

Kao Corporate Governance Policy

Established on July 5, 2023

1. Basic Views on Corporate Governance (Principle 3.1 (ii))

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 of our corporate philosophy “The Kao Way**” 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.

Kao Corporation (hereinafter referred to as “the Company”) has established this policy based on these basic views and 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.

** 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.*

***The Kao Way: www.kao.com/global/en/corporate/purpose/kaoway/*

2. Organization Form

2.1 Company with Audit & Supervisory Board

Subject to how the Board of Directors should function described in 3.1 below, we have chosen a company with Audit & Supervisory Board for the following reasons as the organizational form under the Companies Act. Audit & Supervisory Board Members play an important role in "integrity as the only choice," which is the fundamental value of the Kao Way.

- 2.1.1 In addition to Outside Directors that include people with management experience, Outside Audit & Supervisory Board Members that include lawyers, certified public accountants and people with academic experience further increase the diversity of the Board of Directors by expressing opinions with a high level of expertise and insight

and are useful for proper deliberation and supervision and audit of execution.

2.1.2 Unlike in companies with a nominating committee and other committees or an audit committee, Audit & Supervisory Board Members with an independent perspective who do not concurrently serve as Directors enable objective audits of the execution of duties because they do not have the right to vote at Board of Directors meetings. In particular, independent Outside Audit & Supervisory Board Members enable audits from a perspective that is more independent from the Management as well as immediate audit should be available to the Board of Directors.

2.1.3 Ability of Full-time Audit & Supervisory Board Members to collect necessary information for audits. The Company ensures cooperation on information collected by the Audit & Supervisory Board Members so that it is reported to the Outside Directors as necessary, in addition to audit reports to the Board of Directors.

The Company will periodically review the organization form based on dialogue with shareholders and investors.

2.2 Voluntary Establishment of Committees (Principle 4.10)

In order to ensure fairness and transparency in the determination of personnel matters and executive compensation, the Company voluntarily establishes a Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, a Compensation Advisory Committee for Directors and Executive Officers, and a Compensation Advisory Committee for Audit & Supervisory Board Members.

2.2.1 Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members

This committee is composed of all Outside Directors and one Outside Audit & Supervisory Member, and the chairperson of the committee is elected from the Outside Directors by mutual election. It conducts examinations concerning the appropriateness of nominees for Directors including Chair, President and CEO, Representative Directors and Audit & Supervisory Board Members and submits its opinions to the Board of Directors. In addition, the President and CEO is also evaluated as a top Executive Officer at this committee. Furthermore, the committee discusses the size, composition and diversity of the Board of Directors and Audit & Supervisory Board, as well as the qualities and abilities required of the President and CEO, Directors and Audit & Supervisory Board Members, and reports the results of these examinations to the Board of Directors. This committee deliberates in a timely manner when circumstances necessitate the dismissal of Directors, Audit & Supervisory Board Members, or the President & CEO.

2.2.2 Compensation Advisory Committee for Directors and Executive Officers

This committee is composed of all Outside Directors and Representative Director,

President & CEO and the chairperson of the committee is elected from the Outside Directors by mutual election. The committee examines and discusses the appropriateness of the remuneration system and level of remuneration for Directors and Executive Officers and the transparency of the decision-making process from the perspective of enhancing corporate value, etc., and provides its opinions to the Board of Directors.

2.2.3 Compensation Advisory Committee for Audit & Supervisory Board Members

This committee is composed of all Outside Audit & Supervisory Board Members, Representative Director, President & CEO and one Outside Director and the chairperson is elected from the Outside Audit & Supervisory Board Members by mutual vote. The committee will examine the appropriateness of the amount of remuneration, etc. paid to the Audit & Supervisory Board Members and the transparency of the process for determining the amount of remuneration, etc.

3. Board of Directors (Directors) and Audit & Supervisory Board (Audit & Supervisory Board Members)

3.1 How the Board of Directors Should Function (Principle 4)

The Company'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.

3.2 Composition of the Board of Directors (Principle 4.11, 4.11.1, 2.4, 2.4.1)

3.2.1 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. The knowledge, experience and expertise that the Board of Directors considers necessary will be disclosed as a skill matrix.

3.2.2 In addition to knowledge, experience and ability, the Company recognizes the diverse

perspectives that come from diversity of the Board of Directors in terms of gender, nationality, race and age contribute to the promotion of business, global expansion and proper supervision and auditing, and promotes the appointment of such diverse personnel as Directors and Audit & Supervisory Board Members. The Company's target for the ratio of women on the Board of Directors is 30% by 2025.

- 3.2.3 The Company sets the appropriate size of the Board of Directors in consideration of the balance of diverse personnel required to conduct the proper deliberations and supervision of execution, while aiming for a small Board of Directors to accelerate decision-making for dealing with business expansion and other matters, on the premise of the delegation of responsibility to appropriately placed Executive Officers. The Company aims to have Outside Directors comprise half or more of the Board of Directors to ensure its diversity and influence and emphasizes the independence. The composition and scale of the Board of Directors will be regularly examined in light of the business environment, social trends and dialogue with shareholders and investors. In particular, from the perspective of strengthening supervision, the Company will continue to consider increasing the ratio of Outside Directors to the majority.
- 3.2.4 As a measure to increase the neutrality and independence of the Board of Directors, the Chairperson of the Board of Directors shall be an independent Outside Director.
- 3.3 Appointment and Term of Office of Directors (Principle 4.3, 4.11.2)
- 3.3.1 When appointing a candidate for Director (including a Director who concurrently serves as President and CEO, and the same shall apply in this section), the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members shall examine the appropriateness of the candidate and report to the Board of Directors. The Company has shortened the term of Directors to one year, and candidates for Directors, including candidates for reappointment, are subject to rigorous annual screening by the Committee.
- 3.3.2 As it is necessary for Directors and Audit & Supervisory Board Members to have sufficient time to perform their duties as Directors or Audit & Supervisory Board Members of the Company, the number of concurrent director or audit & supervisory board member positions held in listed companies shall be limited, in principle, to three (3), excluding the Company. At the time of nomination for reappointment, the Company requires the Directors and Audit & Supervisory Board Members to have attended at least 75% of the Board of Directors meetings in the recent fiscal year.
- 3.3.3 The tenure is determined by considering independence and objectivity, while placing importance on the ability to discuss from a medium- to long-term perspective and stable management. In addition, to promote sharing of the knowledge and information obtained related to the Group's management and businesses from predecessor to successor, the Company sets staggered terms of office for Outside Directors.
- 3.4 Succession Plan (Principle 4.1.3, 4.10.1)
- The Company will continuously discuss succession plans for the President and CEO on an ongoing basis at meetings of the Board of Directors and the Committee for the Examination

of Nominees for Directors and Audit & Supervisory Board Members.

3.5 Evaluation on Effectiveness of the Board of Directors (Principle 4.11, 4.11.3)

On an annual basis, an evaluation is conducted at a meeting of the Board of Directors in order to make improvements aimed at enhancing the effectiveness of the Board of Directors. Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board of Directors, the Company believes that it is effective for all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to conduct an evaluation using a method that entails expressing their own opinions and engaging in free and open discussion. In consideration of the usefulness of an objective viewpoint, a third party is also utilized in the implementation of the evaluation.

3.6 How the Audit & Supervisory Board Should Function (Principle 4.4)

In order to establish sound and sustainable growth and trustworthy governance of the Group, each Audit & Supervisory member shall audit the execution of duties by the Directors from an independent standpoint.

3.7 Structure of the Audit & Supervisory Board and Execution System (Principle 4.4.1)

The Audit & Supervisory Board consists of Full-time Audit & Supervisory Board Members with extensive internal execution experience and diverse knowledge, and Outside Audit & Supervisory Board Members with extensive knowledge based on their respective expertise and the experience of other companies. The majority of these Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. The "Office of the Audit & Supervisory Board" is established directly under the Audit & Supervisory Board to assist the Audit & Supervisory Board Members in their duties and strengthen the structure in which members of the Office also serve as corporate auditors of subsidiaries.

3.8 Appointment of Office of Audit & Supervisory Board Members

When nominating candidates for Audit & Supervisory Board Members, the Audit & Supervisory Board examines the appropriateness and qualifications of candidates for Audit & Supervisory Board Members from an independent and objective perspective, including a majority of independent Outside Audit & Supervisory Board Members, based on the above-mentioned "3.2 Composition of the Board of Directors," "3.2.2" and "3.7 Structure of the Audit & Supervisory Board and Execution System" and the policy for selecting candidates for Audit & Supervisory Board Members decided by the Audit & Supervisory Board, and finally, candidates for Audit & Supervisory Board Members will be decided at the Board of Directors with the consent of the Audit & Supervisory Board, based on the opinions of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members.

3.9 Training for Directors and Audit & Supervisory Board Members (Principle 4.14.2)

The Company provides Directors and Audit & Supervisory Board Members with opportunities to improve their understanding of the Company's business and business environment and knowledge about corporate governance, etc. and pays expenses which are required to fulfill their respective roles and duties. In particular, the Company provides Inside Directors and Full-time Audit & Supervisory Board Members with basic training as top management and auditors, knowledge regarding the Companies Act, corporate governance and related issues, useful information for observance of laws and regulations and for management, and other matters. Also, to deepen the understanding of Outside Directors and Outside Audit & Supervisory Board Members of the details and current status and other matters regarding the Group's business strategies and businesses, the Company explains these matters at the time of inauguration and thereafter conducts on-site visit of factories and business sites, explanations by the relevant officer and other measures as necessary.

4. Directors' Remuneration

4.1 Policy (Principle 3.1 (iii))

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.

4.2 Decision Process (Principle 3.1 (iii))

The remuneration system and remuneration levels for Directors and Executive Officers are reviewed by the Directors' and Executive Officers' Remuneration Advisory Committee and determined by resolution of the Board of Directors from the viewpoint of ensuring objectivity and transparency of the decision-making process, including the remuneration content of individual Directors. In addition, for individual evaluations of short-term incentive remuneration, we will implement a confirmation process by Outside Directors. Compensation levels for Audit & Supervisory Board members will be determined through discussions among Audit & Supervisory Board members. In addition, the Compensation Advisory Committee for Audit & Supervisory Board Members reviews the appropriateness of the amount of remuneration for Audit & Supervisory Board Members and the transparency of the decision-making process from an objective perspective.

4.3 Remuneration System (Principle 4.2, 4.2.1)

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. Furthermore, 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.

4.4 Directors' Ownership of the Company Stock

In order to manage the Company from the shareholder perspective, Directors (excluding Outside Directors and non-resident in Japan) and Executive Officers (excluding non-resident in Japan) should acquire the Company's common stock equivalent to their base salary (annual amount) within three years after assuming office.

5. Stakeholder Relations

5.1 Relationship with Shareholders, etc.

5.1.1 Securing the Rights of Shareholders and Equality (Principle 1.1)

The Company will strive to substantially ensure the rights and equity of our shareholders.

5.1.2 Basic Strategy for Capital Policy

The Company's capital policy follows a basic strategy of securing a sound financial structure to make investments for sustainable growth and tolerate the related risks, and to make stable, continuous returns to shareholders. To realize this policy, the Company uses Economic Value Added (hereinafter "EVA*"), a management indicator that takes capital cost into account, as its main indicator and works to enhance its corporate value by improving EVA. Guided by EVA management which places importance on both continuous enhancements in corporate value and long-term profits for all stakeholders, the Company develops its business strategy and business plan. We will also deepen EVA management by introducing Return on Invested Capital (ROIC) by business and strengthening business portfolio management.

The Company manages all equity and interest-bearing liabilities as subject of capital cost and intends to optimize capital cost from the viewpoint of safety and capital efficiency. For equity, the Company aims for a streamlined and sound structure from a medium- to long-term perspective with efficiency in mind and, while maintaining interest-bearing liabilities at a moderate level, aims to maintain high credit ratings which will allow it to procure capital for large-scale investments.

Although the Company emphasizes shareholder returns, it realizes that investment for growth will meet the expectations of its stakeholders, and therefore prioritizes such investment. In addition to providing stable dividends, the Company uses surplus funds

to flexibly conduct share repurchases while the Company aims to continuously increase dividends to reflect improvement in business results. In addition to making returns to shareholders and improving EVA, the Company retains the capital necessary to conduct investments for growth in a timely fashion and to ensure sufficient soundness to deal with situations that exceed assumptions.

**EVA is a monetary metric defined as NOPAT less capital cost. EVA is a registered trademark of Stern Stewart & Co.*

5.1.3 Cross-Shareholdings (Principle 1.4)

- The Company holds the shares of other listed companies only in cases where it considers such shareholdings, including the number of shares held, to be reasonable in consideration of their necessity in terms of business activities such as maintaining and strengthening business alliances and transactions and other matters. These cross shareholdings are subject to the impact of trends in stock markets and the business environment in which the Group operates. However, each year the Board of Directors, etc. ascertains the reasonableness of cross-shareholdings and reviews their continuance and the number of shares held for each stock, by considering the following criteria: purpose of retention, unrealized gains and losses, EVA, trading volume and others.
- The Company exercises the voting rights of cross-shareholdings after comprehensively determining whether the proposals contribute to the establishment of a proper corporate governance system and to increasing the medium to long-term corporate value of the issuing company, as well as their impact on the Group. The Company engages in dialogue with the issuing company on the details of the proposals and other matters as necessary.

5.1.4 Related Party Transactions (Principle 1.7)

In the event that Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Company enters into a transaction with the Group on behalf of himself/herself or a third party, the notification shall be made in accordance with internal rules, and depending on the nature of the transaction, the matter shall be reported to or approved by the Board of Directors, etc.

With respect to Directors, in accordance with the provisions of the Companies Act, any transactions that constitute an own transaction or conflict of interest are subject to the approval of the Board of Directors.

5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure

5.2.1 Dialogue with Shareholders, etc.

The Company considers its shareholders and investors to be important stakeholders. It emphasizes constructive dialogue to enhance corporate value, and considers it

important to deepen mutual understanding of stances and standpoints and to adopt proper responses based on such understanding.

In terms of dialogue with institutional investors, in addition to routine meetings with institutional investors inside and outside Japan, the Company conducts briefings and other presentations on summaries and the progress of the business strategies, the status of operating results and businesses, shareholder returns and other matters. In order to have opportunities for direct dialogue with institutional investors who can engage in dialogue from a long-term perspective to increase corporate value, and to facilitate the reflection of the results of the dialogue in management and management supervision and audit, the President & CEO and other Management participate as much as possible. Questions and opinions received from institutional investors at the aforementioned briefings and other events will be reported to the Board of Directors, the Executive Officers meetings or the Audit & Supervisory Board as necessary, and will be utilized in the future management of the Group and in the supervision and auditing of management.

With respect to efforts to engage in dialogue with individual shareholders, the Company conducts events that introduce details of the Group's businesses so that shareholders to understand the Group, and for shareholders to hold Kao's shares from a longer-term perspective. Moreover, when conducting these initiatives, the members of Management participate to the extent possible in order to have opportunities for dialogue with shareholders. In addition, the Company regards the operation of the General Meeting of Shareholders as a valuable and important opportunity for dialogue with shareholders, and secures sufficient time for questions, among other measures. In addition to explaining financial information, the Company intends to further enhance its explanation of non-financial information including its stance on corporate governance and sustainability. To promote constructive dialogue with shareholders, relevant divisions including the investor relations, accounting and finance, legal, corporate strategy, and ESG will cooperate to consider and implement methods for explaining nonfinancial information such as publication on the Company's website and holding presentations, an organizational structure for dealing with dialogue with shareholders and other matters. Management including Executive Officers in charge of the above-mentioned division will work together to integrate and promote these activities.

5.2.2 Enhancement of Information Disclosure

To contribute to realizing constructive dialogue with shareholders and investors to raise corporate value, the Company proactively discloses socially useful information about the Group in addition to disclosures required by laws and regulations. The

Company established rules on information disclosure and the prevention of insider trading, conducts information disclosures fairly without selective disclosure to specified persons, clarified the obligation to maintain confidentiality of insider information, as well as regularly conducts education for their thorough implementation.

5.3 Relationship with Employees

5.3.1 Human Capital Investment (Principle 3.1.3, 4.2.2, 5.2)

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. We will invest aggressively in our employees to follow that policy.

5.3.2 Promotion of Women, Non-Japanese and Mid-career Employees (Principle 2.4.1)

With regard to promotion of women to managerial positions, the Company creates a compatible environment for diverse work methods, while promoting participation in training programs to help develop candidates for female managerial positions.

Regarding to non-Japanese employees, the Company strives to secure excellent human resources regardless of nationality. Regarding 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.

5.4 Appropriate Cooperation with Stakeholders Other Than Shareholders (Principle 2)

Everything we do starts with the consumers and customers. We develop products, brands, technologies, and solutions that enrich lives by deeply understanding each individual. We listen sincerely to the consultation and opinions we receive from consumers and customers, and through detailed communication, we aim to incorporate the opinions of consumers and customers into product improvements, new product development, and service enhancements.

5.5 Sustainability (Principle 2.3)

The Company introduced an ESG perspective into its management to achieve its targets for 2030 of “making Kao a company with a global presence, valuable to society.” It is promoting business expansion and the provision of better products and services to consumers and society on a global scale. Recognizing its responsibility as an enterprise that provides products which people use in their daily lives, the Group practices ESG-driven *Yoki-Monozukuri**, such as reducing the environmental footprint of its products throughout the entirety of the product lifecycle, and promotes initiatives that give consideration to the environment and society.

Also, the Company is building flexible and robust ESG governance to strengthen its resilience to major global changes and ensure the expansion of business opportunities. The Board of Directors is responsible for supervising ESG, including risks and opportunities. Under this responsibility, the President and CEO, and the ESG Managing Committee and other subordinate organizations are responsible for business execution. We have also established an ESG external advisory board consisting of external experts, which has the function of providing advice on the Group's initiatives based on global trends.

**ESG-driven Yoki-Monozukuri, which the Company define as "maximum value with minimum waste," to contribute to a circular society.*

5.6 Roles of Corporate Pension Funds as Asset Owners (Principle 2.6)

Kao Group Corporate Pension Funds manages a reserve for corporate pension funds for the Company and its group companies in Japan. The Company assigns personnel with necessary experience and qualifications for the Kao Group Corporate Pension Funds considering the impact that corporate pension funds have on the ability of employees to maintain stable asset management not only but also the potential impact on the Group's financial stability. Also, the Company established an Asset Management Board. Kao Group Corporate Pension Funds maintains healthy pension fund management, and sets composition of assets, if necessary, incorporating the opinions of third parties.

Regarding stewardship initiatives, the Company monitors the stewardship activities of each asset management institution through quarterly reporting sessions.

All assets are managed at appropriate investment institutions through the above-mentioned management to assure that there would be no conflict of interest between beneficiaries of corporate pension funds and the Company.

6. Formulation and Modification of this Policy

The formulation and modification of this policy shall be made by resolution of the Board of Directors.

Figures in parentheses in this policy indicate the principles of Japan's Corporate Governance Code (Tokyo Stock Exchange, Inc.) corresponding to each policy.