consent of its Audit & Supervisory Board Members. The purpose of establishing these Standards is to provide clear criteria for an outside director/Audit & Supervisory Board Member to qualify as an independent director/Audit & Supervisory Board Member.

Please read these Standards on the Company’s website.

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance\\_002.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf)

■ **Regular Exchange of Information Solely among Independent Outside Directors and Outside Audit & Supervisory Board Members**

To promote discussions from diverse perspectives, independent Outside Directors and Outside Audit & Supervisory Board Members hold meetings exclusively to exchange information and share awareness of issues related to the Company’s management and the activities of the Board of Directors, development of future Senior Management, and other matters. Also, newly appointed members who attended the meeting expressed their view that they were reassured by the fact that outside members can make their proposals directly to the Company through frank exchanges of opinions undertaken at the meeting.

**[Incentives]**

Incentive Policies for Directors	Performance-based Remuneration
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Supplementary Explanation

It is described in the following “Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration” in Remuneration for Directors.

Recipients of Stock Options

Supplementary Explanation

The Company grants stock options to applicable stock option grantees for the purpose of further increasing the Company’s corporate value by aligning the interests of the stock option grantees with those of the shareholders of the Company. The Company selects as stock option grantees Inside Directors and Executive Officers, who are in charge of management and conform to this purpose.

**Director Remuneration**

Disclosure of Individual Directors’ Remuneration

Selected Director

Supplementary Explanation

The remuneration, etc., paid to Directors and Audit & Supervisory Board Members for FY2022 (million yen)

Category	Number of Members	Aggregate Amount of Remuneration, etc.	Components of Remuneration			
			Base Salary	Short-term incentive compensation (performance-based bonus)	Long-term incentive compensation (Performance-based share incentive plan)	
					Variable portion	Fixed portion
Directors (including, in parentheses, Outside Directors)	10 (5)	600 (75)	406 (75)	48 (—)	110 (—)	36 (—)
Audit & Supervisory Board Members (including, in parentheses, Outside Audit & Supervisory Board Members)	5 (3)	110 (43)	110 (43)	— (—)	— (—)	— (—)
Total (including, in parentheses, Outside Directors and Outside Audit & Supervisory Board Members)	15 (8)	710 (118)	516 (118)	48 (—)	110 (—)	36 (—)

Notes:

- The above numbers of Directors/Audit & Supervisory Board Members include one Outside Director who resigned at the conclusion of the 116th Annual General Meeting of Shareholders held on March 25, 2022.
- As for the variable portion of the long-term incentive compensation (performance-linked stock compensation), it will be determined after the end of the final year of the five fiscal years from 2021 to 2025, which are covered by the Company’s Mid-term plan “K25.” Therefore, the variable portion shown above is the amount of the allowance for the current fiscal year. For Directors of foreign national, we plan to pay cash equivalent to the variable portion of long-term incentive compensation (performance-based share incentive plan).
- The maximum amounts of remuneration, etc. are as follows:

(1) Maximum aggregate amount of remuneration, etc., to be paid to Directors:

An annual amount of 630 million yen (as resolved at the 101st Annual General Meeting of Shareholders held on June 28, 2007). The Company had 15 Directors (including two Outside Directors) at the time such resolution was adopted. Such maximum aggregate amount includes the maximum annual amount of 100 million yen to be paid to Outside Directors (as resolved at the 110th Annual General Meeting of Shareholders held on March 25, 2016) but does not include the salary amounts, etc. to be paid to Directors who also serve as employees of the Company, for their service as employees. The Company had seven Directors (including three Outside Directors) at the time such resolution was adopted.

Based on a resolution adopted at the 115th Annual General Meeting of Shareholders held on March 26, 2021, the Company has introduced a performance-based share incentive plan for its Directors (excluding Outside Directors) and its Executive Officers, which shall be applicable separately from the maximum aggregate amount of remuneration, etc., for the Directors. Under this share incentive plan, trust money of up to 3.65

billion yen is contributed concerning the fiscal years subject to the Company's mid-term plan (the initial period to be covered being the period of five fiscal years from the fiscal year ended December 31, 2021 to the fiscal year ending December 31, 2025), and the Company's shares are acquired through a trust and are then vested, etc., through the trust, based on the evaluation indicators consisting of growth potential evaluation indicators (such as the degree of growth in overall business sales and profit, etc.), ESG potential evaluation indicators (such as evaluation by external indicators), and management potential evaluation indicators (such as evaluation of management activities by the Company's employees). The Company had four Directors (excluding Outside Directors) at the time such resolution was adopted.

(2) Maximum aggregate amount of remuneration, etc., to be paid to Audit & Supervisory Board Members:

An annual amount of 120 million yen (as resolved at the 113th Annual General Meeting of Shareholders held on March 26, 2019). The Company had five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) at the time such resolution was adopted.

4. Aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members by the Company's subsidiaries, etc., other than the aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members:

Remuneration paid to one Outside Audit & Supervisory Board Member for his service as an Audit & Supervisory Board Member of Kao Group Customer Marketing Co., Ltd. was 4 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods	Updated
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The purpose of the Company's compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is as follows:

- Securing and retaining diverse and excellent talent to establish and improve competitive advantages;
- Promoting prioritized measures for continuous increases in corporate value; and
- Sharing interests in common with shareholders.

Remuneration of Directors, other than Outside Directors, and Executive Officers consists of (a) a base salary, (b) a bonus as short-term incentive compensation, and (c) performance-based share incentive plan as long-term incentive compensation, and is designed to provide an impetus for continuing annual improvement in business results and medium-to-long-term growth. Linkage of remuneration to business results increases with rank and takes into account the responsibilities of each position and individual performance. An overview of the components of remuneration is as follows:

(a) Base salary

A base salary is paid as fixed monthly remuneration in an amount determined in accordance with duties as a Director or Executive Officer and rank.

(b) Bonus as short-term incentive compensation

When the bonus payment rate is paid at 100%, the bonus is set at 50% of the base salary for the President and CEO, 40% of the base salary for the Executive Officers with titles other than the CEO and 30% to 35% of the base salary for other Executive Officers. In order to achieve "profitable growth," the Company determines the bonus payment rate by looking at sales and profit results against the single-year target, improvement from the previous year's results and the achievement level of target EVA which is a management index that the Company holds in high regard as an indicator to measure the degree of corporate value. The bonus payment rate is set within a range of 0% to 200%.

The net sales and profit targets have been made consistent between Directors, other than Outside Directors, and Executive Officers and employees so that they can work together to achieve them. These targets are different from the figures in the announced forecasts, taking into account a certain level of relevance and consent as the companywide goals. On the other hand, regarding the EVA target, the Company has set target based on publicly announced performance forecasts as executive performance indicators (The target value for bonus calculation may exceed the announced performance forecast.)

The targets for these evaluation indicators for the fiscal year under review were single-year sales target of 1,490.0 billion yen, the degree of improvement from the previous fiscal year in sales of

1,418.8 billion yen, and profit (gross profit minus selling, general administrative expenses) single-year target of 160.2 billion yen, the degree of improvement from the previous fiscal year in sales of 146.1 billion yen, with EVA single-year target of 50.4 billion yen. The actual results were sales of 1,551.1 billion yen, profit of 107.4 billion yen, and EVA of 14.7 billion yen.

From FY2023, the individual evaluation of short-term incentive remuneration applied to all Directors except Outside Directors will be more flexible. The Company has also decided to introduce an evaluation confirmation process by Outside Directors and Outside Audit & Supervisory Board members to ensure objectivity and transparency in the evaluation process. In terms of the overall structure of executive compensation as a support for Kao's future reforms, the Committee continue to discuss the state of compensation in general in FY2023. In order to achieve medium-term management plan “K25,” we will reward Directors, Audit & Supervisory Board Members and Executive Officers who actively take on challenges and make contributions.

#### (c) Performance-based share incentive plan as long-term incentive compensation

Within a five-year target period from FY2021 to FY2025, the period covered by the current mid-term plan, Company shares, etc. are delivered to Directors, other than Outside Directors, and Executive Officers based on factors such as the level of achievement of the key performance targets adopted under the mid-term plan. This performance-based share incentive plan comprises two parts: a variable portion in which Company share, etc. is delivered in accordance with the degree of achievement of targets adopted under the mid-term plan, etc., and a fixed portion in which a certain number of Company share, etc. is delivered annually. The purpose of the variable portion of the system is to provide an impetus for achieving the targets of the Company's mid-term plan as well as to increase the link between performance and compensation over the medium to long term. The purpose of the fixed portion of the system is to strengthen shared interest with the Company's shareholders by promoting the holding of shares by the Directors, other than Outside Directors, and Executive Officers. The variable portion accounts for 70% of shares delivered, with the fixed portion accounting for 30%. When the variable coefficient for the variable portion of the system is at 100%, the yearly share remuneration amount is set at approximately 30% to 50% of a base salary.

The variable portion is delivered after the Director, etc. retire, reflecting their achievement level. The fixed portion is delivered after the end of each fiscal year. A portion of the amount is delivered in Company shares and the remainder is delivered in the amount of Company shares cashed within the trust for delivering shares.

In calculating the variable coefficient, in order to promote “contributing to an ‘enriched sustainable society’ and growing the businesses of the company through proactive engagement in ESG activities and investment,” which is the goal of “K25,” “growth potential evaluation (degree of growth in overall business sales and profit, etc.)”; “ESG potential evaluation (evaluation by external indicators, status of realization of internal indicators, etc.)”; and “management potential evaluation (evaluation of management activities by our employees, etc.)” are used as evaluation indicators and evaluations are made based on the degree of achievement. Depending on the results of evaluating these indicators, the range will be from 0% to 200% and the shares will be issued after the performance is confirmed. Figures for the variable portion will be finalized upon the completion of the applicable period from 2021 to 2025.

Compensation for the Outside Directors and Audit & Supervisory Board Members, who hold a position independent from the Company's business execution function, is limited to a fixed monthly salary.

The Company has no retirement bonus system for the Directors or Audit & Supervisory Board Members.

#### Process for Determining the Amount of Remuneration

The compensation system and compensation standards for the Directors and Executive Officers, including details of individual remuneration for the Directors are examined by the Compensation Advisory Committee for Directors and Executive Officers and determined by the Board of Directors. The Compensation Advisory Committee for Directors and Executive Officers comprises all Outside Directors and Representative Director, President and CEO. As such, over half of the Committee's members are independent. The chairperson is elected from the Outside Directors. In determining the details of compensation for individual Directors for the current fiscal year, the



Compensation Advisory Committee for Directors and Executive Officers performed a comprehensive review of the draft proposal, including consistency with the objectives of the Company's remuneration for Directors prior to submitting its report, and based on the results of the Board of Directors' confirmation of the details of the Committee's review and report, the Board of Directors has determined that the compensation details are consistent with the objectives of the Company's remuneration for Directors, etc.

Compensation standards for Audit & Supervisory Board Members are determined by discussions of the Audit & Supervisory Board. Furthermore, the Company has established a Compensation Advisory Committee for Audit & Supervisory Board Members and examines the validity and transparency in the decision-making process of compensation amounts for Audit & Supervisory Board Members from an objective perspective. The committee is composed of all Outside Audit & Supervisory Board Members, the President and CEO, and one Outside Director. The chairperson is elected from the Outside Audit & Supervisory Board Members.

Compensation standards for the Directors, Executive Officers, and Audit & Supervisory Board Members are determined each year after ascertaining standards at other major manufacturers of a similar size, industry category, and business type to the Company using officer compensation survey data from an external survey organization.

**[Supporting System for Outside Directors and Outside Audit & Supervisory Board Members]**

To allow for active discussions at meetings of the Board of Directors, the Board of Directors Secretariat provides Outside Directors and Outside Audit & Supervisory Board Members with sufficient explanations by distributing materials on matters such as the background, purposes, and content of the respective agenda items, as necessary, prior to the meeting of the Board of Directors.

Outside Audit & Supervisory Board Members are supported by staff who assist their duties. Furthermore, under this support system, administrative divisions such as the Department of Internal Audit, and the Legal Department and Finance & Accounting Department provide the Outside Audit & Supervisory Board Members with assistance upon their request.

**[Status of Persons who have retired from Representative Director and President, etc.]**

Name of Consultants, Advisors, etc. who have retired from Representative Director and President, etc.
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Name	Title/ Position	Description of Tasks	Form and Conditions of Services (Full-time, Part-time, Paid or Unpaid, etc.)	Date of Retirement from President, etc.	Term
-	-	-	-	-	-

Total number of Consultants, Advisors, etc. who have retired from Representative Director and President, etc.	0
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Others
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The Company has no such system.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [Updated]**

■ Outline of the Current Corporate Governance Structure

The Company has introduced, within the framework of a “Company with an Audit & Supervisory Board\*,” the Executive Officer system in order to separate the supervision function from the execution function. Following the conclusion of the 116th Annual General Meeting of Shareholders held in March 2023, the Company has: 10 Directors, including five (5) Outside Directors; five (5) Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members; and 30 Executive Officers (including Executive Officers concurrently serving on the Board of Directors. As of March 24, 2023). All Outside Directors and all Outside Audit & Supervisory Board Members maintain their neutrality, independent from the Company's management. In order to improve the transparency and other aspects of discussions in the Board of Directors, an Independent Outside Director has become the chairperson of the Board after the 108th Annual General Meeting of Shareholders held in March 2014. The term of office for Directors and Executive Officers is one (1) year.

Information on the Company's Corporate Governance Structure and Initiatives is available on the Company's website.

[www.kao.com/global/en/investor-relations/corporate-governance/structure/](http://www.kao.com/global/en/investor-relations/corporate-governance/structure/)

\*Information concerning reasons for adopting a company with an Audit & Supervisory Board, please see "Policy 2.1 Company with Audit & Supervisory Board"

• **Board of Directors**

Activities of the Board of Directors in FY2022

Title	Name	Attendance Rate
Director, Chair	Michitaka Sawada	100% (14 out of 14 meetings)
Representative Director	Yoshihiro Hasebe	100% (14 out of 14 meetings)
Representative Director	Toshiaki Takeuchi	100% (14 out of 14 meetings)
Representative Director	Tomoharu Matsuda	100% (14 out of 14 meetings)
Director	David J. Muenz	100% (11 out of 11 meetings)
Outside Director	Osamu Shinobe	100% (14 out of 14 meetings)
Outside Director	Chiaki Mukai	100% (14 out of 14 meetings)
Outside Director	Nobuhide Hayashi	100% (14 out of 14 meetings)
Outside Director	Eriko Sakurai	100% (11 out of 11 meetings)
Full-time Audit & Supervisory Board Member	Hideko Aoki	100% (14 out of 14 meetings)
Full-time Audit & Supervisory Board Member	Sadanao Kawashima	100% (14 out of 14 meetings)
Outside Audit & Supervisory Board Member	Hideki Amano	100% (14 out of 14 meetings)
Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (14 out of 14 meetings)
Outside Audit & Supervisory Board Member	Takahiro Nakazawa	100% (14 out of 14 meetings)

\* During FY2022, 14 meetings of the Board of Directors were held. After Mr. David J. Muenz and Ms. Eriko Sakurai took office as Directors, 11 meetings of the Board of Directors were held.

Major topics discussed by the Board of Directors

**Activities of the Board of Directors—Discussion and implementation of further strengthening supervisory functions and delegation of authority to executive organizations**

In FY2022, the Board of Directors, the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, and the Compensation Advisory Committee for Directors and Executive Officers deliberated with a focus on the following issues:

➤ How the Board of Directors should function

The Board of Directors discussed the ideal functions of its meetings and the following directions were confirmed:

Kao's Board of Directors will conduct a substantial delegation of authority to the executive organizations, and further strengthen its monitoring function to encourage appropriate risk-taking by management and prompt and bold decision-making. In particular, the Board of Directors will effectively supervise the appropriate allocation of management resources, including human capital, and the adequate implementation of strategies by management. It also recognizes that it is the responsibility of the Board of Directors to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.

Based on the direction we are aiming for, the Board of Directors also discussed the following issues.

- Revision of the criteria for submission of agenda items to the Board of Directors
- Monitoring the progress and issues of the Mid-term Plan



-Discussion of knowledge, experience, and skills required by the members of the Board of Directors

➤ **Human capital strategy**

Discussions were held on the portfolio of human resources and organizations to confirm whether strategies and plans for maximizing the power and potential of employees and maximizing the use of human resources are appropriately formulated and implemented. It was pointed out that the Company should define roles and human resource requirements that will be necessary for future growth, rather than as an extension of existing strategies, and secure human resources strategically by systematically developing employees and appointing them from outside organizations. We will continue to confirm that these measures are being implemented, leading to fruitful results. We also discussed the progress and the results of the Objectives and Key Results (OKR). We will confirm that members of the Group will increasingly take on a variety of challenges and that further collaboration will be promoted through dialogue.

➤ **M&A strategy**

After indicating the direction of corporate strategy and business transformation based on the business environment and competitive situation, we discussed the areas, factors, and estimated scale that should be acquired through M&A to strengthen our business portfolio. We will continue to review the effectiveness of the strategy and progress of the plan.

➤ **Sustainability (Climate Change Risks/Human Rights, etc.)**

The Board of Directors received reports on the latest trends and Kao Group's initiatives on major ESG issues, such as climate change risks and opportunities (TCFD compliance), sustainable palm oil procurement (including human rights), and biodiversity, and confirmed the status of their promotion.

We also discussed the need for ESG to be included into growth strategies and profitability. We will continue to review issues related to sustainability.

• **Audit & Supervisory Board**

The activities of the Audit & Supervisory Board are described in "Disclosure Based on the Principles of the Corporate Governance Code" [Principle 4.4] Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board

• **Accounting Auditor**

The Company executed an audit contract with Deloitte Touche Tohmatsu LLC with respect to audits required under the Companies Act and the Financial Instruments and Exchange Law.

The names of the certified public accountants (CPA) who engaged in the audit for FY2022 (ended December 31, 2022) and the composition of the assistants in the audit are as follows:

Name of the CPAs engaged in the audit:

Designated Limited Liability Partner/Engagement Partner: Junichi Yamanobe and Koji Inoue

Composition of assistants in the audit:

19 CPAs and 44 others

The accounting firm, Deloitte Touche Tohmatsu LLC as the Company's Accounting Auditor, ensures, in accordance with applicable laws, regulations, etc., that none of its employees who become involved in the audits of the Company will be involved in such audit for more than 7 accounting periods and a lead engagement partner is not involved for more than five consecutive accounting periods. The Company executed an audit contract with Deloitte Touche Tohmatsu LLC with respect to audits required under the Companies Act and the Financial Instruments and Exchange Law, and pays remuneration to the accounting firm in accordance with this contract.

Response to Accounting Auditors:

In order to ensure the reliability of disclosure information related to the Company's financial results and the quality of our audits, the Company understands the audit plan formulated by the Accounting Auditors and ensures sufficient audit time. Accounting Auditors cooperate with the President & CEO and Executive Officers responsible for overseeing accounting and finance, Audit & Supervisory Board Members, and the Department of Internal Audit through regular meetings and information exchanges. In the event that Accounting Auditors discover fraud, the Accounting Auditors immediately report to the Company, and works with Audit & Supervisory Board Members and the Department of Internal Audit, to implement an appropriate response system.

#### Appointment of Accounting Auditors:

The Audit & Supervisory Board gathered information from the Accounting Auditors on the quality of audits, including the independence of the Accounting Auditor, the auditing system, and the status of implementation of audits. The Audit & Supervisory Board also exchanged opinions at joint meetings with Company's Accounting and Finance Department and Department of Internal Audit, and then evaluated the appropriateness of the reappointment of the Accounting Auditors. As a result, the quality control system is in place, ongoing improvement activities are being implemented, and the auditing system within the auditing firm is also functioning effectively. The integrated auditing system for domestic Group companies is also functioning, and the provision of information to Audit & Supervisory Board members is also good.

The Audit & Supervisory Board confirmed that information sharing was good for each overseas Group company by establishing a cooperative system with each Accounting Auditor.

Furthermore, risk awareness using IT and appropriate proposals and advice for improving audit efficiency are being made, and effective communication with related departments is also being attempted.

Based on these results and the status of preparations for dealing with non-guaranteed businesses, the Audit & Supervisory Board determined that it was appropriate to reappoint Deloitte Touche Tohmatsu LLC, recognizing the audit methods, results, and quality as appropriate.

The Audit & Supervisory Board also exchanged opinions on the continuing audit period and rotation of the current auditing firm.

#### Collaboration between Audit & Supervisory Board Members, the Accounting Auditor, the Department of Internal Audit, and Outside Directors

Audit & Supervisory Board Members and the Department of Internal Audit receive explanations from the Accounting Auditor on audit plans, priority audit items and accounting audit results (quarterly review and annual audit) and major audit considerations, and exchange opinions.

The Audit & Supervisory Board Members and the Accounting Auditor individually examined the scope of the comprehensive advance agreement for non-assurance services and the process for confirming the individual advance agreement based on the revision of the International Code of Ethics by the International Accounting Ethics Standards Board (IESBA), which was introduced in 2023. In addition, audit plans and audit findings reported by the Accounting Auditor are reported to the Board of Directors through the Audit & Supervisory Board Members.

Directors, including Outside Directors, share the ideas and issues raised by the Accounting Auditor through Audit & Supervisory Board Members. In the course of such information sharing, if Directors consider it necessary, they ensure efficiency and adequate coordination by establishing opportunities for direct exchange of information with the Accounting Auditor.

The Audit & Supervisory Board Members and the Department of Internal Audit exchange opinions on a quarterly basis, and share issues from audit results of the Audit & Supervisory Board Members and internal audit results of each business unit, each division, domestic and overseas subsidiaries and affiliated companies, and exchange information.

In addition, the Accounting Auditor regularly and as needed exchanges opinions with the Department of Internal Audit. The Accounting Auditor also strives to cooperate with each other while sharing information as appropriate on the development and evaluation of internal controls related to financial reporting and the status of activities of internal audits

#### ■ Summary of Directors and Officers Liability Insurance

The Company has entered into a directors and officers liability insurance contract with an insurance company, as provided for in Article 430-3, Paragraph 1 of the Companies Act, insuring the Directors, Audit & Supervisory Board Members, and Executive Officers, etc., of the Company and the Kao Group. This contract covers compensation for damages and legal costs that may be incurred by the insured if they receive a claim for damages as a result of their actions (including omissions) committed by them in connection with their duties as officers, etc. of the Company and the Kao Group. However, the contract does not cover damages arising from actions taken by the insured with the knowledge that they were in violation of the law, so as not to impair the appropriate execution of duties by the insured. Insurance premiums are covered by the Company and the Kao Group.

### 3. Reasons for Adoption of Current Corporate Governance System **Updated**

The Company has made continuous efforts to improve its corporate governance structure in order to respond changes in the business and management environment. The Company will continue to

examine the issue of corporate governance structure improvement as part of its managerial challenges. The Company considers it appropriate to make efforts to improve its corporate governance structure through establishing the Committee for the Examination of the Nominees and the Compensation Advisory Committee for Directors and Executive Officers , on the basis of its current structure as a “Company with an Audit & Supervisory Board\*” which has the Board of Directors (consists of five (5) Inside Directors and five (5) Outside Directors) and the Audit & Supervisory Board (consists of two (2) Inside Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members.)

The reasons for the Company's selection of a company with Audit & Supervisory Board are described in "Policy 2.1 Company with Audit & Supervisory Board.

The policy is available on the Company's website below.

[www.kao.com/global/en/corporate/policies/corporate-governance/](http://www.kao.com/global/en/corporate/policies/corporate-governance/)

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	<p>The Company strives for the early dispatching and disclosure of the convocation notice of its Annual General Meeting of Shareholders (“AGM”) every year so that our shareholders can fully examine agenda items of AGM. Prior to the dispatching of the printed convocation notice, on February 21, 2023, the Company uploaded and disclosed it on the Timely Disclosure Network of the Tokyo Stock Exchange and on the Company’s website for the AGM to be held on March 24, 2023.</p> <p>(<a href="http://www.kao.com/global/en/investor-relations/stock-information/shareholders/">www.kao.com/global/en/investor-relations/stock-information/shareholders/</a>)</p> <p>The printed copy of convocation notice was dispatched on March 6, 2023.</p>
Allowing Electronic Exercise of Voting Rights	<p>The exercise of voting rights by electromagnetic means was started at the Annual General Meeting of Shareholders held in 2006.</p>
Participation in Electronic Voting Platform	<p>The use of an electronic voting right exercise system for institutional investors (“Platform” operated by ICJ, Inc.) was also started at the Annual General Meeting of Shareholders held in 2006. Furthermore, in order to encourage the exercise of voting rights by the foreign shareholders, who hold close to 50% of the Company's total shares, the Company conducts surveys on shareholders who actually own the shares and provides them with the summary of the notice of Annual General Meeting of Shareholders in English. The Company also encourages the exercise of voting rights by Japanese Institutional Investors at analyst meeting and interviews for full-year financial results.</p>
Providing Convocation Notice in English	<p>English translation (summary) of the convocation notice is published on the Company’s website on the same day as Japanese.</p>
Other	<p>&lt;Determination of an Appropriate Date for the Annual General Meeting of Shareholders&gt;</p> <p>The Company decides on a date for its Annual General Meeting of Shareholders within the three-month period after the fiscal year-end by designing a schedule premised on providing sufficient time for deliberation by shareholders who have received a convocation notice and ensuring a sufficient number of days for an audit of the financial statements by the Accounting Auditor then considering factors including securing an assembly hall with the capacity to hold the attendees and days when Directors and Audit &amp; Supervisory Board Members, including Outside Directors/Audit &amp; Supervisory Board Members, and Executive Officers can attend.</p> <p>&lt;Providing Appropriate Information to Shareholders&gt;The Company works to enhance the content of its convocation notices for Annual General Meetings of Shareholders by conducting regular revisions to proactively incorporate information considered conducive to appropriate judgments by shareholders, in addition to items required by law. Also, it provides institutional investors and others with explanation as necessary. At the Annual General Meeting of Shareholders, the Company provides shareholders with easy-to-understand explanations of the main parts of the business report, major issues and the medium-to-long-term outlook using projected images and a thorough question-and-answer session. The Company also provides opportunities for shareholders who desire to make the acquaintance of Directors and Audit &amp; Supervisory Board Members and Executive Officers to do so after the close of the Annual General Meeting of Shareholders. (However, to prevent the spread of COVID-19, we have canceled it since 2021.)</p> <p>&lt;Response in the Event a Considerable Number of Votes are Cast against a Proposal by the Company&gt;</p> <p>For proposals against which a considerable number of votes have been cast at the Annual General Meeting of Shareholders, after conducting an analysis of the causes, including confirmation of matters such as benchmarks for the exercise of voting rights by institutional investors, the Company works to gain understanding of its stance through explanations to institutional investors by sending letters or conducting direct dialogues. In addition, the Company takes the advice and opinions</p>

	<p>of institutional investors seriously and uses them to reconsider and improve items related to such proposals against which votes were cast.</p> <p>&lt;Delegation of Powers of the General Meeting of Shareholders to the Board of Directors&gt;  The Company enables the delegation of certain powers of the Annual General Meeting of Shareholders, such as issuing an interim dividend and exempting Directors and Audit &amp; Supervisory Board Members from liability, to the Board of Directors. Such delegation is premised on the attendance at Meetings of the Board of Directors (10 Directors and five (5) Audit &amp; Supervisory Board Members) of the eight (8) outside members, who consist of five (5) Independent Outside Directors, and the three (3) independent Outside Audit &amp; Supervisory Board Members, representing half of attendees, thus maintaining a structure for conducting checks from the perspective of shareholders.</p> <p>&lt;Posting Videos from Annual General Meeting of Shareholders&gt;  The Company has posted videos of the business report including the presentation by the chairperson on the Company's website. The videos are available only in Japanese. (<a href="http://www.kao.com/jp/corporate/investor-relations/stock-information/shareholders/">www.kao.com/jp/corporate/investor-relations/stock-information/shareholders/</a>)</p>
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## 2. IR Activities

	Supplementary Explanations	Explanation by Representative(s) of the Company
Preparation and Publication of Disclosure Policy	<p>The Company has established and published Disclosure Guidelines which set forth its commitment to strict compliance with the Companies Act, the Financial Instruments and Exchange Law, the rules set down by the Tokyo Stock Exchange (TSE) and other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines have been updated, which takes into account fair disclosure. The Company's Disclosure Guidelines are published on the Company's website.</p> <p><a href="http://www.kao.com/global/en/investor-relations/management-information/disclosure.html">www.kao.com/global/en/investor-relations/management-information/disclosure.html</a></p>	
Regular Investor Briefings for Analysts and Institutional Investors	<p>Financial results briefings are held on the date of the announcement of full-year and interim financial results. A business management overview and management policy are reported and explained by the President and CEO, and the actual and expected corporate performance are reported and explained by the officer, Responsible for Management Finance (Accounting and Finance, Business Structure Reforms, Procurement, Human Capital Strategy). For the first quarter and the third quarter, the Company holds conference calls. As part of a constructive dialogue with a view to enhance the corporate value, small meetings between the President and CEO and analysts and institutional investors are held. Furthermore, the Company holds briefings on new strategies, initiatives, and businesses whenever necessary.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>To hold constructive dialogues with a view to enhance the corporate value and to facilitate the exercise of voting rights, the President and CEO engages in direct dialogue with various institutional investors and holds timely dialogue with various institutional investors on topics such as ESG and other matters. Also, other members of the management engage in direct dialogue with institutional investors in Asia adequately, and they explained the Company's management policy, as well as matters such as the managerial environment and business performance and outlook, and answered questions subsequently asked by investors. Even in situations where overseas travel is difficult due to the spread of COVID-19, the Company continues to hold meetings using online tools. In addition, the executive officer in charge and IR staff participate in conferences hosted by securities companies as appropriate, and hold dialogues with various institutional investors regarding management policies and business performance.</p>	Yes

Posting of IR Materials on Website	<p>Reports of financial results, annual securities reports, quarterly reports, quarterly securities reports, notices of convocation of shareholders meetings, integrated report, shareholders' reports (interim) and presentation materials at shareholders meetings and financial results briefing sessions are published on the Company's website. Furthermore, reports of financial results, notices of convocation of shareholders meetings and presentation materials at financial results briefing sessions are translated into English and published on the Company's website. Presentation materials at shareholders meetings in Japanese and English are disclosed promptly at the same time on the Company's website. From fair disclosure perspectives, Q&amp;As from various meetings such as interim and full-year financial results briefings and conference calls are disclosed in script in Japanese and English. Financial results briefings videos are posted on the website as well. In September 2021, the investor information website was redesigned to expand public information and improve convenience, and the Company has continued to add and update information since then.</p> <p>Investor information in Japanese: <a href="http://www.kao.com/jp/corporate/investor-relations/">www.kao.com/jp/corporate/investor-relations/</a>  Investor information in English: <a href="http://www.kao.com/global/en/investor-relations/">www.kao.com/global/en/investor-relations/</a></p>
Establishment of Department and/or Manager in Charge of IR	<p>Corporate Strategy performs IR functions, aiming to reinforce strategic disclosure of information, communicate with securities analysts and institutional investors, hold events and disclose information on the website. A total of seven members respond to IR issues at the head of one Vice President.</p>
Other	<p>&lt;Measures aimed at Shareholders&gt;  The Company posts shareholders' interim report to shareholders every August.  Also, the Company holds a "Kao Museum Tour" (Tokyo), a "Kao Kawasaki Plant Tour" (Kanagawa), a "Kao Eco-Lab Museum Tour" (Wakayama) and a "Company Briefing" for shareholders who own one unit share or more. However, due to the COVID-19 pandemic all have been canceled.  In December 2021, the Company held online events regarding Kao's supply chain management and its ESG activities.  In November 2022, the Company held online events regarding Kao's R&amp;D activities in Chemical Business and introduction of the Kao Eco-Lab Museum at the Wakayama Plant.</p> <p>&lt;Measures aimed at institutional investors&gt;  The Company conducts exchanges of opinions with multiple institutional investors in Japan and outside Japan regarding how to promote constructive dialogues and ESG and makes use of such exchanges to improve information disclosure and daily IR activities.  Also, the Company held a seminar on Kao Group Mid-term Plan 2020 (K20).</p> <p>&lt;Published Integrated Report&gt;  The Company releases the Kao Integrated Report, which covers both financial and non-financial information. Kao's Financial Report is also available in PDF format.  Integrated Report  <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a>  Financial Report  <a href="http://www.kao.com/global/en/investor-relations/library/financial-report/">www.kao.com/global/en/investor-relations/library/financial-report/</a></p> <p>&lt;External Evaluation&gt;  The Company received Commendation Award in 2022 Internet IR Award by Daiwa Investor Relations Co. Ltd.</p>



### 3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Kao Way, an essence of the Company's corporate philosophy, declares, " As one, we create a Kirei life for all - providing care and enrichment for the life of all people and the planet; As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all." The "Vision" section of the Kao Way further states, " To be closest to the individual and beyond their expectation; By deeply knowing and understanding our world and its people, we aim to improve people’s lives beyond their expectations for a future where humans and nature thrive together."</p> <p>Furthermore, the Principles of Corporate Ethics in “Kao's Business Conduct Guidelines” state, "Kao Corporation seeks to be an honest and exemplary company, guided by sensible and fair actions and driven by a fundamental adherence to ethical principles that go beyond mere compliance with laws to earn the true respect of all stakeholders. The Business Conduct Guidelines also give specific guidance about respecting the standpoint of stakeholders.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>&lt; Evaluation of ESG Measures&gt;            Selected for the A List for climate change, forest, and water by CDP and Supplier Engagement Leader by CDP            The Company has been selected as the A List for climate change, forest, and water by CDP based on the CDP's environmental response survey of the companies surveyed worldwide six years in a row. The Company has been included in the climate change A List for the fourth time, the forest A list for the third time, and the water security A List for the sixth time. Also, the Company has been recognized, for the sixth consecutive year, as a Supplier Engagement leader for its initiatives in reducing carbon emissions and tackling climate change across its supply chain by CDP, an international non-profit organization that drives companies and governments to reduce their greenhouse emissions.</p> <p>*CDP: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.</p> <p>Included in Stock Indices for ESG Investing</p> <ul style="list-style-type: none"> <li>• FTSE4Good Index</li> </ul> <p>Index developed by FTSE Russell, a unit of the London Stock Exchange Group. Companies that satisfy its environment, social, and governance standards are selected for the index. Kao has been continuously selected for the index since 2008.</p> <ul style="list-style-type: none"> <li>• MSCI ESG Leaders Indexes</li> <li>• MSCI Japan ESG Select Leaders Index</li> </ul> <p>Indexes developed by U.S.-based MSCI. Companies with excellent environment, social, governance (ESG) ratings are selected for the indexes. Kao has been continuously selected for the index since 2017.</p> <p>For information on other external evaluations, please visit the following website.  <a href="http://www.kao.com/global/en/sustainability/recognition/">www.kao.com/global/en/sustainability/recognition/</a></p> <p>Details on Kao's sustainability-related initiatives can be found at following websites.            Kao Sustainability Report:  <a href="http://www.kao.com/global/en/sustainability/pdf/">www.kao.com/global/en/sustainability/pdf/</a></p>
Development of Policies on Information Provision to Stakeholders	<p>The Company has established Disclosure Guidelines which set forth its commitment to timely, accurate, and impartial disclosure of information to shareholders, investors, and all stakeholders in strict compliance with the Companies Act, the Financial Instruments and Exchange Law, the rules set down by the Tokyo Stock Exchange (TSE) where the Company’s shares are listed, as well as other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines</p>

	<p>have been updated, which takes into account fair disclosure.  <a href="http://www.kao.com/global/en/investor-relations/management-information/disclosure">www.kao.com/global/en/investor-relations/management-information/disclosure</a></p>
Other	<p>&lt;Measures to Promote Diversity&gt;  Recognizing that the vitality born from diversity supports our business growth, the Company expresses its aim and principles of action in the Kao Way, the Company's corporate philosophy, and shares it widely. For individuals and the Company to grow together, we aim to strengthen the organization by bringing together employees of diverse backgrounds, respecting each other, and accepting each individual's perspective and way of thinking; and to create an environment where each individual can maximize his/her ability and individuality. The Company discloses information on its initiatives through the Sustainability Report, Kao Integrated Report, and other reports.  The Company also established its Diversity, Equity and Inclusion (DE&amp;I) Policy on January 31, 2023.  Please see below for Sustainability Report, Integrated Report and Diversity, Equity and Inclusion Policy.</p> <ul style="list-style-type: none"> <li>• Kao Sustainability Report  <a href="http://www.kao.com/global/en/sustainability/pdf/">www.kao.com/global/en/sustainability/pdf/</a></li> <li>• Kao Integrated Report  <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> <li>• Diversity, Equity and Inclusion Policy  <a href="http://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/">www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/</a></li> </ul> <p>With regard to core positions, the Company securing diversity by thoroughly evaluating and promoting them based on individual abilities that do not rely on attributes.</p> <p>With regard to promotion of women to managerial positions, among other efforts, the Company has set a target to have a proportionate ratio of female managers in Kao Group companies in Japan to the ratio of female employees in Kao Group companies in Japan by 2030, creates a compatible environment for diverse work methods and encourages female manager candidates to participate in outside cross-industry study groups. On December 31, 2022, the percentage of female employees in Kao Group companies in Japan was 55.9% and the percentage of female employees in managerial positions in Kao Group companies in Japan was 22.4% (20.5% last year).</p> <p>With regard to non-Japanese employees, the Company strives to secure excellent human resources regardless of nationality, such as by setting a certain target value. On December 31, 2022, the percentage of non-Japanese employees in Kao Group companies in Japan was 0.6% and the percentage of non-Japanese employees in executive positions in Kao Group companies in Japan was 0.4%. The Company has set a target to have a proportionate ratio of non-Japanese managers of Kao Group companies in Japan to the ratio of non-Japanese employees in Kao Group companies in Japan by 2030.</p> <p>With regard to mid-career employees, because the Company is going to actively develop new businesses in the future, the Company is going to actively recruit specialists from outside the Company. On December 31, 2022, the percentage of mid-career employees in Kao Group companies in Japan was 35.7% and the percentage of mid-career employees in managerial positions in Kao Group companies in Japan was 18.5% (17.5% last year). The Company has set a target to have a proportionate ratio of mid-career employees in managerial positions of Kao Group companies in Japan to the percentage of mid-career employees in Kao Group companies in Japan.</p> <p>&lt;Evaluation of Initiatives to Promote Diversity&gt;  Kao Group's philosophy and initiatives to promote diversity and inclusion, as well as the organizational culture in which employees can play active roles regardless of gender or other attributes, have been highly evaluated. In 2018, the Company was included in MSCI Japan Empowering Women Index (WIN)*<sup>1</sup>, and in 2019, 2020, 2021, 2022 and 2023 selected for inclusion in the Bloomberg Gender-Equality</p>



Index\*<sup>2</sup>. Also, the Company was selected as a “Nadeshiko Brand\*<sup>3</sup>” in 2013, 2015, 2018 and 2020 and "Semi-Nadeshiko Brand" in 2019 and 2021. Also, the Company was selected “Diversity Management Selection 100 Project\*<sup>4</sup>” in 2013, the year it was established and in 2019, received the Prime Minister's Award for “Leading Companies Where Women Shine\*<sup>5</sup>.”

\*<sup>1</sup> MSCI Japan Empowering Women Index (WIN): Index by U.S.-based MSCI: Companies with outstanding assessments for empowering women and promoting gender diversity are selected from among the MSCI Japan IMI Top 500 Index.

\*<sup>2</sup> Bloomberg Gender-Equality Index: Index developed by U.S.-based Bloomberg to track the performance of those companies most committed to transparency in gender reporting and to advancing women globally.

\*<sup>3</sup> Nadeshiko Brand: The Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry jointly select and publicize enterprises listed on the first section of the Tokyo Stock Exchange that are exceptional in encouraging women's success in the workplace from 2013.

\*<sup>4</sup> Diversity Management Selection 100: The Ministry of Economy, Trade and Industry selects enterprises that create innovation and conduct business which leads to creation of value, by utilizing various human resources and by giving them opportunities to fully show their competence.

\*<sup>5</sup> Leading Companies Where Women Shine: The Gender Equality Bureau Cabinet Office publicly recognizes companies that disclose information about their policies, initiatives, and results of promoting women to managerial and executive positions, and from this information demonstrate outstanding achievements.

#### <Measures to Promote the Health of Employees>

Based on the Kao Group Health Declaration established in 2008, the Company is engaged in health management mobilizing a robust organizational framework led by a dedicated department and involving the participation of the employer, the health insurance union, industrial healthcare staff, and external specialists. In addition, the Company is promoting practical health promotion activities in which employees and their families participate by incorporating products and health solution services developed from analysis of basic internal and external health information and health care knowledge into the Company's health management. Outstanding initiatives are made available outside the company through the Kao GENKI Project. In 2022, the Company renewed the Kao Group Health Declaration, declaring that the Company will expand its activities beyond employees and their families to corporations, local governments, and consumers.

Due to the positive evaluation of the Company's measures and results, it was selected as a “Health and productivity management brand” eighth consecutive year (until FY2022) and also recognized by METI, for the seventh consecutive year, as a Certified Health and Productivity Management Organization (White 500) for its outstanding practice of health-conscious management.

Also, in March 2021, the Company won the Development Bank of Japan Inc.'s highest rating in its “DBJ Employees' Health Management Rated Loan Program” as a company that is particularly superior in terms of its consideration for the health of its employees. This is the third time Kao has been given this highest rating. The last time was in 2012 when the Program was first introduced. Kao successfully procured financing under preferential conditions as provided by the Program.

\*Loans with discounted interest rates according to the Rating

DBJ evaluates the health management efforts of corporations and applies three different interest levels based on the result of the evaluation.

#### <Most Ethical Company in the World>

Kao was Selected as the "World's Most Ethical Companies 2023" of the U.S. think tank Ethisphere Institute. Kao is the only Japanese company that has been selected for 17 consecutive years since the award was established in 2007.

\*World's Most Ethical Companies: The Ethisphere Institute is a leading international think tank focused on developing and sharing best practices in business ethics and corporate social responsibility. For the World's Most Ethical List, it surveys and evaluates companies the world over in five categories: ethics

and compliance programs, corporate citizenship and responsibility, culture of ethics, governance and leadership, and innovation and reputation.

The Kao Group upholds the founder's value of "walking the right path" at the core of all corporate activity. This signifies acting in accordance with the law and ethics, and conducting honest and sound business activities. To put this idea into practice on a daily basis, the Company also conducts training that takes into account the characteristics and case examples of our business in each country and region in an effort to raise the level of understanding of all Group employees.

#### IV. Matters Related to the Internal Control System

##### **Basic Views on Internal Control System and the Progress of System Development**

The Company has established an Internal Control Committee chaired by the President and CEO. An important task of the committee is to develop a management structure, organization and system that facilitates legally compliant, efficient, sound and highly transparent management that aims to consistently enhance corporate value, and for this objective, the Company implements the following systems:

##### **1. Systems to Assure Appropriate Business Operations of the Company**

The Board of Directors made the following resolution with respect to the "Policy regarding the Development of the Internal Control System" on January 1, 2023.

##### **Basic Policy Regarding the Internal Control System**

The Company has established an Internal Control Committee chaired by the President and Chief Executive Officer. An important task of the committee is to develop a management structure, organization and system that facilitates legally compliant, efficient, sound and highly transparent management that aims to consistently increase corporate value, and for this objective, the Company implements the following systems:

(1) A system to ensure that execution of duties of Directors and employees of the Company and its subsidiaries conforms to laws and the Articles of Incorporation

Directors, Executive Officers and employees of the Company and its subsidiaries (Kao Group) should act with integrity based on "Kao's Business Conduct Guidelines (BCG)," which governs compliance with laws, the Articles of Incorporation, internal rules and social ethics. The Compliance Committee, chaired by the Director or Executive Officer in charge of compliance, promotes Kao Group's compliance as a whole. On the basis of the provision of BCG which declares Kao's position to reject any relationship with anti-social forces, the Company promotes cooperation with governmental agencies, etc. and collection and management of information regarding anti-social forces and establishes and maintains its internal system. Monitoring by the department in charge of internal control/committee, internal audit by the Department of Internal Audit as well as notices and reports to the Compliance Reporting Hotline from concerned parties in and outside the Company enable Kao to quickly gauge the state of compliance, work to quickly resolve any issues that arise, and take appropriate steps to prevent the recurrence of similar cases.

(2) A system for retention and management of information concerning Directors' execution of their duties

Information (minutes, decision records and their relevant materials, account books and records, and other information and the like) related to the Directors' execution of their duties is properly retained and managed according to the document retention and management policies and other related policies. The Directors, Audit & Supervisory Board Members and employees designated by them may access such information at any time.

(3) Rules and other systems concerning management of risk of losses by the Company and its subsidiaries

With regard to the risk of losses, the Company regards potential negative impact on management targets and business activities as "risks" and the manifestation of such risks as a "crises," and has established systems for appropriate risk and crisis management. Based on the Risk and Crisis Management Policy, the Risk & Crisis Management Board, chaired by the Director or Executive Officer in charge of risk and crisis management, ascertains the progress of cross-divisional Company-wide risk management and establishes a plan for the preparation and application of risk

and crisis management activities. Based on this policy and plan, departments concerned with risk or subsidiaries appropriately manage risk by ascertaining and assessing risks, formulating and implementing necessary countermeasures, and other activities. In addition, after deliberation by the Management Board, the President and Chief Executive Officer specifies major Company-wide risks as corporate risk and appoints a person to appropriately manage such risk. When a crisis occurs, the Company responds promptly by establishing an organization for countermeasures centered on this person in charge for corporate risk, and on departments concerned with risk or subsidiaries for other types of risk. In addition, depending on the magnitude of the impact on the Group as a whole, the Company also establishes a countermeasures headquarters with the President and Chief Executive Officer or other person as its general manager. Management of the abovementioned risks and crises is reported to and discussed at the Meeting of the Board of Directors or the Management Board on a regular basis as well as in a timely fashion whenever necessary.

(4) A system to ensure that Directors of the Company and its subsidiaries efficiently execute their duties

After determining the direction to be focused on in a mid-term business plan, the Board of Directors reflects such direction in the mid-term plans of each department and subsidiary. The mid-term plans are reviewed annually by the Board of Directors and the Management Board, and necessary adjustments are made in response to the progress of the plans and changes in the business environment. The Management Board reviews, monthly or whenever appropriate, the progress of the revenue and expenditure plan and other important business plans of each division and subsidiary, extracts the main issues and then implements measures in response. In order to separate supervision and execution functions and to ensure the effectiveness of these functions and to accelerate execution, the decision rules for the Board of Directors and the Management Board including items that arise from subsidiaries are established and reviewed as necessary.

(5) A system to ensure the appropriateness of business operations in the Company and its subsidiaries

The Internal Control Committee and related committees promote various policies to make sure that the business activities of the Kao Group conform to laws and the respective Articles of Incorporation. In addition, they promote and monitor efforts to ensure the appropriateness and efficiency of business operations throughout the Kao Group, and report regularly to the Board of Directors. Representative Directors, Directors and Executive Officers in charge of business operations provide guidance for the development of appropriate internal control systems for subsidiaries, according to their respective duties.

(6) A system concerning reporting to the Company regarding execution of duties of Directors of the Company's subsidiaries

The Company applies the Subsidiaries rules (Policy Manual) to all subsidiaries, which require prior approvals of or reporting to the Company. The Company requires them to gain prior approvals or make a report on important management matters to the Board of Directors, Management Board or an executive officer who are in charge of the subsidiary in accordance with such rules as well as the decision and reporting rules for the Board of Directors and Management Board. In addition, Directors of the Company's subsidiaries, regularly or as necessary, discuss or report to the periodic meetings held every month in principle and established by each business area or functional area which supports business. Also, the Department in charge of internal control and the Department of Internal Audit regularly or as necessary, monitor the state of implementation of prior approvals or reporting based on the rules.

(7) A system to ensure the reliability of financial reports

In order to ensure the reliability of financial reports, the Company evaluates, improves and documents in writing the state of the Company's internal control system and the process of business operations based on the principles of the Internal Control Committee and the Board of Directors confirms these activities regularly.

(8) Employees to be assigned if Audit & Supervisory Board Members request staff to assist in their duties

In the event that a request is made by Audit & Supervisory Board Members for the assignment of staff to provide assistance to conduct their audits effectively, the Directors should assign employees after discussing the selection of specific personnel with the Audit & Supervisory Board Members.

(9) Independence of employees in the preceding paragraph from Directors and ensuring effectiveness of instruction by Audit & Supervisory Board Members to such employees  
In assignment, evaluation, transfer and disciplinary action of or to employees who assist in the duties of Audit & Supervisory Board Members, the prior consent of the Audit & Supervisory Board Members should be obtained. Instructions by the Audit & Supervisory Board to such employees should not be restricted unreasonably, and such employees must follow the instructions.

(10) A system for Directors, Executive Officers and employees of the Company and Directors, Auditors and employees, etc. of the Company's subsidiaries to report to Audit & Supervisory Board Members of the Company  
Audit & Supervisory Board Members may attend meetings of the Management Board, the Internal Control Committee and related committees, and may access the minutes, decision records and other documents of important meetings at any time. They may also receive activity reports from the head of each division and subsidiary regularly or as necessary. In addition, Directors, Executive Officers and employees of the Company and Directors, Auditors and employees of subsidiaries, etc. should promptly report to Audit & Supervisory Board Members when any fact that may potentially cause significant harm to the Company or to its subsidiaries or any fact of a serious violation of laws or the Articles of Incorporation occurred or when those fact were reported. Compliance Committee reports information delivered to Compliance Hotline and Department of Internal Audit reports audit results to Audit & Supervisory Board Members regularly or as necessary. Auditors of subsidiaries share audit results with Audit & Supervisory Board Members of the Company at the Conference of Auditors for Domestic Group Companies held periodically.

(11) A system to ensure that those who made such reports in the preceding paragraph shall not receive any disadvantageous treatment due to his/her submission of the reports  
Directors and employees of Kao Group who made reports to Compliance Hotline or to Audit & Supervisory Board Members, etc. shall not receive any disadvantageous treatment due to his/her submission of the reports and the Company stipulates prohibiting any disadvantageous treatment in Kao Business Conduct Guideline and ensures compliance of this rule.

(12) Policy concerning payment or reimbursement of expenses pertaining to execution of duties by Audit & Supervisory Board Members including advance payment of expenses and reimbursement procedure, etc.  
In the event of requests for appropriation to the fiscal year budget for the payment of expenses and other expenditures arising in the execution of the duties of Audit & Supervisory Board Members, a budget is accordingly provided. When expenses provided for in the budget arise, or when the necessity arises for the execution of non-budgeted emergency or additional auditing or other duties and Audit & Supervisory Board Members charge expenses pertaining to execution of their duties or debt disposal, the Company shall promptly accept such requests, except in the cases set forth in Article 388 of the Companies Act.

(13) A system to ensure that audits by Audit & Supervisory Board Members are conducted effectively  
In order to conduct efficient and effective audits, Audit & Supervisory Board Members shall maintain close cooperative relationships, including the exchange of information, with the Accounting Auditor, Department of Internal Audit, the departments and committees in charge of internal control, the auditors of subsidiaries, etc., and the departments in charge of internal audits. In addition, Audit & Supervisory Board Members are entitled to hold meetings with Representative Directors, Outside Directors and representative directors of important subsidiaries, independently receive support from outside specialists such as lawyers and certified public accountants when necessary.

(14) Implement of a system to ensure the appropriateness of business operations

The Board of Directors conducts periodic reviews of implement of a system to ensure the appropriateness of Kao Group's business operations, and includes the summary of state of implement in the business report.

## **2. Outline of Management of Systems to Assure Appropriate Business Operations of the Company**

Based on the above policies, the Company has established an Internal Control Committee chaired by the Representative Director, President and CEO to set up and properly operate its internal control system. Principal efforts made during this fiscal year, which are considered to be important in terms of internal control, include the following:

### **Efforts Concerning Compliance**

Under the initiative of the Compliance Committee chaired by the Managing Executive Officer responsible for compliance, efforts have been continuously made in this area, involving both domestic and overseas Kao Group companies, such as by improving relevant regulations, including the Kao Business Conduct Guidelines (BCG), which is the code of conduct for implementing the Kao Way, as well as by carrying out educational and awareness activities and setting up and properly operating the Compliance Hotline.

The following efforts are made in order to reduce material compliance risks:

- In the event of a compliance violation, we have implemented a thorough system to immediately report to senior management and Audit & Supervisory Board Members. For cases that require special attention, we conduct a root cause analysis and implement measures in the relevant department to prevent a recurrence. We enlist the services of an outside attorney, who attends the monthly Compliance Committee Secretariat Meeting as an advisor, to provide evaluations and recommendations from a third party perspective. Furthermore, we identify which cases have the potential to become material compliance violations. The Compliance Committee, which is convened quarterly, confirms the status of measures by the departments in which incidents occurred and departments that are principally in charge of the matters involved, and strives to reduce risk so that similar incidents do not occur outside the department concerned.
- The internal and external (counselors and lawyers) hotline system is generally established and implemented throughout the Company and its domestic and overseas group companies and 488 reports and consultations were received during this fiscal year. Of all the reported and consulted cases, we conducted fact-finding investigations on all cases where investigations were requested and resolved each issue one by one, while implementing necessary measures based on the recognition of issues to maintain the workplace climate as a Company. We also worked to foster an "open climate" that would make it easier for internal and external people to raise their voices in order to prevent the spread and prolongation of compliance violations.
- In an effort to prevent compliance violations, we worked to maintain and enhance the compliance awareness of each employee by sharing examples of past violations on compliance case studies via the intranet of Kao Group and conducted BCG refresher tests and compliance awareness surveys for all employees overseas (excluding temporary and part-time employees). The Company also arranged a lecture by the Chairperson of the Compliance Committee on the importance of compliance, displayed posters, and distributed compliance messages from the head of each organization.
- Tasks were identified based on the analysis of evaluation items obtained from the principal external evaluation organizations. The improvement measures for these tasks were added to future activity plans.

Practical examples for 2022 include: (1) continuing the training program to consider how supervisors and members should engage in dialogue, and to consider compliance risks in the event that such dialogue is not practiced; (2) in compliance case studies sent out from the intranet, we gathered comments from our readers together with a survey, which were then used as feedback for the next edition of the report to make it more personal; and (3) conducting self-assessment of compliance activities, identifying issues, and discussing future measures at Compliance Committee Secretariat Meetings and Compliance Committee meetings.

### **Efforts Concerning Risk and Crisis Management**

In terms of risk management, we have decided on the themes and owners (executive officers responsible for each theme) at the Management Board and are working on the risks that have a particularly significant impact on management and that need to be strengthened in response as "corporate risks." We have implemented measures to deal with other risks, such as measures for major earthquakes, natural disasters and BCP measures, serious quality issues such as cyber-attacks, leakage of personal information and reputation risk. Measures include strengthening of response system, strengthening of prediction and prevention measures, reinforcement of intelligence through the use of external organizations, education, awareness-raising, and training for emergency response. Furthermore, in response to rising geopolitical risks in Europe and East Asia, where the Kao Group operates, due to the Russia and Ukraine issues and other issues, we have selected "Responding to geopolitical risks" as a new corporate risk theme, and are focusing on ensuring the safety of employees, securing supply chain networks, and addressing reputation risks. We also identified significant risks that may deter the achievement of the Mid-term Plan "K25" and confirmed our level of preparedness and issues under the management of the Risk and Crisis Management Committee. On the other hand in terms of crisis management, in response to the global COVID-19 pandemic, the Emergency Response Headquarters (headed by the President and CEO) was held 10 times (56 times since FY2020) to decide on Company-wide policies, centered on ensuring the safety of employees and their families and business continuity. We also reviewed our work system and work styles, taking into account factors such as the evolving nature of the virus and infection trends, and have continued to implement post-COVID measures and planned for exit strategies.

In addition, in response to the impact of rising raw material prices worldwide, we worked to revise selling prices for chemical products, implemented strategic price increases centered on laundry detergents, and strengthened our marketing activities.

### **Efforts Concerning Subsidiary Management**

The executive officers in charge provides guidance on the establishment and operation of the internal control system to subsidiaries in accordance with the segregation of duties.

Overseas subsidiaries are required to internally share information concerning any material risks and the measures to be taken, at the time of management meetings at such subsidiaries. In addition, risks which may be identified by the respective subsidiaries based on instructions given by the Company are reported to the Company's departments that are principally in charge of the matters involved, along with the measures to be taken.

At periodic meetings established based on the businesses and the functions for supporting such businesses, agenda items have been submitted and reports made whenever necessary, based on the criteria for submission of agenda items. In addition, the Company confirmed that proposals and reports have been made in accordance with regulations, etc., by receiving checklists by each department responsible for internal control and by conducting site visits by the Department of Internal Audit.

In addition, the Department of Internal Audit and sections in charge of subsidiary management have verified that agenda items have been submitted and reports made in accordance with internal rules, etc., by way of site visits for auditing purposes or by causing checklists to be submitted.

Regarding important matters of subsidiaries, agenda items have been submitted and reports made from subsidiaries to the Company whenever necessary, in accordance with the Group Management rules, known as the "Policy Manual," that set forth matters regarding which subsidiaries are required to obtain prior approval from the Company or to make a report to the Company. Based on the "Policy Manual," all matters pointed out by the Department of Internal Audit are shared among directors and officers of the relevant subsidiaries, at the time of management meetings at such subsidiaries, along with the measures to be taken and the results thereof and are reported to the Company's departments that are principally in charge of the matters involved.

For worksites and departments of the Company and Group companies both within and outside Japan, we have confirmed how business was executed and the internal control system was established and operated. For the second-line of internal control, which are legal and compliance departments, risk and crisis management departments, and other departments, we have confirmed monitoring conditions as well. Online meetings and other remote auditing measures have been used

to conduct roughly the same number of site audits and interviews as are performed in an ordinary year (site audits and interviews were conducted 115 times this fiscal year). Roughly 70% of these involved at least one Outside Audit & Supervisory Board Member.

We have engaged in opinion-sharing with the Department of Internal Audit, both on a regular and as-needed basis. We also worked closely with the auditors of Group companies to improve the effectiveness of audits by holding regular meetings to exchange opinions and requesting their attendance at hearings at Group companies.

Based on the findings of these auditing activities, we have held meetings for exchanging opinions, conducted by all of the Audit & Supervisory Board Members, with Representative Directors of the Company and key subsidiaries (the meetings were held 6 times this fiscal year) and opinion-sharing meetings with Outside Directors (the meetings were held 3 times this fiscal year).

We have received and exchanged opinions on the annual audit plan, accounting audit results (quarterly reviews and annual audit results), and key audit matters (KAM) from the Accounting Auditor, while monitoring the independence and appropriateness of the audit.

## 2. Basic Views on Eliminating Anti-Social Forces

The Company has made the following declaration in Kao's Business Conduct Guidelines, as well as stating establishment of system in above Basic Policy Regarding the Internal Control System. The Company has familiarized all employees of Kao Group companies with this policy and posted Kao's Business Conduct Guidelines on the Company's website.

We shall not engage in any activities which are detrimental to society. Furthermore, we shall resolutely resist pressure by any individual, group or organization to support such activities.

- We shall maintain a resolute attitude against activities which are unlawful or contrary to the public welfare.
- We shall not participate in any activities that are illegal or contrary to the public welfare regardless of any competing pressure to do so.
- We shall reject any relationship with groups that act contrary to the public welfare, and shall not yield to any attempt of blackmail or threat. We shall not involve ourselves in any activities or conduct which offends social norms or morality, such as money laundering, offers of illegal interest, etc.

On the basis of provision above, the Company promotes cooperation with governmental agencies etc. and collection and management of information regarding anti-social forces and establishes and maintains its internal system under normal circumstances.

Please see the reference material “Status of Corporate Governance System” in the “Appendices” at the end of this policy.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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The Company has not submitted a proposal for anti-hostile takeover measures to the Annual General Meeting of Shareholders. However, the Company considers the adoption of anti-hostile takeover measures to be a crucial management issue and is giving ongoing consideration to preparations for a hostile takeover with a close attention to the legal system, public trends and other matters.

The Company wants its shareholders to hold its stock for the long term, and therefore believes that it should provide profit to long-term shareholders by raising its corporate value over the long term through vigorous business activities that increase EVA as well as by enhancing shareholder returns through dividends and other measures. The Company believes that by increasing corporate value and enhancing shareholder returns, it will raise its stock price and market capitalization, thus making it difficult to conduct a hostile takeover that is counter to shareholder profit.

The Company believes that concurrently increasing trust in its Management by gaining understanding from all stakeholders of its contributions to society through activities for

sustainability and other measures is a major deterrent to hostile takeovers.

In addition, in the event of a tender offer for the Company's stock, the Company will request an explanation of measures for improving the corporate value of the Kao Group from the tender offer or and disclose its own stance to shareholders.

## **2. Other Matters Concerning to Corporate Governance System**

### **■Outline of Organization for Timely Disclosure**

Internal policies regarding timely disclosure of the Company's information is as follows:

#### **1. Basic Position of Timely Disclosure**

To earn the trust and support of society, the Company is committed to timely, accurate and fair disclosure of information to its shareholders, investors and all other stakeholders. The Company strictly adheres to the Japanese Companies Act and the Financial Instruments and Exchange Law and other regulations, as well as the regulations set down by Tokyo Stock Exchange(TSE), Inc., and promptly discloses information in accordance with the Securities Listing Regulations. In addition, the Company proactively discloses information of social relevance pertaining to the Kao Group.

#### **2, Internal System of Timely Disclosure**

The Company has established a system which the secretariat of Disclosure Committee consolidates the management of material corporate information including all the decisions, occurrence of material facts and earnings information of the Company and of the Company's subsidiaries. The Disclosure Committee reviews whether certain material corporate information should be disclosed pursuant to the Securities Listing Regulations of TSE in consultation with relevant divisions such as Accounting & Finance, Legal, Public Relations, R&D and Production. If necessary, the Committee decides the contents, time and methods of disclosure after getting an approval of Representative Director and CEO, or if absent, one of the other Representative Directors or Corporate Information Handling Officer registered at TSE.

In principle, Representative Director or its assignees discloses information by TDnet, and press conference and posting of news release if necessary, in accordance with the decision by the Committee. The information registered at TDnet will also be promptly posted on the Kao website. The Public Relations manages the disclosed information.

The system for the secretariat of Disclosure Committee to collect material corporate information is as follows:

##### **(1) Decisions by the Company**

The secretariat shall be informed of all proposals and reports at the meetings of Management Board and Board of Directors of the Company. All decisions that are required to be disclosed shall always be made at the meetings of Management Board and Board of Directors of the Company. Therefore, the secretariat is aware of all the decisions.

##### **(2) Occurrence of Material Fact**

Immediately after any of the officers and employees of the Company has the knowledge of occurrence of a material fact or the possibility thereof, he or she is required to inform the secretariat of such information.

##### **(3) Earnings Information**

Accounting and Finance Division prepares earnings information of the Company, which is concurrently audited by the Accounting Auditor of the Company. Management Board and Board of Directors of the Company deliberate earnings information and its main items with analytic data before disclosure thereof.

Burden of the end of term audit by Accounting Auditor is reduced by conducting interim audits, which enables the Company to accurately and timely disclose earnings information.

##### **(4) Information regarding Subsidiaries**

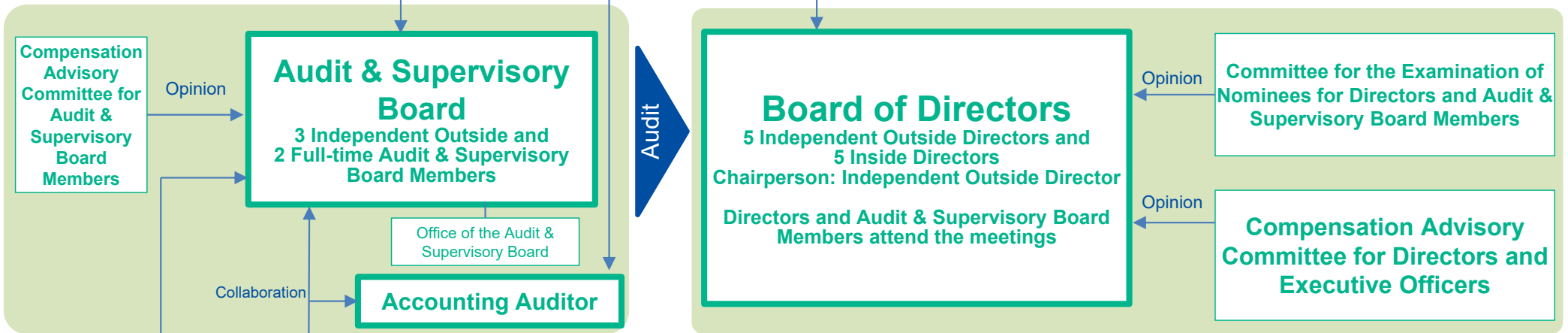
Immediately after any of the officers and employees of the Company in charge of subsidiaries has the knowledge of occurrence of a material fact or the possibility thereof regarding subsidiaries for which he or she is responsible, he or she is required to inform the secretariat of such information.



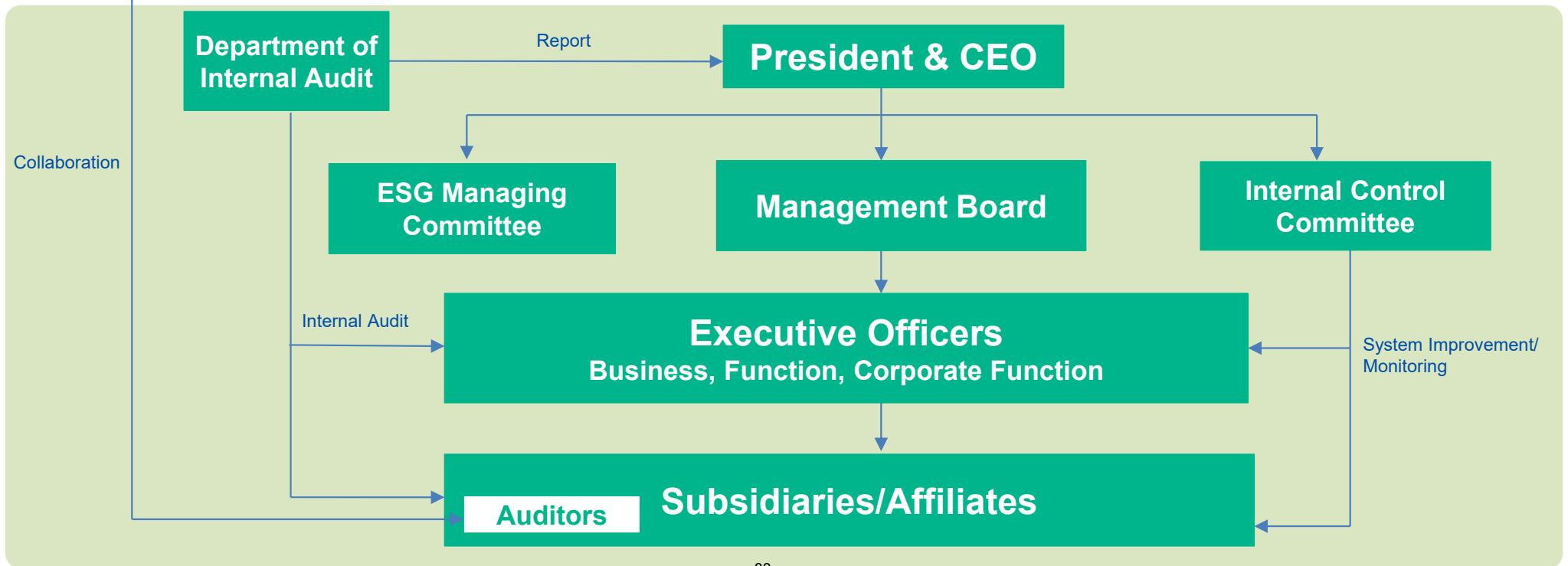
## Shareholder Meeting

### 【Audit】

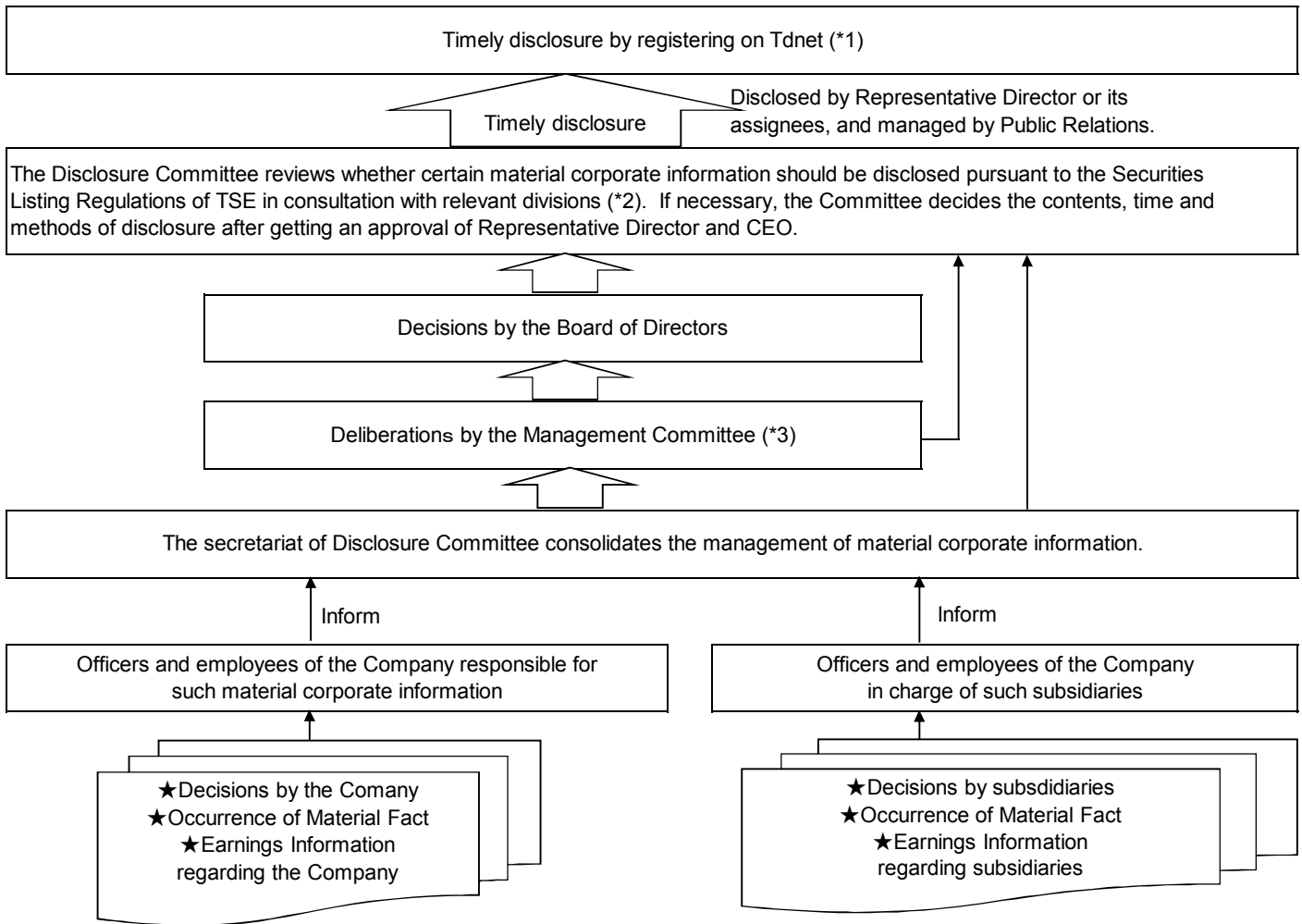
### 【Supervision/Decision-Making】



### 【Business Execution】



# Timely Disclosure System



\*1 Disclosure by press conference and posting of news release, if necessary, in addition to registering at TDnet and posting on the Kao website.

\*2 Relevant divisions consulted by Disclosure Committee are Accounting & Finance, Legal, Public Relations, R&D and Production etc.

\*3 The Management Committee is a board which deliberates the most important issues other than the Board of Directors.

The Disclosure based on the principles of the Corporate Governance Code other than those described in the Kao Corporate Governance Policy (hereinafter referred to as the "Policy") are as follows.

The Policy is available on the Company's website.

[www.kao.com/global/en/corporate/policies/corporate-governance/](http://www.kao.com/global/en/corporate/policies/corporate-governance/)

## Disclosure Based on the Principles of the Corporate Governance Code

### [Principle 1.4] Cross-Shareholdings\*

Based on the policy described in "Policy 5.1.3 Cross-Shareholdings," the rationality of continuing to hold cross-shareholdings and the review of the number of shares resulted in 43 strategic stockholdings as of the end of December 2022 (the total amount on the balance sheet increased from ¥3,303 million to ¥6,156 million). Of these, for listed stocks, two were all sold, and one is partially sold in 2022. Regarding unlisted stocks, the Company acquired two new stocks in 2022. Prior to the corporate governance code became effective in 2015, the Company held 83 issues (¥9,384 million) as of December 31, 2014.

All voting rights at annual general meetings of shareholders held during 2022 by companies in which the Company holds shares were used to approve proposals, because there were no proposals that raised concerns of damage to the corporate value of the relevant company.

*\*Cross-Shareholdings: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.*

### [Principle 1.7] Related Party Transactions

In addition to the items listed in "Policy 5.1.4 Related Party Transactions," to obligate Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Kao Group to act with priority on the interests of the Kao Group, the Company has established the "Kao Guidelines on Preventing Conflicts of Interest" after their approval by the Board of Directors. Because the Company has no major shareholders who hold 10% or more of its stock, the Kao Group has not established procedures for approval of transactions with major shareholders.

### [Supplementally Principle 2.4.1] Measures to Promote Diversity

The Company's approach to ensuring diversity and its efforts to promote it, as well as its human resources development policy to ensure diversity, are described in "Policy 5.3.2 Promotion of Women, Non-Japanese and Mid-career Employees" and "III Implementation of Measures for Shareholders and Other Stakeholders 3. Measures to Ensure Due Respect for Stakeholders (Other, Measures to Promote Diversity)."

### [Principle 2.6] Roles of Corporate Pension Funds as Asset Owners

As described in "Policy 5.6 Roles of Corporate Pension Funds as Asset Owners."

### [Principle 3.1(i)] Corporate Philosophy, Mid-term Business Plan

#### • Corporate Philosophy

"The Kao Way" has been prescribed as a corporate philosophy which constitutes the foundation of the business activities of the Kao Group.

#### (1) Mission

As one, we create a Kirei life for all – providing care and enrichment for the life of all people and the planet

As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all.

The Japanese word kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.

#### (2) Vision

To be closest to the individual and beyond their expectation

By deeply knowing and understanding our world and its people, we aim to improve people's lives beyond their expectations for a future where humans and nature thrive together.

- (3) Values
- 1) Integrity as the only choice
  - 2) *Yoki-Monozukuri* in plan & action
  - 3) Innovation for today & tomorrow

- (4) Principles
- 1) We care for people & the planet
  - 2) We think from the *Genba*
  - 3) We trust, respect, and need each other
  - 4) We act with courage

(For further details regarding “The Kao Way,” please see [www.kao.com/global/en/about/purpose/kaoway/](http://www.kao.com/global/en/about/purpose/kaoway/))

• **Mid-term Business Plan**

On August 3, 2023, the Company formulated and announced K27, which revised the Kao Group Medium-Term Management Plan (K25). The management policy set in "K25" remains unchanged, but the specific growth axis has been clarified.

Thus far, the Kao Group has developed its business for nearly 130 years, mainly in the areas of cleanliness, beauty, and health, according to the changes of the times. Today, faced with compelling social issues such as the global pandemic and global environmental issues, the responsibilities and roles of companies are undergoing significant changes. For the future, the Kao Group will take on new challenges with the aim of establishing an economy where all of the following are realized: the wholehearted satisfaction and enrichment of the lives of people globally and the sustainability of the world.

As part of this effort, we will aim to create a new business that is not an extension of a conventional business, but instead is in the new area of “Save lives, protect people.” This challenge involves starting an “Another Kao” business that contributes to solving people’s urgent problems by making the most of our core technology that we have not to date been able to use fully.

By contributing to an “enriched sustainable world” and growing the businesses of the company through proactive engagement in ESG activities and investment, the Kao Group will aim to be an essential company in a future world.

Outline of Kao Group Mid-term Plan K27

- Vision
  - Protecting future lives
  - Sustainability as the only path
- Concept
  - Kirei—Making Life Beautiful
- K27 Basic Policy
  1. Become an essential company in a sustainable world
  2. Transform to build robust business through investment
  3. Maximize the power and potential of employees

Introduce ROIC company-wide, decisively implement structural reforms and aim to be a company that sustains “Global Sharp Top\*” businesses.

\*Global sharp Top: Contributes as global No.1 with leading-edge solutions that address the critical needs of customers.

Target of Kao Group Mid-term Plan K27

- ROIC: 11.0% or more
- EVA: 70.0 billion yen or more
- Operating Income: Record-high operating income (FY2019 211.7 billion yen)
- Sales outside Japan\*: 800.0 billion yen or more
  - \* Sales outside Japan are based on the location where the sales were recognized.

(For further details regarding “K27,” please see P38 onward of earning conference presentation material [www.kao.com/global/en/investor-relations/library/presentations/](http://www.kao.com/global/en/investor-relations/library/presentations/))

**[Principle 3.1(ii)] Basic Views on Corporate Governance**

As described in “Policy 1 Basic Views on Corporate Governance.”

**[Principle 3.1(iii)] Directors' Remuneration**

The policy and process for determining executive compensation are described in "Policy 4.1 Policy and 4.2 Decision Process."

For further information, please see “Disclosure of Policy on Determining Amounts and Calculation Methods, II.

Business Management Organization and Other Corporate Governance System regarding Decision-making, Execution of Business, and Oversight in Management.”

### Compensation Advisory Committee for Directors and Executive Officers

The status of attendance, and specific agenda items are as follows.

	Title	Name	Attendance Rate
Chairperson	Outside Director	Nobuhide Hayashi	100% (6 out of 6 meetings)
Member	Outside Director	Osamu Shinobe	100% (6 out of 6 meetings)
Member	Outside Director	Chiaki Mukai	100% (6 out of 6 meetings)
Member	Outside Director	Eriko Sakurai	100% (5 out of 5 meetings) *
Member	Outside Audit & Supervisory Board Member	Hideki Amano	100% (6 out of 6 meetings)
Member	Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (6 out of 6 meetings)
Member	Outside Audit & Supervisory Board Member	Takahiro Nakazawa	100% (6 out of 6 meetings)
Member	Director, Chair	Michitaka Sawada	100% (6 out of 6 meetings)
Member	Representative Director	Yoshihiro Hasebe	100% (6 out of 6 meetings)
Member	Representative Director	Toshiaki Takeuchi	100% (6 out of 6 meetings)
Member	Representative Director	Tomoharu Matsuda	100% (6 out of 6 meetings)

\* During FY2022, 6 meetings of the Compensation Advisory Committee for Directors and Executive Officers were held. After Ms. Eriko Sakurai took office as Director, 5 meetings of the Committee were held. At the close of our Annual General Meeting of Shareholders held on March 25, 2022, Mr. Sonosuke Kadonaga, who resigned, held one meeting until his retirement, and he attended one of the one meeting.

Major topics discussed by Committee members:

In FY2022, the Committee conducted a review of annual activities related to performance-based share incentive plan, and identified issues and items to be considered in the executive compensation in order to achieve the K25 med-term management plan. The Committee members also exchanged opinions, deliberated on the amount of executive compensation for FY2023, and decided on the content of the report to the Board of Directors.

### Compensation Advisory Committee for Audit & Supervisory Board

Described in "Policy 2.2.3 Compensation Advisory Committee for Audit & Supervisory Board."

The status of attendance, and specific agenda items are as follows.

	Title	Name	Attendance Rate
Chairperson	Outside Audit & Supervisory Board Member	Hideki Amano	100% (1 out of 1 meetings)
Member	Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (1 out of 1 meetings)
Member	Outside Audit & Supervisory Board Member	Takahiro Nakazawa	100% (1 out of 1 meetings)
Member	Outside Director	Osamu Shinobe	100% (1 out of 1 meetings)
Member	Representative Director	Yoshihiro Hasebe	100% (1 out of 1 meetings)

Major topics discussed by Committee members:

The amount of remuneration for Audit & Supervisory Board members for FY2022 was deliberated prior to deliberation by the Audit & Supervisory Board.

### [Principle 3.1(iv)] Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit & Supervisory Board Members and the Appointment and Dismissal of Senior Management

#### •Nomination Policy

It is described in “Policy 3.2 Composition of the Board of Directors” and “3.7 Structure of the Audit & Supervisory Board and Execution System.”

Furthermore, Senior Management are nominated with emphasis on their understanding of the business environment and of the status of the Kao Group’s businesses and management in order to deal with such

environment necessary to plan the business strategies, and on their experience and ability to display strong leadership in quickly and properly executing the business strategies set by the Board of Directors.

•Nomination Procedure

It is described in “Policy 3.3 Appointment and Term of Office of Directors” and “3.8 Appointment and Term of Office of Audit & Supervisory Board Members.”

The frequency of meetings of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members in FY2022, the status of attendance, and specific agenda items are as follows.

	Title	Name	Attendance Rate
Chairperson	Outside Director	Chiaki Mukai	100% (4 out of 4 meetings)
Member	Outside Director	Osamu Shinobe	100% (4 out of 4 meetings)
Member	Outside Director	Nobuhide Hayashi	100% (4 out of 4 meetings)
Member	Outside Director	Eriko Sakurai	100% (4 out of 4 meetings)
Member	Outside Audit & Supervisory Board Member	Hideki Amano	100% (4 out of 4 meetings)
Member	Outside Audit & Supervisory Board Member	Nobuhiro Oka	75% (3 out of 4 meetings)
Member	Outside Audit & Supervisory Board Member	Takahiro Nakazawa	100% (4 out of 4 meetings)

Furthermore, with the appointment by the chairperson, President and CEO attends the meeting to contribute by submitting necessary and sufficient documents for an examination (including a summary of the new management structure, incorporating a classification of duties of the Directors and Executive Officers, in addition to materials related to the subjects of the examination) to each member of the Committee and work to enhance the examination by making arrangements such as creating opportunities for nominees and the Committee members to meet beforehand.

Major topics discussed by Committee members:

In FY2022, the committee members discussed the ideals and direction of the Board of Directors and the composition of the Board of Directors based on them. They also confirmed the human resource requirements of successors of President and CEO, selected multiple candidates based on their human resource requirements, and then discussed the appropriateness of the development plan by utilizing a skill matrix.

In addition, the Committee deliberated on the structure of Board of Directors and Audit & Supervisory Board from March 2023 onward, referring to the candidates’ biographies and reasons for selection.

Further, the procedure for determining the dismissal of Directors and Audit & Supervisory Board Members is in accordance with the Companies Act. In case that the CEO, Directors and Audit & Supervisory Board Members should be dismissed, the Committee would be convened timely and conduct deliberations. Then, it would report to the Board of Directors for further deliberations and resolutions.

With regard to Senior Management, the titles and responsibilities of all nominees of Executive Officers are reported to the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and decisions are subsequently made by the Board of Directors. In case that Senior Management should be dismissed, the Board of Directors conducts deliberations in a timely manner.

**[Principle 3.1(v)] Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management**

The Company states the reasons for the election of candidates for all candidates for Directors and Audit & Supervisory Board Members in the Notice of Convocation of the annual general meeting of shareholders. The following are the reasons for the election of 10 Directors and one (1) Audit & Supervisory Board Member elected at the 117th Annual General Meeting of Shareholders held on March 24, 2023. In addition, the reasons for the appointment of other four (4) Audit & Supervisory Board Members are described below.

As of March 24, 2023

Position	Name	Age	Gender	The reasons for the election of candidates
Directors	Michitaka Sawada	67	M	Ever since assuming office as Representative Director, President and Chief Executive Officer in 2012, Mr. Sawada has made a significant contribution in enhancing corporate value by promoting the “Yoki-Monozukuri” * philosophy which emphasizes R&D. In January 2021, he assumed the position of Director, Chair, and has since

				<p>supervised management based on experience and expertise as Representative Director, President and Chief Executive Officer and promoted external activities by serving as Chair of the Japan Clean Ocean Material Alliance (CLOMA), which carries out initiatives to address the problem of marine plastic waste. In addition to contributing to the development of next-generation leaders by creating opportunities for direct dialogue with Kao Group employees, he has actively given opinions at meetings of the Board of Directors, such as raising issues extracted from the dialogue. Having determined that Mr. Sawada will utilize the aforementioned experience and knowledge, to further contribute to enhancing the corporate value of the Kao Group</p>
	Yoshihiro Hasebe	62	M	<p>Over many years, Mr. Hasebe has been involved in R&amp;D activities, which is the driving force behind “<i>Yoki-Monozukuri</i>,” the provision of innovative products that contribute to creating a world where all life can coexist and flourish. He has also taken leadership in carrying out strategic digital transformation in his role as Senior Vice President, Strategic Innovative Technology, Global. In 2020, he led the development of the new Kao Group Mid-Term Plan “K25,” and in January 2021, he was appointed as Representative Director, President and Chief Executive Officer. In line with Kao’s vision of “protecting future lives,” he is strongly promoting the building of businesses that go beyond extensions of conventional businesses, as well as the enhancement of operational productivity by using digital technology and maximizing the power and potential of employees. The Company has determined that Mr. Hasebe will be able to contribute to further enhancing the corporate value of the Kao Group by using his leadership as well as his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution.</p>
	Masakazu Negoro	63	M	<p>Mr. Negoro has for many years been involved in the Chemical Business, which comprises the two key pillars of the Kao Group together with the Consumer Products Business, and has contributed to the global expansion of the Chemical Business. He also has experience in management of the Company’s overseas subsidiaries related to the Chemical Business. In January 2019, he assumed the position of Senior Vice President, Procurement, Global. Based on the Policies for Procurement, he has worked with business partners to ensure traceability of the entire supply chain and promoted activities to solve social issues such as natural resource protection, environmental conservation, safety, and human rights. In addition, as the officer in charge of accounting and finance, he has promoted structural reforms to achieve the Kao Group Mid-Term Plan “K25” and engaged in constructive dialogue with stakeholders at Earnings Conferences and other events. Having determined that Mr. Negoro will utilize the aforementioned knowledge, to contribute to enhancing the corporate value of the Kao Group.</p>
	Toru Nishiguchi	61	M	<p>Over many years, Mr. Nishiguchi has been involved in product development, namely, the core function of “<i>Yoki-Monozukuri</i>,” and also in the marketing activities for communicating the essential value of such products to consumers. In recent years, he has led the Company’s Consumer Products Business, and is familiar with the global competitive environment, changes of consumers</p>

				and business partners, the expectations from stakeholders surrounding the Kao Group, and the strengths and tasks for the Kao Group. He also has global experience such as in management of the Company's important overseas subsidiaries in China and other Asian countries. The Company has determined that Mr. Nishiguchi will be able to contribute to enhancing the corporate value of the Kao Group by using his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and in the supervision of execution.
	David J. Muenz	62	M	Mr. Muenz has contributed to the global implementation of "Yoki-Monozukuri" at our US subsidiary, through his involvement in R&D and marketing in the fields of skin care and hair care outside Japan. In July 2018, he was appointed as Senior Vice President, ESG, Global of the Company, and in January 2019 he was appointed as Executive Officer. He led the development of the ESG strategy "Kirei Lifestyle Plan" announced in 2019, and he has played a central role in promoting this strategy since its development. He has regularly reported specific ESG activities throughout the Kao Group to the Board of Directors and promoted oversight of the progress of the ESG strategy. The Company has determined that Mr. Muenz will be able to contribute to further enhancing the corporate value of the Kao Group by using his ESG-related insight and global experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution.
	Osamu Shinobe (Outside and Independent)	70	M	Mr. Shinobe has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections of an international airline which carries both cargo and passengers where safety and security took top priority. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. Since March 2022, he has demonstrated outstanding leadership as the Chairperson of the Board in enhancing the effectiveness of the Board of Directors toward enhancing the corporate value. The Company expects Mr. Shinobe to continue to supervise the management of the Kao Group as an Independent Outside Director.
	Chiaki Mukai (Outside and Independent)	70	F	Ms. Mukai has an extensive and high level of expertise in the scientific field. She has a wealth of experience and track record in various fields from her achievements as a medical doctor, astronaut and Specially Appointed Vice President of a university. Based on such experience and expertise, she has been actively presenting opinions and proposals in deliberations at the Board of Directors concerning material matters in the management of the Kao Group. Since 2022, she has played an important role in increasing the transparency and fairness of the Company's management as the Chairperson of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members. The Company expects Ms. Mukai to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason nominates her as a candidate to continue as an Outside Director. Although she has never been directly involved in company management other than through her experience as an



				outside director.
	Nobuhide Hayashi (Outside and Independent)	65	M	Over many years, Mr. Hayashi has played an active role on an international basis in the fields of finance and financial affairs, such as by experiencing an extensive range of duties in sales, international business planning, etc. at leading financial institutions. He has an abundance of experience and a high level of expertise in company management, such as having served as a corporate manager amidst global changes in the business environment surrounding the financial industry. Amid uncertain business environment, with hikes in raw material prices, sudden exchange rate fluctuations, and price fluctuations caused by these factors, he has been actively giving opinions and making proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. Since 2022, he has played an important role as the Chairperson of the Compensation Advisory Committee for Directors and Executive Officers in increasing the transparency and fairness of the Company's management in deliberations of compensation for Directors and Audit & Supervisory Board Members and Executive Officers and others. The Company expects Mr. Hayashi to continue to supervise the management of the Kao Group as an Independent Outside Director.
	Eriko Sakurai (Outside and Independent)	62	F	Ms. Sakurai has a wealth of experience in global companies, including many years of corporate management at the Japanese subsidiary of a US chemical manufacturer with global business operations, as well as supervision of management as an Outside Director at a major manufacturer and a financial institution. Based on her experience in the chemical industry, she also has a high level of expertise in the Chemical Business, which comprises the two key pillars of the Kao Group together with the Consumer Products Business. From this perspective, she has been actively giving opinions and making proposals at Board of Directors meetings. In addition, she has been providing advice based on her experience in planning and executing human resources strategies such as remuneration, developing and placement of human capital in global business. The Company expects Ms. Sakurai to continue to supervise the management of the Kao Group as an Independent Outside Director by leveraging her wealth of experience and high level of insight.
	Takaaki Nishii (Outside and Independent)	63	M	Mr. Nishii has been involved in corporate management for many years at a food manufacturer with global business operations, and has displayed strong leadership in transforming the company's corporate culture and continuously enhancing corporate value. He has also held important positions in the human resources department and overseas subsidiaries, and has extensive knowledge of human capital strategies and business outside Japan. The Company expects Mr. Nishii to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight.
Audit & Supervisory Board Members	Yasushi Wada	63	M	Mr. Wada has held important positions in the departments responsible for process engineering and product quality management at the Company, and has a deep understanding and extensive knowledge of production sites. He also has experience pursuing "Yoki-

				<p><i>Monozukuri</i>” and quality at a high level. In addition, he has a global perspective gained from extensive experience in operations related to production outside Japan. Having served as the officer in charge of legal affairs and Chairperson of the Compliance Committee, he also has knowledge of legal affairs and risk management. The Company has determined that he will be able to use these experience and knowledge in the auditing of the Group. (117<sup>th</sup> Annual General Meeting of Shareholders)</p>
Sadanao Kawashima	63	M	<p>Mr. Kawashima has considerable expertise in finance and accounting, having worked in accounting and finance for many years and held key positions in Investor Relations and Internal Audit. In addition, he has a wealth of experience in group management, including being stationed at overseas subsidiaries and serving as an Auditor of affiliated company. Furthermore, he has contributed to enhancing the effectiveness of audits by Audit &amp; Supervisory Board Member as an Audit &amp; Supervisory Board staff member since March 2019. The Company has determined that Mr. Kawashima will be able to make full use of his experience and expertise in the auditing of the Kao Group. (115<sup>th</sup> Annual General Meeting of Shareholders)</p>	
Hideki Amano (Outside and Independent)	69	M	<p>Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at major auditing firm as a member of management, he has served as an Audit &amp; Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. In view of these facts, the Company has determined that it would be most suitable if Mr. Amano were to continue to audit the Kao Group as an Independent Outside Audit &amp; Supervisory Board Member. Although he has never been directly involved in company management, the Company considers, based on the above reasons, that Mr. Amano will properly perform his duties as an Outside Audit &amp; Supervisory Board Member. (115<sup>th</sup> Annual General Meeting of Shareholders)</p>	
Nobuhiro Oka (Outside and Independent)	59	M	<p>Mr. Oka, in his career as an attorney and a university professor, has obtained considerable professional expertise and experience in relation to corporate legal affairs and corporate governance. Having served as an audit &amp; supervisory board member of principal subsidiary of the Company since 2014, Mr. Oka also has expertise in relation to the business of the Kao Group. He has served as an Audit &amp; Supervisory Board Member of the Company since March 2018, conducting effective audits from a professional perspective including group governance. In view of these facts, the Company has determined that it would be most suitable if Mr. Oka were to continue auditing as an Independent Outside Audit &amp; Supervisory Board Member. (116<sup>th</sup> Annual General Meeting of Shareholders)</p>	
Takahiro Nakazawa (Outside and Independent)	64	M	<p>Mr. Nakazawa has a high level of professional expertise as a certified public accountant. During his service with major auditing firms, Mr. Nakazawa has been involved in providing auditing services for leading companies and has also engaged in various advisory services such as those relating to the introduction of U.S. accounting standards and the International Financial Reporting Standards (IFRS), thereby gleaning significant and</p>	

				valuable insights concerning governance and internal control systems which contribute to the growth of globally-operating companies. The Company has determined that he will make full use of his experience in the auditing of the entire Kao Group and for this reason appoints him as a nominee for Outside Audit & Supervisory Board Member, although he has never been directly involved in company management. (114 <sup>th</sup> Annual General Meeting of Shareholders)
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**[Supplementally Principle 3.1.3] Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties**

**(1) Initiatives on Sustainability**

By integrating ESG into the core of its company management, the Company drives business growth and better serve consumers and society through its enhanced products and services. Recognizing its responsibility as an enterprise that provides products which people use on a regular basis in their daily lives, the Kao Group takes active steps to reduce the environmental footprint of its products throughout the entirety of the product lifecycle.

In July 2018, the ESG division was newly established headed by a non-Japanese. Also, the Sustainability Committee renamed the ESG Committee and had promoted global initiatives. In April 2019, the Company launched the Kirei Lifestyle Plan, its ESG strategy, which incorporates 19 key leadership actions. In June 2021, the ESG Committee was re-established as an ESG Managing Committee to enhance the speed of ESG activities, and in addition to formulating policies and strategies related to ESG activities, the Company also added the role of approving ESG-related investments.

\*Kirei is a Japanese word that represents the concept of cleanliness, beauty, health, purity and fairness. For information on Kao Group’s sustainability, please see the following website:

Sustainability: [www.kao.com/global/en/sustainability/](http://www.kao.com/global/en/sustainability/)

Kao Sustainability Report: [www.kao.com/global/en/sustainability/pdf/](http://www.kao.com/global/en/sustainability/pdf/)

In addition, Kao Sustainability Report has been complied with reference to the recommendations for disclosure given by the Task Force on Climate-related Financial Disclosures (TCFD).

Furthermore, in April 2022, the Company established the ESG Steering Committee in conjunction with the ESG Committee to ensure and promptly implement ESG initiatives. The topics of these issues are decarbonization, plastic packaging, human rights and DEI and chemical stewardship.

GRI/ISO 26000 table/TCFD Index: [www.kao.com/global/en/sustainability/research-index/](http://www.kao.com/global/en/sustainability/research-index/)

**(2) Information on Investments in Human Capital**

The Company believes that people are the Company's greatest asset. As it is our employees who will implement the two policies of the Mid-term Plan 2025 (K25), which are “Become an essential company in a sustainable world” and “Transform to build robust business through investment,” the Company has set “Maximize the power and potential of employees” as our third policy.

To realize the third policy, in January 2021 the Company introduced OKR (Objectives and Key Results), a new employee empowerment system, that allows diverse human resources across departments, countries and organizations to co-create. By doing so, the Company aims to improve each employee’s productivity by fostering an organizational culture where employees are stimulated to take on challenges and face such challenges by themselves and in cooperation with others. In addition, in operating the OKR system, the Company is going to raise the awareness of each employee's participation in management and foster an open and flat organizational culture by making activities related to OKR transparent.

Together with organizational reform to maximize capabilities and individuality, the Company is improving the efficiency of operations through digital transformation.

The Company implements training programs, career design training and leadership development programs that promote “growth through self-learning, and collaboration and co-creation.” In FY2021, the cost of education and training per employee was 32.0 thousand yen (109% year-on-year) and 13.0 hours (124% year-on-year).

**(3) Information on Investments in Intellectual Properties**

The Company has been creating innovations that change lives by combining discoveries and inventions obtained through Essential Research that identifies phenomena and objects with the eyes of science with the needs of consumers, and converting them into product design and value information. The expectations and trust of consumers cultivated through this is the foundation of our strong brand power, which is widely recognized in the world. In addition, to “make a company with a global presence, valuable to society,” the Company is keeping an eye on issues that arise not only in Japan but also on a global scale, and established management strategies to meet the expectations of consumers around the world. To promote research and development in line with this management strategies, the Company believes that it is essential to invest in human resources and activity costs in the Research and Development Department and intellectual property

acquisition, which is the result of research and development activities, and the Company is actively implementing such investment. Specifically, the Company secures intellectual property rights, such as patent rights, design rights, and trademark rights, for inventions arising from research and development, the creation of new business models and new businesses and for names and symbols created to identify brands, as well as to promote the Company's own business activities to achieve high profitability and to promote the spread of technology by opening it up to the public interest.

The Intellectual Property Department plays a key role by strategically applying for, acquiring and exercising rights relating to patents and technology-based designs, which are indicators of key company values from the perspective of technology development capability, in a broad range of fields. Research and development expenses and the number of patents held are listed on the website below.

Kao by the Numbers: [www.kao.com/global/en/who-we-are/data/](http://www.kao.com/global/en/who-we-are/data/)

The Brand Legal Department collaborates closely with business divisions when submitting applications, acquiring rights and exercising rights relating to design-based designs and trademarks, taking into consideration cost-effectiveness. As of December 31, 2022, the Company has approximately 24,000 trademarks in 165 countries and regions. Recently, the Company has been pursuing measures against counterfeit products in Asia and other regions.

The Intellectual Property Department and the Brand Legal Department work together to optimize Kao Group's overall intellectual property portfolio and reduce the risks associated with intellectual property.

#### **[Principle 4.1] Roles and Responsibilities of the Board (1)**

In order to properly carry out the formulation of the business strategies including the improvement of profitability and capital efficiency, their execution, and the supervision and audit of execution, it is extremely important to place persons with the diverse experience and knowledge, high level of expertise and insight necessary for these purposes in a well-balanced fashion as the Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings and as the Management that lead execution. By doing so, the Company believes it can raise the level of management by enabling each to properly fulfill their respective roles and duties as follows:

- 1) The members of Management, who have diverse experience and knowledge regarding the operation of each of the Kao Group's businesses and divisions, conduct discussions based on their understanding of the business environment in which the Company operates and the strengths and issues of the Kao Group to create proposals for the business strategies. In the event that consideration from more diverse perspectives, including evaluation of risks, is appropriate when planning and otherwise dealing with business strategies, the members of Management strive to utilize external experts.
- 2) Inside Directors and Full-time Audit & Supervisory Board Members who are familiar with the status of the Kao Group's management and businesses, its strengths and issues, and other matters, and Outside Directors and Outside Audit & Supervisory Board Members with diverse experience and knowledge of business and other areas, a high level of expertise and insight, and a neutral, objective perspective deliberate from their diverse perspectives, including evaluating risks, at Board of Directors meetings and make decisions on proposed business strategies submitted by the Management.
- 3) The members of Management quickly and properly execute the business strategies utilizing their respective diverse experience and knowledge.
- 4) Each year, the members of Management ascertain changes in the business environment that forms the premises of the business strategies, consider the status of progress of the strategies, issues in their achievement and response to such issues, the necessity of changes to the strategies and other matters and report to the Board of Directors.
- 5) In response to the above report from the members of Management, the Outside Directors and Outside Audit & Supervisory Board Members through their diverse perspectives supervise and audit whether the business strategies and other matters have been executed properly and makes decisions on the necessity of changing the business strategies and other matters at the Board of Directors meetings.

#### **[Supplementally Principle 4.1.1] Scope of Matters Delegated to the Management**

The Company has established the regulations of the Board of Directors and deliberation and reporting standards for the Board of Directors and the Management Board to clearly set forth the matters to be deliberated on and reported at Board of Directors meetings and the matters to be delegated to the Management Board, which makes decisions on execution.

As set forth in [Principle 4.1] above, the purpose of these regulations and standards is to realize the separation of supervision and execution by mainly having the Board of Directors conduct deliberations from various perspectives, including evaluation of risks, and deciding on the medium-to-long-term direction of management in the business strategies and, regarding the execution of the business strategies, delegate wide-ranging authority to the Management Board, which is mainly composed of members with the position of Managing Executive Officer or higher who have abundant experience in business execution as persons responsible for core businesses or divisions, to accelerate decision-making and management. The Management Board, in turn, is expected to conduct

proper supervision by making clear the matters to be reported to the Board of Directors.

For example, the matters regarding basic management policies, basic business strategies, key investment strategies, mid-to-long-term plans, annual budgets and important personnel changes have been set forth as requiring deliberations by the Board of Directors. Purchases of assets through merger and acquisition, investment or other means and debts including borrowings are decided by the Management Board, in principle. However, among these matters, extremely important items or items involving large outlays are submitted to the Board of Directors.

#### **[Principle 4.4] Roles and Responsibilities of the Audit & Supervisory Board**

The Audit & Supervisory Board Members are entrusted by shareholders to audit Directors' execution of duties from an independent standpoint, aiming to achieve the sound and sustainable growth of the Company and the Group and establish governance that meets the trust of stakeholders.

##### 1. Audit policy

As the business environment for the fiscal year under review became increasingly severe, in the second year of the Mid-term Plan 2025 "K25," the Company conducted auditing activities with a shared sense of urgency and the necessity of reforms recognized by management with regard to the status of implementation of corporate strategy and the status of response to management environmental risks. The Company adopted a policy which recognizes that the society and stakeholders are demanding a higher level of effective governance of corporate groups and an active disclosure of information.

<Particularly important points in Audit & Supervisory Board Members' activities>

Lively exchange of opinions

The Audit & Supervisory Board Members attend meetings of the Board of Directors, the Management Board and other important meetings with regard to auditing the duties of Directors. They put emphasis on confirming decision-making process for reaching resolutions, and express their opinions as appropriate.

Dialogue with people at the actual sites (*Genba*)

In addition, the Audit & Supervisory Board Members conduct on-site audits and interviews of each division and subsidiary and affiliates. By placing importance on dialogue with people at the actual sites (*Genba*), they confirm the degree of how well corporate strategy is being shared and whether proactive efforts are being made. They also identify any issues that occur at *Genba*. At least one Outside Audit & Supervisory Board Member has participated in approximately 70% of the interviews.

##### 2. Composition and execution of duties of the Audit & Supervisory Board

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members (two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members). The Full-time Audit & Supervisory Board Members with extensive internal execution experience and diverse knowledge, and Outside Audit & Supervisory Board Members with their respective expertise (certified public accountant, attorney-at-law) and abundant knowledge gained from experience as officers of other companies share audit-related information in a timely manner and conduct deliberations from various perspectives.

In the fiscal year under review, the Office of the Audit & Supervisory Board (with five members) was newly established directly under the Audit & Supervisory Board, to assist the Audit & Supervisory Board Members with their duties and to allow the members to serve concurrently as Auditors of subsidiaries.

### 3. Deliberations by the Audit & Supervisory Board

Number of meetings held: nine times

Attendance rate: 100%

Duration: Average of 2 hours and 14 minutes

Main agenda of the Audit & Supervisory Board	
17 resolutions: Audit policy, division of duties, critical auditing items, annual plan, audit report, internal control matters, Accounting Auditor matters (including agreement on compensation, deliberation on reappointment, and non-assurance services), appointment and compensation of Audit & Supervisory Board Members, evaluation of effectiveness, etc.	38 matters considered: Audit findings on critical auditing items, group governance (the Group's structure of Auditors and the direction of future governance), closely monitoring issues concerning internal control, non-assurance services by the Accounting Auditor, exchange of opinions with Representative Directors and Outside Directors, etc.
Evaluation of the effectiveness of the Audit & Supervisory Board	
<p>The evaluation is made once a year, and discussions at the Audit &amp; Supervisory Board based on the results of the questionnaire conducted by each Audit &amp; Supervisory Board Member led to the conclusion that the system at the Board as a whole was functioning effectively during the fiscal year under review.</p> <ul style="list-style-type: none"><li>- The Audit &amp; Supervisory Board conducts frank exchanges of opinions.</li><li>- The agenda items are proactively selected matters to be considered.</li><li>- Information sharing, distribution of materials in advance, and investigation and support by the newly established Office of the Audit &amp; Supervisory Board have been also strengthened.</li></ul> <p>Going forward, we hope to deepen discussions on the skill matrix of the Audit &amp; Supervisory Board, which aims for greater diversity.</p>	

**(4) Critical auditing items, achievements and evaluation of effectiveness**

Critical auditing items	Audit method	Activity results and evaluation of effectiveness	Division of audit	
			Full- time	Outside
Status of execution of duties by Directors	Attended meetings of the Board of Directors to confirm the status of deliberations and resolutions, and express opinions if necessary	All Audit & Supervisory Board Members attended all meetings. All of them actively expressed their opinions.	✓	✓
	Attended important meetings such as the Management Board to confirm decision-making process, request explanations as necessary, and expressed opinions in a timely manner	Attendance rate was 100%, reviewed decision-making process and commented on matters to be considered.	✓	—
	Meetings to exchange opinions between Management and Audit & Supervisory Board Members	<ul style="list-style-type: none"> <li>- Representative Directors of Kao (five times)</li> <li>- Outside Directors (two times)</li> <li>- Executive Officers with titles (six times)</li> <li>- Representative Directors of important subsidiaries (three times)</li> </ul> <p>Recognition of management issues and future governance were shared through frank exchanges of opinions</p>	✓	✓
	On-site audits and interviews of worksites, divisions, domestic and overseas subsidiaries and affiliates (During on-site inspections and hearings, we also confirmed priority audit items such as internal control.)	<p>114 cases</p> <ul style="list-style-type: none"> <li>- Emphasis on dialogue (1,136 comments from Audit &amp; Supervisory Board members)</li> <li>- Confirmation of improvement status at a later date for completion of audit findings. Share with executive officers as appropriate along with excellent on-site initiatives</li> </ul>	✓	✓
	Attended the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and Compensation Advisory Committee for Directors and Executive Officers	11 times	—	✓



Effectiveness of the Group governance	Systematized and improved the effectiveness of the Kao Group's structure of Audit & Supervisory Board Members. (Kao, Kao Group and its subsidiaries)	<ul style="list-style-type: none"> <li>- Commencement of a system in which members of the Office of the Audit &amp; Supervisory Board concurrently serve as Auditors of subsidiaries</li> <li>- All Auditors of subsidiaries and affiliates regularly exchanged opinions to identify and review risks (six times)</li> <li>- Introduced effectiveness evaluation of the Audit &amp; Supervisory Board to important subsidiaries, and provided training to improve their skills</li> </ul>	✓	From time to time
	Exchanged opinions between the Accounting Auditor and Audit & Supervisory Board Members and reported accounting audit results to Meetings of Board of Directors	<p>Exchanged opinions (21 times) Reported to Meetings of Board of Directors (two times)</p> <ul style="list-style-type: none"> <li>- Audit plan, accounting audit results, key audit matters, non-assurance services management, audit quality, etc.</li> <li>-Held global meetings to exchange opinions with domestic and overseas auditors</li> </ul>	✓	✓
Development and operation of internal control	On-site audits and interviews of worksites, divisions, domestic and overseas subsidiaries and affiliates	Results of self-inspections and external audit, and the status of development and operation of internal control systems were confirmed	✓	From time to time
	<ul style="list-style-type: none"> <li>• Interviews with the departments in charge of the second line of internal control</li> <li>• Attend or check minutes of Internal Control Committee and each affiliate committee</li> </ul> Check the response status of the Compliance hotline	Conduct very quarter or semi-annually <ul style="list-style-type: none"> <li>- The internal hotline system has also been strengthened, and detailed investigations and responses to issues that the Company needs to deal with have been handled appropriately in principle. Timely reports are also made to Audit &amp; Supervisory Board Members.</li> <li>- Regarding the items that have been discovered and need to be improved, the status of measures is being confirmed and steady implementation is underway on an ongoing basis.</li> </ul>	✓	From time to time
	Exchanged information with the Department of Internal Audit which is the division responsible for internal auditing	Four times	✓	From time to time
	Evaluation of the construction and operation status of the internal control system using a checklist	Generally valid	✓	—

Proactive disclosure	Evaluated the Company's disclosure status by investigating external requests and disclosure status.	<ul style="list-style-type: none"> <li>- Recommendations were made to the points that can be evaluated and points for improvement when exchanging opinions with Management and to related departments.</li> <li>Establishment of promotion system and confirmation of information disclosure status</li> <li>- Proactively disclosed activities of the Audit &amp; Supervisory Board Members</li> </ul>	✓	—
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**[Principle 4.6, 4.9, Supplementally 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc.**

The Company uses a structure with the appropriate number of independent Outside Directors and Outside Audit & Supervisory Board Members who satisfy the “Standards for Independence of Outside Directors/Corporate Auditors of Kao Corporation” (hereafter, the “Standards for Independence”) to provide a check on the status of deliberations of the Board of Directors from an objective perspective independent of the Company’s Management so that the Company’s management judgment is not biased toward the logic of persons inside the Company.

For further details regarding the Standards for Independence, please see

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance\\_002.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf)

(For information concerning appointment of Independent Directors and Audit & Supervisory Board Members, etc., please see “Outside Directors’ Relationship with the Company (2)” in “Directors” below, as well as “Outside Audit & Supervisory Board Members’ Relationship with the Company (2)” in “Audit & Supervisory Board Members,” II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management)

- Status of Appointment of Independent Directors and Audit & Supervisory Board Members, etc.

Five (5) of the 10 Directors are Outside Directors, all of whom satisfy the Standards for Independence. Three (3) of the five (5) Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, all of whom satisfy the Standards for Independence.

- Chairperson of the Board of Directors

In the current structure, independent Outside Director acts as Chairperson of the Board of Directors as a measure to further increase the neutrality and independence of the Board of Directors.

- Communication and Cooperation among Independent Directors, Audit & Supervisory Board Members and Management

The Chairperson of the Board of Directors takes the role of promoting communication and cooperation with members of Management and Audit & Supervisory Board Members. All the Audit & Supervisory Board Members, including the independent Outside Audit & Supervisory Board Members, and the Representative Directors hold meetings to exchange opinions multiple times during the year and from July 2018 all Outside Directors and all the Audit & Supervisory Board Members (including full-time) have started to hold periodic meetings to exchange information and opinions.

**[Supplementally Principle 4.11.1] Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors**

In addition to the matters described in "Policy 3.2 Composition of the Board of Directors, 3.2.1, 3.2.2 and 3.2.3," at the Board of Directors (attended by Directors and Audit & Supervisory Board Members), Directors provide broad direction regarding the business strategies and Directors and Audit & Supervisory Board Members deliberate on their appropriateness and the risks related to their realization and other matters in an objective and multidimensional fashion. They also supervise and audit the status of execution. To conduct these tasks, the Company considers it important for such individuals coming from inside and outside the Company with diverse knowledge, experience, and abilities to conduct constructive discussions..

The Kao Group Mid-term Plan 2027 “K27” includes the vision of “Protecting future lives.” To accomplish this, the Company’s management is executing business in line with the Company’s strategies of (1) becoming an essential company in a sustainable world, (2) transforming to build robust business through investment (a. revitalize existing businesses <Reborn Kao>; b. create new businesses <Another Kao>), and (3) maximizing the power and potential of employees.

The Board of Directors considers it important for Inside and Outside Directors and Audit & Supervisory Board Members to complement each other with each of their knowledge, experience, and abilities, and to be able to demonstrate high effectiveness as a whole, in order to supervise that management is implementing business execution in a framework for transparent, fair, prompt and decisive decision-making accordance with the above strategies.

(See Skills Matrix of the Board of Directors below)

**[Supplementally Principle 4.11.2] Status of Concurrent Duties of Outside Directors and Outside Audit & Supervisory Board Members**

The status of important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members is stated in the Convocation Notice of the 117th Annual General Meeting of Shareholders.

(Please see [www.kao.com/global/en/investor-relations/stock-information/shareholders/](http://www.kao.com/global/en/investor-relations/stock-information/shareholders/))

In addition, as stated in "Policy 3.3.2", the Company limits the number of concurrent positions of Directors or Audit & Supervisory Board Members of the Company's Directors in listed companies to three (3) excluding the Company, in principle.

**[Supplementally Principle 4.11.3] Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof**

For the FY2022 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held in January 2023, a survey of the nine Directors and five Audit & Supervisory Board Members was conducted on the topics below. Going forward, the Company will conduct the evaluation of the effectiveness of the Board of Directors in accordance with the policy described in "Policy 3.5 Evaluation on Effectiveness of the Board of Directors."

Results of the FY2022 Evaluation of Effectiveness of the Board of Directors

	FY2021 Issues	FY2022 Initiatives	Evaluation	Future Initiatives
Structure, Status of Operation and Deliberations of the Board of Directors	Further improvements are expected to ensure substantial discussion at meetings of the Board of Directors, including using effective presentation methods.	<ul style="list-style-type: none"> <li>• Sent materials before meetings and received questions in advance.</li> <li>• Allocated half of the available meeting time to presentations and the other half to Q&amp;As.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board operated effectively in general.</li> <li>• There were times when the information in reports was too granular, resulting in unfocused discussion.</li> <li>• Participants engaged in free, open, and constructive discussion, but in some cases, there was not enough time for substantial discussion.</li> </ul>	<ul style="list-style-type: none"> <li>• Use a report format to clarify the key points for discussion and reports.</li> <li>• Share Q&amp;As with all participants in advance so that more time can be allocated to substantial discussion based on those Q&amp;As.</li> </ul>
Agenda Item Selection and Discussion	Necessary measures will include deepening discussions of issues that impede the achievement of Kao Group Mid-term Plan 2025 ("K25"), measures to resolve those issues, and actions to be prioritized, as well as conducting regular verification with greater awareness of PDCA for the realization of K25.	<ul style="list-style-type: none"> <li>• Discussed M&amp;A strategies and global strategies for achieving K25.</li> <li>• Created and distributed a table showing the status of progress of K25.</li> <li>• Had each of the businesses make reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Information on the progress of K25 was shared.</li> <li>• Issues to be addressed in achieving K25 and interim summaries needed to be discussed in greater depth, including quantitatively.</li> <li>• There was a need for stakeholder relations strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• Further visualize management indicators and deepen discussion of issues to be addressed in achieving K25 and interim summaries.</li> <li>• Present reports at the Board of Directors meetings before and after IR activities.</li> </ul>
	Human capital strategy is a management issue for ongoing consideration, and it is necessary to deepen discussions of issues including the allocation of human capital needed for realizing K25, promotion and training of human capital for that purpose, and the evaluation of executive staff.	Discussed human capital strategy reflecting business environment changes and business strategy (three times).	Human capital strategy was thoroughly discussed in FY2022. There was a need for further discussion regarding matters such as how human capital strategy relates to business strategy.	Have Executive Officers engage in deeper discussion of human capital strategy, present reports at Board of Directors meetings for discussion by the Board of Directors.

Although ongoing initiatives and improvements are needed for continuing verification and discussion of internal control, the FY2022 evaluation concluded that internal control was being properly supervised. Some participants felt that there was a need for priority discussion of structural reforms under "Reborn Kao," (revitalizing existing businesses) progress toward "Another Kao" (creating new businesses) including new business and M&A and other matters in addition to the verification of K25 and human capital strategy.

Results of the FY2022 Evaluation of Effectiveness of the Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members

	FY2021 Issues	FY2022 Initiatives	Evaluation	Future Initiatives
	<ul style="list-style-type: none"> <li>To a certain extent, the committee was able to discuss the composition of the Board of Directors required for accomplishing K25 and the ESG strategy, but discussion of structural reinforcement must be further enhanced.</li> <li>Ongoing discussion of the succession plan for the CEO is necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Re-evaluated the skills needed by Directors and Audit &amp; Supervisory Board Members based on the vision for the Board of Directors.</li> <li>Confirmed the requirements of successors to the CEO, selected multiple candidates and discussed the suitability of candidate development plans using a skill matrix.</li> </ul>	<ul style="list-style-type: none"> <li>The committee needed to continue discussing the Company's vision for the Board of Directors, as well as the board's composition.</li> <li>The CEO succession plan was confirmed to be operating properly. There was a need for ongoing verification and deeper discussion.</li> </ul>	<ul style="list-style-type: none"> <li>Continue discussing the factors necessary for realizing the vision for the Board of Directors, as well as the board's composition.</li> <li>Continue discussing succession plans.</li> </ul>

Results of the FY2022 Evaluation of Effectiveness of the Compensation Advisory Committee for Directors and Executive Officers

	FY2021 Issues	FY2022 Initiatives	Evaluation	Future Initiatives
	<p>There should be ongoing proactive, objective and transparent discussion regarding overall compensation for Directors and Executive Officers, including performance-based compensation.</p>	<ul style="list-style-type: none"> <li>Discussed a clearly defined compensation system based on individual evaluation of Directors and Executive Officers, as well as how compensation should reflect these evaluations.</li> <li>Discussed what form and direction the compensation system for Directors and Executive Officers should take to serve as a mechanism for supporting future transformation of the Kao Group.</li> </ul>	<ul style="list-style-type: none"> <li>Matters were discussed thoroughly from a variety of angles.</li> <li>There was a need for ongoing discussion regarding the form of the compensation system for Directors and Executive Officers.</li> </ul>	<ul style="list-style-type: none"> <li>Further discuss policy concepts of overall compensation for Directors and Executive Officers and based on this, discuss designs for a detailed system.</li> </ul>

**[Supplementally Principle 4.14.2] Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties**

The training will be conducted in accordance with the policy described in "Policy 3.9 Training for Directors and Audit & Supervisory Board Members."

<Details of Current Efforts>

- As future candidates for Director or Audit & Supervisory Board Member, participation by Executive Officers in training programs held by external institutions to acquire the skills and knowledge and attain the deep discernment required of top management
- Explanation of the Companies Act, corporate governance and related issues upon inauguration
- Explanation of the business strategies, details of businesses, operating structure and other matters upon inauguration
- Visits to main factories and major business sites, etc.
- Lectures to foster well-rounded character and insight as a top management
- Lectures on the Companies Act, corporate governance and other matters by experts and lectures on useful information regarding management by top management of other companies and knowledgeable persons
- Briefings on compliance, including prevention of insider trading

**[Principle 5.1] Policy for Constructive Dialogue with Shareholders**

As described in "Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure."

For further details regarding IR Related Activities, etc., please see "2. IR Activities" in "III Implementation of Measures for Shareholders and Other Stakeholders."

For further details regarding Disclosure Guidelines

[www.kao.com/global/en/investor-relations/management-information/disclosure/](http://www.kao.com/global/en/investor-relations/management-information/disclosure/)

**[Principle 5.2] Establishing and Disclosing Business Strategy and Business Plan**

In establishing and disclosing business strategies and business plans, companies are required to have an accurate understanding of their cost of capital.

As stated in "Policy 5.1.2 Basic Strategy for Capital Policy," the Company uses EVA (Economic Value Added), which is a management indicator that takes into account the cost of capital, as its main indicator.

For more information on EVA, please see below.

[www.kao.com/global/en/investor-relations/management-information/economic-value-added/](http://www.kao.com/global/en/investor-relations/management-information/economic-value-added/)

For more information on EVA's goals.

Management Strategy and Mid-term Plan 2025 (K25)

[www.kao.com/global/en/corporate/strategy-and-mid-term-plan/](http://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/)

Earnings Conference

[www.kao.com/global/en/investor-relations/library/presentations/](http://www.kao.com/global/en/investor-relations/library/presentations/)

For more information on deepen EVA-driven management

P37, Integrated Report

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2023e-all-001\\_01.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2023e-all-001_01.pdf)

Skill Matrix of the Board of Directors

		Attributes			Experience / Knowledge / Expertise										Main reasons for marking “√”
		Term of office	Gender	Nationality	Management	Global	Consumer goods industry	Chemical industry	Human capital strategy	Research	Environment/society	IT/DX	Legal/risk management	Finance/accounting	
Directors	Michitaka Sawada	14 years and 9 months	Male	Japan	✓		✓	✓	✓	✓	✓				<ul style="list-style-type: none"> <li>- Experience as the Company’s Representative Director, President and CEO</li> <li>- Experience as the Company’s officer responsible for Human Capital Development</li> <li>- Experience in the Company’s Research and Development (fundamental and applied technologies)</li> <li>- Chair of Japan Clean Ocean Material Alliance (CLOMA)</li> </ul>
	Yoshihiro Hasebe	7 years	Male	Japan	✓	✓	✓	✓	✓	✓	✓	✓			<ul style="list-style-type: none"> <li>- Experience in the Company’s Research and Development (including experience in global operations, and knowledge of fundamental and applied technologies and matter cycle research)</li> <li>- Experience at the Company’s overseas business promotion projects</li> <li>- Experience as the Company’s Senior Vice President of Strategic Innovation Technology, Global as well as experience as the Company’s officer responsible for Human Capital Development</li> </ul>
	Masakazu Negoro	-	Male	Japan		✓		✓						✓	<ul style="list-style-type: none"> <li>- Experience in the Company’s Chemical Business and management experience at overseas subsidiaries (Chemical Business)</li> <li>- Experience at the Company’s Procurement, Global (including promotion of sustainability activities in procurement)</li> <li>- Experience as the Company’s officer responsible for Finance Department</li> </ul>
	Toru Nishiguchi	-	Male	Japan		✓	✓								<ul style="list-style-type: none"> <li>- Experience in the Company’s Consumer Products Business</li> <li>- Experience in management at the Company’s overseas subsidiaries</li> </ul>
	David J. Muenz	1 year	Male	United States		✓	✓			✓	✓				<ul style="list-style-type: none"> <li>- Experience in research and business at the Company’s overseas subsidiary</li> <li>- Experience in the Company’s ESG, Global</li> </ul>
	Osamu Shinobe	5 years	Male	Japan	✓							✓		✓	<ul style="list-style-type: none"> <li>- Experience as the top executive of a major international airline (including experience as Chairman of CSR and Environmental Management Committee)</li> </ul>
	Chiaki Mukai	4 years	Female	Japan		✓				✓	✓				<ul style="list-style-type: none"> <li>- Knowledge of space science research (medicine and life)</li> <li>- Experience with NASA</li> </ul>
	Nobuhide Hayashi	4 years	Male	Japan	✓	✓								✓	<ul style="list-style-type: none"> <li>- Experience as the top executive of a major international financial institution</li> <li>- Mostly worked on international assignments, including more than 13 years of work outside Japan</li> </ul>

	Attributes			Experience / Knowledge / Expertise										Main reasons for marking “✓”
	Term of office	Gender	Nationality	Management	Global	Consumer goods industry	Chemical industry	Human capital strategy	Research	Environment/society	IT/DX	Legal/risk management	Finance/accounting	
	Eriko Sakurai	1 year	Female	Japan	✓	✓		✓	✓		✓			<ul style="list-style-type: none"> <li>- Experience as the head of a global division and the regional head of a major U.S. chemical company</li> <li>- Experience in overall human resources strategy including compensation, development, and assignment in global businesses</li> <li>- Knowledge of sustainability in the chemical field</li> </ul>
	Takaaki Nishii	-	Male	Japan	✓	✓	✓		✓					<ul style="list-style-type: none"> <li>- Experience as the top executive of a major food company</li> <li>- Experience in management of overseas subsidiaries</li> <li>- Experience in the human resources department of such major food company</li> </ul>
Audit & Supervisory Board Members	Yasushi Wada	-	Male	Japan		✓				✓		✓		<ul style="list-style-type: none"> <li>- Experience in the Company’s Product Quality Management</li> <li>- Experience at the Company’s global production sites</li> <li>- Experience in the Company’s process engineering development and plant management</li> </ul>
	Sadanao Kawashima	2 years	Male	Japan									✓	<ul style="list-style-type: none"> <li>- Experience in the Company’s Finance Department</li> <li>- Experience in the Company’s Department of Internal Audit</li> </ul>
	Hideki Amano	6 years	Male	Japan		✓			✓			✓	✓	<ul style="list-style-type: none"> <li>- Certified Public Accountant</li> <li>- Served overseas and the head of the global audit network for the Asia-Pacific region</li> <li>- Experience in human capital strategy, risk management, etc., as the COO of audit and consulting operations</li> </ul>
	Nobuhiro Oka	5 years	Male	Japan								✓		<ul style="list-style-type: none"> <li>- Attorney-at Law</li> <li>- Professor at Keio University Law School</li> </ul>
	Takahiro Nakazawa	3 years	Male	Japan									✓	<ul style="list-style-type: none"> <li>- Certified Public Accountant</li> </ul>

*The areas of experience, knowledge, and expertise of each Director and Audit & Supervisory Board Member that are particularly expected of them are marked with a “✓.”*



Experience/ knowledge/expertise	Reasons for selection as experience/knowledge/expertise
Management	In order to effectively supervise the business execution by management, it is useful for Directors to have their own experience as top management. We believe that their experience as top management is necessary for the Company's management to realize appropriate risk-taking and aggressive governance that encourages prompt and bold decision-making.
Global	As part of its global strategies, the Company aims to provide one-of-a-kind value that is less likely to be involved in fierce competition with competitors and price competition. We will also accelerate global growth by shifting to a local production for local consumption model based on local value, cost performance, and manufacturing. In order to properly offer advice and supervise the execution of these activities, we believe that it is necessary to have experience and insight in management positions outside Japan and at non-Japanese companies.
Consumer goods industry Chemical industry	In order to effectively supervise business execution by management, it is necessary to discuss matters from a higher perspective with taking a bird's-eye view of the Company's entire business domain. To this end, it is important to have a deep understanding of the business environment and market characteristics in the consumer goods and chemical industries, which are the Company's business domains, as well as to gain insight into future prospects.
Human capital strategy	The Company has formulated a human capital strategy based on its corporate strategy, and has defined roles and human resource requirements that will be necessary for future growth, rather than as an extension of existing strategies. The Company is working to secure human resources by systematically developing and appointing them from outside organizations. We believe that it is necessary to supervise the adequacy and progress of this human capital strategy from expert knowledge and experience.
Research	The Company's research is the driving force behind generating constantly innovative and high-value products. The Company is committed to <i>Essential Research</i> and uses its accumulated technological assets to create innovation. We believe that it is necessary to supervise whether we are able to maintain and develop a research system that continues to generate innovation, and whether we are able to expand our business and increase our corporate value while effectively using the created technological assets.
Environment/society	In April 2019, the Company announced its ESG Strategy, the Kirei Lifestyle Plan, and began ESG management. In order to realize a Kirei World in which all life lives in harmony, which is our purpose, we will implement the Kirei Lifestyle Plan based on corporate strategies that are integrated with the ESG Strategy, in consideration of social changes and demands. We believe that it is necessary for the Board of Directors to supervise these matters appropriately in light of public trends.
IT/ digital transformation (DX)	In order to realize K25, we believe that innovative initiatives that actively utilize IT and digital transformation, such as new business creation, digital marketing and digital communications, which are not an extension of existing initiatives, are essential. With regard to experience, knowledge, and expertise related to IT/DX, we will utilize executive officers and external human resources to compliment supervision by the Board of Directors.
Legal/risk management	Various risks are expected to arise in daily corporate activities, as well as in the creation of new businesses and business innovation. The Company believes that it is an important challenge in management to recognize these risks, manage them appropriately, and respond strategically, proactively, and ex post facto to legal matters.
Finance/accounting	It is a natural responsibility to ensure the reliability of financial reporting that influences investment decisions. In order to achieve sustainable growth in corporate value, it is essential to conduct management in consideration of the improvement of profitability and capital efficiency, based on appropriate capital allocation from a company-wide perspective. For this reason, we believe that the Board of Directors needs experience, knowledge, and expertise in finance and accounting.

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General Principle	Principle	Supplementary Principles	Comply	Explain	
		3.2.2	●		"2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
Section 4: Responsibilities of the Board	4.1	Roles and Responsibilities of the Board (1)	-	●	<ul style="list-style-type: none"> <li>•Policy 3.1 How the Board of Directors Should Function</li> <li>•[Principle 4.1] Roles and Duties Responsibilities of the Board in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.1.1	●	[Supplementary Principle 4.1.1] Scope of Matters Delegated to the Management in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.1.2	●	[Principle 3.1(i)] Corporate Philosophy, Mid-term Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.1.3	●	<ul style="list-style-type: none"> <li>•Policy 3.4 Succession Plan</li> <li>•"Supplementary Explanation" in "Committee's Name, Composition, and Attributes of Chairperson" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> </ul>
	4-2.	Roles and Responsibilities of the Board (2)	-	●	<ul style="list-style-type: none"> <li>•Policy 4.3 Remuneration System</li> <li>•[Principle 4.1] Roles and Responsibilities of the Board in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•"Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods, II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>•[Principle 3.1(iii)]Directors' Remuneration in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.2.1	●	•Policy 4.3 Remuneration System
			4.2.2	●	<ul style="list-style-type: none"> <li>•Policy 5.3.1 Human Capital Investment</li> <li>•"Activities of the Board of Directors" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>•"Policies for ESG Activities":<a href="http://www.kao.com/global/en/sustainability/policy/">www.kao.com/global/en/sustainability/policy/</a></li> </ul>
	4.3	Roles and Responsibilities of the Board (3)	-	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(v)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•"Kao Integrated Report":<a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>
			4.3.1	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(iv)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.3.2	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(iv)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.3.3	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(iv)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.3.4	●	<ul style="list-style-type: none"> <li>•"Activities of the Board of Directors" in 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>•"Basic Views on Internal Control System and the Progress of System Development" in IV. Matters Related to the Internal Control System</li> <li>•Kao Integrated Report: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>

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General Principle	Principle	Supplementary Principles	Comply	Explain	
	4.4	Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board	-	●	<ul style="list-style-type: none"> <li>•Policy 3.6 How the Audit &amp; Supervisory Board Should Function</li> <li>•The Company respects and complies the code.</li> </ul>
			4.4.1	●	<ul style="list-style-type: none"> <li>•Policy 3.7 Structure of the Audit &amp; Supervisory Board and Execution System</li> <li>•[Principle 4.4] Roles and Responsibilities of the Audit &amp; Supervisory Board in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
	4.5	Fiduciary Responsibilities of Directors and Audit & Supervisory Board Members	-	●	The Company respects and complies the code.
	4.6	Business Execution and Oversight of the Management	-	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"
	4.7	Roles and Responsibilities of Independent Directors	-	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"
	4.8	Effective Use of Independent Directors	-	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.8.1	●	Matters relating to Independent Directors/Audit & Supervisory Members, Independent Directors, 1. Organizational Composition and Operation, II. Business Management Organization and Other Corporate Governance System regarding Decision-making, Execution of Business, and Overnight in Management
			4.8.2	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.8.3	-	-
	4.9	Independence Standards and Qualification for Independent Directors	-	●	<ul style="list-style-type: none"> <li>•[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit &amp; Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation: <a href="http://www.kao.com/content/dam/sites/kao/www-cao-com/global/en/about/pdf/governance_002.pdf">www.kao.com/content/dam/sites/kao/www-cao-com/global/en/about/pdf/governance_002.pdf</a></li> </ul>
	4.10	Use of Optional Approach	-	●	"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
			4.10.1	●	<ul style="list-style-type: none"> <li>•Policy 2.2 Voluntary Establishment of Committees</li> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•Policy 3.4 Succession Plan</li> <li>•[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit &amp; Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> </ul>
	Preconditions for Board and Audit & Supervisory Board Effectiveness	-	●	<ul style="list-style-type: none"> <li>•Policy 3.2 Composition of the Board of Directors</li> <li>•Policy 3.5 Evaluation on Effectiveness of the Board of Directors</li> <li>•[Supplementally Principle 4.11.1] Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•[Supplementally Principle 4.11.3] Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof in "Disclosure Based on the Principles of the Corporate Governance Code" in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	

Corporate Governance Code			Implementation Status		Corresponding articles in the Kao Corporate Governance Policy, this report or on the Company's website	
General Principle	Principle	Supplementary Principles	Comply	Explain		
	4.11		4.11.1	●	<ul style="list-style-type: none"> <li>Policy 3.2 Composition of the Board of Directors</li> <li>[Supplementally Principle 4.11.1] Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>[ Principle 3.1(v)] Explanations with Respect to Individual Nominations and Appointments of Directors, Audit &amp; Supervisory Board Members and Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
			4.11.2	●	<ul style="list-style-type: none"> <li>Policy 3.3 Appointment and Term of Office of Directors</li> <li>[Supplementally Principle 4.11.2] Status of Concurrent Duties of Outside Directors and Outside Audit &amp; Supervisory Board Members</li> </ul>	
			4.11.3	●	<ul style="list-style-type: none"> <li>Policy 3.5 Evaluation on Effectiveness of the Board of Directors</li> <li>[Supplementally Principle 4.11.3] Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
	4.12	Active Board Deliberations	-	●	The Company respects and complies the code.	
			4.12.1	●	"Supporting System for Outside Directors and Outside Audit & Supervisory Board Members" in "1. Organizational Composition and Operation" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"	
	4.13	Information Gathering and Support Structure	-	●	(10), (11) and (12) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.1	●	(10) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.2	●	(12) and (13) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.3	●	<ul style="list-style-type: none"> <li>"Activities of the Board of Directors" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>(13) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"</li> <li>Kao Integrated Report: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>	
	4.14	Director and Audit & Supervisory Board Members Training	-	●	<ul style="list-style-type: none"> <li>Policy 3.9 Training for Directors and Audit &amp; Supervisory Board Members</li> <li>[Supplementally Principle 4.14.2] Measures for Directors and Audit &amp; Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
			4.14.1	●	<ul style="list-style-type: none"> <li>Policy 3.9 Training for Directors and Audit &amp; Supervisory Board Members</li> <li>[Supplementally Principle 4.14.2] Measures for Directors and Audit &amp; Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
			4.14.2	●	<ul style="list-style-type: none"> <li>Policy 3.9 Training for Directors and Audit &amp; Supervisory Board Members</li> <li>[Supplementally Principle 4.14.2] Measures for Directors and Audit &amp; Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties</li> </ul>	
	Section 5: Dialogue with Shareholders	5.1	Policy for Constructive Dialogue with Shareholders	-	●	<ul style="list-style-type: none"> <li>Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure</li> <li>[Principle 5.1] Policy for Constructive Dialogue with Shareholders in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
				5.1.1	●	<ul style="list-style-type: none"> <li>Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure</li> <li>[Principle 5.1] Policy for Constructive Dialogue with Shareholders in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
				5.1.2	●	<ul style="list-style-type: none"> <li>Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure</li> <li>[Principle 5.1] Policy for Constructive Dialogue with Shareholders in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
5.1.3				●	"Participation in Electronic Voting Platform" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"	

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General Principle	Principle	Supplementary Principles	Comply	Explain	
	5.2	Establishing and Disclosing Business Strategy and Business Plan	-	●	<ul style="list-style-type: none"> <li>•Policy 5.3.1 Human Capital Investment</li> <li>•[Principle 3.1(i)] Corporate Philosophy, Mid-term Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•[Principle 5.2] Establishing and Disclosing Business Strategy and Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			5.2.1	●	<ul style="list-style-type: none"> <li>•[Principle 5.2] Establishing and Disclosing Business Strategy and Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•Kao Integrated Report: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>