

# Annual Securities Report

(“Yukashoken Hokokusho”)

(The 120<sup>th</sup> Fiscal Year)

From January 1, 2025 to December 31, 2025

## Kao Corporation

This is an English translation of the original Annual Securities Report (extract) filed with the Director-General of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network (“EDINET”), pursuant to the Financial Instruments and Exchange Act of Japan, for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

In this document, the term “the Company” refers to Kao Corporation and the term “the Group” refers to Kao Corporation and its subsidiaries. Some information in the original securities report in Japanese, such as “Part One. Company Information I. Overview of Company 1. Key Financial Data (2) Key Financial Data of the Company” and “V. Financial Information 2. Non-consolidated Financial Statements and Other Information,” are not included in this English translation of the securities report.

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[Cover]

Filed Document	Annual Securities Report ( <i>Yukashoken Hokokusho</i> )
Applicable Law	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director-General of the Kanto Local Finance Bureau
Filing Date	March 25, 2026
Fiscal Year	The 120th Term (from January 1, 2025 to December 31, 2025)
Company Name	Kao Kabushiki Kaisha
Company Name in English	Kao Corporation
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Place Where the Filed Document is Available for Public Inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

## Part One: Company Information

### I. Overview of Company

#### 1. Key Financial Data

Key Consolidated Financial Data of Group

Term		116th	117th	118th	119th	120th
Fiscal year ended:		December 2021	December 2022	December 2023	December 2024	December 2025
Net sales	Millions of yen	1,418,768	1,551,059	1,532,579	1,628,448	1,688,633
Income before income taxes	Millions of yen	150,002	115,848	63,842	151,024	169,846
Net income attributable to owners of the parent	Millions of yen	109,636	86,038	43,870	107,767	120,081
Comprehensive income attributable to owners of the parent	Millions of yen	161,686	125,437	80,809	155,475	147,930
Equity attributable to owners of the parent	Millions of yen	965,137	972,061	983,658	1,066,776	1,064,077
Total assets	Millions of yen	1,704,007	1,726,350	1,769,514	1,867,237	1,875,054
Equity attributable to owners of the parent per share	Yen	2,036.66	2,091.20	2,116.01	2,296.69	2,352.49
Basic earnings per share	Yen	230.59	183.28	94.37	231.94	260.30
Diluted earnings per share	Yen	230.57	183.27	94.37	—	—
Ratio of equity attributable to owners of the parent to total assets	%	56.6	56.3	55.6	57.1	56.7
Ratio of net income to equity attributable to owners of the parent	%	11.6	8.9	4.5	10.5	11.3
Price earnings ratio	Times	26.1	28.7	61.5	27.5	24.1
Net cash flows from operating activities	Millions of yen	175,524	130,905	202,481	201,585	199,680
Net cash flows from investing activities	Millions of yen	(67,232)	(74,911)	(109,302)	(45,902)	(69,767)
Net cash flows from financing activities	Millions of yen	(141,573)	(139,311)	(79,983)	(104,578)	(175,134)
Cash and cash equivalents at the end of the year	Millions of yen	336,069	268,248	291,663	357,713	323,282
Number of employees [Separately, the average number of temporary employees]	Persons	33,507 [11,215]	35,411 [8,183]	34,257 [8,193]	32,566 [8,502]	31,514 [8,655]

Notes: 1. International Financial Reporting Standards (IFRS Accounting Standards) are applied.

2. Amounts shown are rounded to the unit used for presentation. The same applies hereinafter.

3. Net sales do not include consumption taxes, etc. The same applies hereinafter.

4. Numbers in parentheses in charts are negative. The same applies hereinafter.

5. To standardize information disclosure globally, we have included full-time, indefinite-term, non-regular employees, etc. in the number of employees since the 117th term. The number of employees in the 117th term based on the criteria applied in the 116th term totals 32,895.

6. The provisional accounting for business combination was finalized in the 119th term, and the figures related to the provisional accounting in “Key Financial Data” for the 118th term reflects the details of finalization of the provisional accounting.

7. Diluted earnings per share from the 119th term is not listed since there are no potential ordinary shares.

## 2. History

June 1887	Opened Nagase Shoten, a Western sundry goods dealer — (Foundation)
October 1890	Launched <i>Kao Sekken</i> (Kao soap)
November 1922	Completed the construction of Azuma Factory (currently Tokyo Plant (Incubation Center Tokyo))
May 1925	Established Kao Sekken Nagase Shokai Co., Ltd.
March 1935	Established Dai Nihon Yushi Co., Ltd. based on detached Azuma Factory
May 1940	Established Nihon Yuki Co., Ltd. in Nihonbashi Bakurocho — (Date of foundation)
September 1940	Completed the construction of Nihon Yuki's Sakata Factory (currently Sakata Plant)
December 1944	Completed the construction of Dai Nihon Yushi's Wakayama Factory (currently Wakayama Plant)
October 1946	Renamed Kao Sekken Nagase Shokai Co., Ltd. to Kao Co., Ltd.
May 1949	Renamed Nihon Yuki Co., Ltd. to Kao Soap Co., Ltd. Listed on the First Section of the Tokyo Stock Exchange
December 1949	Established Kao Yushi Co., Ltd. through the merger of Kao Co., Ltd. and Dai Nihon Yushi Co., Ltd.
August 1954	Kao Soap Co., Ltd. absorbed and merged Kao Yushi Co., Ltd.
December 1957	Completed the construction of a detergent factory on the premises of Wakayama Plant
March 1960	Listed on the First Section of the Osaka Securities Exchange (delisted in March 2003)
March 1963	Completed the construction of Kawasaki Plant
September 1964	Established Kao Industrial (Thailand) Co., Ltd.
December 1964	Established Kao (Taiwan) Corporation
April 1965	Completed the construction of Industrial Science Research Laboratories (currently Wakayama Research Laboratories) on the premises of Wakayama Plant
July 1965	Established Kao (Singapore) Private Limited (currently Kao Singapore Private Limited)
August 1967	Completed the construction of Tokyo Research Laboratories on the premises of Tokyo Plant (currently Tokyo Plant (Incubation Center Tokyo))
March 1970	Established Kao (Hong Kong) Ltd.
November 1970	Established Sinor-Kao S.A. in Spain
November 1974	Established Kao-Quaker Company, Limited
March 1975	Established Quimi-Kao, S.A. de C.V. in Mexico
December 1975	Completed the construction of Tochigi Plant
January 1977	Established Pilipinas Kao, Inc. in the Philippines
February 1978	Established Ehime Sanitary Products Co., Ltd. (currently Kao Sanitary Products Ehime Co., Ltd.)
March 1978	Completed the construction of Tochigi Research Laboratories on the premises of Tochigi Plant
May 1979	Established Molins-Kao S.A. in Spain
April 1980	Completed the construction of Kashima Plant
April 1984	Completed the construction of Toyohashi Plant
February 1985	Acquired an equity stake in P.T. Dino Indonesia Industrial Ltd. (currently PT Kao Indonesia)
September 1985	Established Kao's cosmetics sales companies at nine locations across Japan to expand the cosmetics ( <i>Sofina</i> ) business nationwide
October 1985	Changed the trade name of Kao Soap Co., Ltd. to Kao Corporation
May 1986	Acquired Didak Manufacturing Limited in Canada to make a full-fledged entry into the information related business
October 1986	Established Guhl Ikebana GmbH in Germany
July 1987	Acquired High Point Chemical Corporation in the U.S.
August 1987	Established Kao Corporation, S.A. in Spain through the merger of Sinor-Kao S.A. and Molins-Kao S.A.
April 1988	Established KAO (Southeast Asia) Pte. Ltd. (currently Kao Singapore Private Limited)
May 1988	Acquired The Andrew Jergens Company (currently Kao USA Inc.)
July 1988	Established Fatty Chemical (Malaysia) Sdn. Bhd.
May 1989	Acquired Goldwell AG (currently Kao Germany GmbH)
October 1989	Combined nine cosmetics sales companies across Japan to establish Kao Cosmetics Sales Co., Ltd.
October 1992	Acquired Chemische Fabrik Chem-Y GmbH (currently Kao Chemicals GmbH) in Germany
August 1993	Established Kao Corporation Shanghai

March 1999	Withdrew from the information related business
April 1999	Merged eight sales companies that distribute household products across Japan (Kao Hanbai Co., Ltd.)
August 1999	Established Kao Chemicals Europe, S.L. in Spain as a company to control industrial products businesses in Europe
December 1999	Established Kao Chemicals Americas Corporation as a company to control industrial products businesses in Americas, while liquidating High Point Chemical Corporation at the same time
March 2002	Acquired KMS Research, Inc., etc. via Goldwell GmbH (currently Kao Germany GmbH)
June 2002	Established Kao (China) Holding Co., Ltd. as a business holding company
September 2002	Acquired John Frieda Professional Hair Care, Inc., etc. via The Andrew Jergens Company (currently Kao USA Inc.)
March 2003	Established Kao Commercial (Shanghai) Co., Ltd. (separating the sales function of Kao Corporation Shanghai)
July 2004	Converted Kao Hanbai Co., Ltd. into a wholly-owned subsidiary through share exchange
October 2004	Demerged and transferred the commercial-use products businesses of each of the Company and Kao Hanbai Co., Ltd. to then-existing Kao Clean & Beauty Company, Limited, and then changed the trade name of the company to Kao Professional Services Company, Limited
July 2005	Acquired Molton Brown Limited, etc. via Kao Prestige Limited in the U.K. (liquidated in November 2015)
January 2006	Acquired shares of Kanebo Cosmetics Inc. and converted the company and its group companies into subsidiaries.
April 2007	Merged Kao Hanbai Co., Ltd. and Kao Cosmetics Sales Co., Ltd. and changed the trade name of them to Kao Customer Marketing Co., Ltd.
July 2009	Acquired a plant (manufacturing facilities, etc.) of Reichardt International AG via Kao Corporation GmbH (currently Kao Manufacturing Germany GmbH)
April 2011	Established Kao (Hefei) Co., Ltd.
June 2011	Completed the construction of Eco-Technology Research Center (ETRC) on the premises of Wakayama Plant
April 2012	Established Kao (Shanghai) Chemical Industries Co., Ltd.
April 2014	Established Kao Cosmetic Products Odawara Co., Ltd.
January 2016	Kao Group Customer Marketing Co., Ltd., which took over the shares of Kao Customer Marketing Co., Ltd., Kanebo Cosmetics Sales Inc. and others, commenced operations.
September 2016	Opened Beauty Research & Innovation Center on the premises of Odawara Office
January 2018	Kao Group Customer Marketing Co., Ltd. absorbed and merged Kao Customer Marketing Co., Ltd. and Kanebo Cosmetics Sales Inc. Acquired Oribe Hair Care, LLC via Kao USA Inc.
August 2018	Acquired Washing Systems, LLC and others via Kao USA Inc.
April 2022	The Company has moved its listing venue from the First Section to the Prime Market of the Tokyo Stock Exchange following the revision of the market classification by the exchange.
November 2023	The Company, Kao USA Inc. and Kao Australia Pty. Limited acquired Bondi Sands (Bondi Sands Australia Pty Ltd and others).
December 2024	Liquidated Kao (Hefei) Co., Ltd.

### 3. Description of Business

The Company and its subsidiaries and associates (consisting of 111 subsidiaries and seven associates) are engaged primarily in the manufacture and sale of products for the Global Consumer Care Business and the Chemical Business, as well as service operations ancillary to these businesses.

The descriptions of businesses and the positioning of the Company and its subsidiaries and associates in these businesses are as shown below.

Except for the “Other” business segment, the segmentation of the following businesses is the same as that stated in “V. Financial Information, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements Notes to Consolidated Financial Statements, 6. Segment Information.”

Additionally, the classification of reportable segments has been changed from the fiscal year ended December 31, 2025. For details, please refer to “V. Financial Information, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements Notes to Consolidated Financial Statements, 6. Segment Information.”

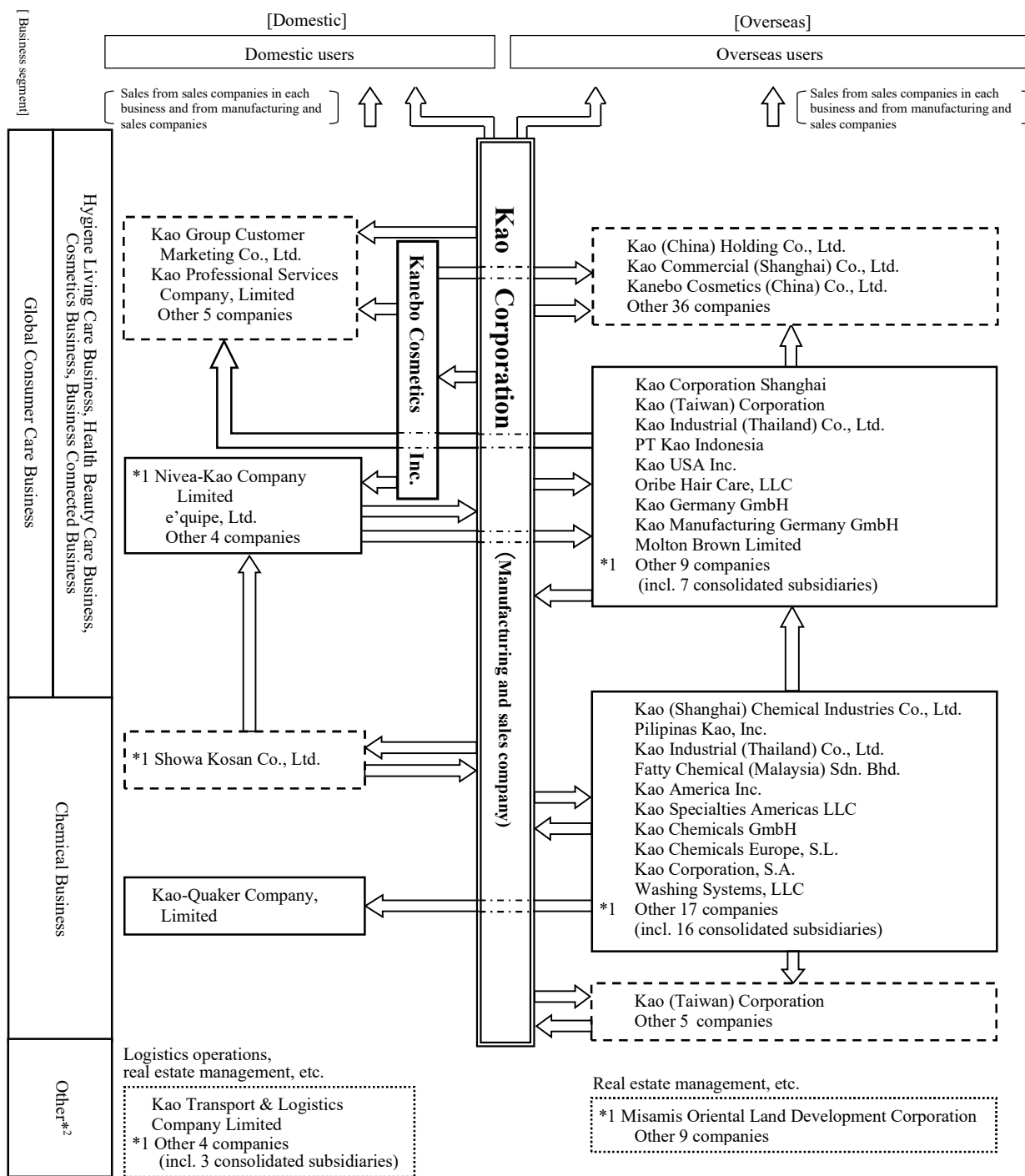
Business segment		Companies primarily responsible for the business	
Global Consumer Care Business	Hygiene Living Care Business	Domestic	The Company, Kao Group Customer Marketing Co., Ltd., Kao Professional Services Company, Limited, Nivea-Kao Company Limited, Kanebo Cosmetics Inc., e’quipe, Ltd., and other 9 companies (a total of 15 companies)
	Health Beauty Care Business	Overseas	Kao (China) Holding Co., Ltd., Kao Corporation Shanghai, Kao Commercial (Shanghai) Co., Ltd., Kanebo Cosmetics (China) Co., Ltd., Kao (Taiwan) Corporation, Kao Industrial (Thailand) Co., Ltd., PT Kao Indonesia, Kao USA Inc., Oribe Hair Care, LLC, Kao Germany GmbH, Kao Manufacturing Germany GmbH, Molton Brown Limited, and other 45 companies (a total of 57 companies)
	Cosmetics Business		
	Business Connected Business		
Chemical Business		Domestic	The Company, Kao-Quaker Company, Limited, Showa Kosan Co., Ltd. (a total of 3 companies)
		Overseas	Kao (Shanghai) Chemical Industries Co., Ltd., Kao (Taiwan) Corporation, Pilipinas Kao, Inc., Kao Industrial (Thailand) Co., Ltd., Fatty Chemical (Malaysia) Sdn. Bhd., Kao America Inc., Kao Specialties Americas LLC, Kao Chemicals GmbH, Kao Chemicals Europe, S.L., Kao Corporation, S.A., Washing Systems, LLC, and other 22 companies (a total of 33 companies)
Other		Domestic	Kao Transport & Logistics Company Limited and other 4 companies (a total of 5 companies)
		Overseas	Misamis Oriental Land Development Corporation and other 9 companies (a total of 10 companies)

Notes: 1. Main products for each business segment are as described in “V. Financial Information, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements Notes to Consolidated Financial Statements, 6. Segment Information, (1) Summary of Reportable Segments.”

2. In the “Segment Information,” service operations, etc. classified into “Other” are divided into the Global Consumer Care Business and the Chemical Business depending on the type of services provided.

3. The companies engaged in multiple businesses are included in the number of companies in each business segment.

The Group's business structure is as shown in the diagram below.



(Notes) No mark: Consolidated subsidiaries (111 companies)  
 \*1: Associates accounted for using the equity method (7 companies)  
 \*2: Other companies provide services, etc. to the Company and its subsidiaries and associates.

Manufacturing and sales companies      ➔ Products and raw materials  
 Sales companies (incl. cases where the subject is part of a company)

## 4. Subsidiaries and Associates

### (1) Parent Company

Not applicable

### (2) Consolidated Subsidiaries

As of December 31, 2025

Company name	Location	Share capital or investments in capital	Description of main businesses	Ratio of voting rights held (%)	Relationship with the Company			
					Concurrent positions as Directors, Audit & Supervisory Board Members, etc.	Long-term loans receivable	Business transactions	Lease of facilities, etc.
Kao Group Customer Marketing Co., Ltd.	Chuo-ku, Tokyo	JPY10 million	Hygiene Living Care Health Beauty Care Cosmetics Business Connected and control of beauty consulting company for the Cosmetics Business in Japan	100.0	Yes	–	Buyer of products, etc.	Yes
Kao Professional Services Company, Limited	Sumida-ku, Tokyo	JPY60 million	Business Connected	100.0	Yes	–	Buyer of products, etc.	Yes
Kanebo Cosmetics Inc.	Chuo-ku, Tokyo	JPY7,500 million	Cosmetics	100.0	Yes	–	Buyer of products, etc.	Yes
Kao Transport & Logistics Company Limited	Sumida-ku, Tokyo	JPY15 million	Logistics-related operations in Japan	*2 100.0 [66.5]	Yes	–	Outsourcee of logistics operations for products, etc.	Yes
*1 Kao (China) Holding Co., Ltd.	Shanghai	CNY2,603,727 thousand	Control of subsidiaries and associates in the People's Republic of China, Cosmetics	100.0	Yes	–	Buyer of products, etc.	–
*1 Kao Corporation Shanghai	Shanghai	CNY564,200 thousand	Hygiene Living Care Health Beauty Care Cosmetics Business Connected	*3 100.0 [15.0]	Yes	–	Supplier and buyer of products, etc.	–
*1 Kao Commercial (Shanghai) Co., Ltd.	Shanghai	CNY1,348,490 thousand	Hygiene Living Care Health Beauty Care Cosmetics	*4 100.0 [100.0]	Yes	–	Buyer of products, etc.	–
*1 Kanebo Cosmetics (China) Co., Ltd.	Shanghai	CNY672,638 thousand	Cosmetics	*5 100.0 [100.0]	Yes	–	–	–
*1 Kao (Shanghai) Chemical Industries Co., Ltd.	Shanghai	CNY740,000 thousand	Chemical	*6 100.0 [10.0]	Yes	–	Supplier and buyer of products, etc.	–
Kao (Taiwan) Corporation	New Taipei City	TWD597,300 thousand	Hygiene Living Care Health Beauty Care Cosmetics Business Connected Chemical	92.2	Yes	–	Supplier and buyer of products, etc.	–
*1 Pilipinas Kao, Inc.	Philippines	USD91,435 thousand	Chemical	100.0	Yes	–	Supplier and buyer of products, etc.	–
*1 Kao Industrial (Thailand) Co., Ltd.	Thailand	THB2,000,000 thousand	Hygiene Living Care Health Beauty Care Cosmetics Chemical	100.0	Yes	–	Supplier and buyer of products, etc.	–
Fatty Chemical (Malaysia) Sdn. Bhd.	Malaysia	MYR120,000 thousand	Chemical	*7 70.0 [70.0]	Yes	–	Supplier of products, etc.	–
*1 PT Kao Indonesia	Indonesia	IDR1,796,206 million	Hygiene Living Care Health Beauty Care	50.01	Yes	–	Buyer of products, etc.	–
Kao USA Inc.	U.S.	USD4	Health Beauty Care Cosmetics	100.0	Yes	–	Buyer of products, etc.	–

Company name	Location	Share capital or investments in capital	Description of main businesses	Ratio of voting rights held (%)	Relationship with the Company			
					Concurrent positions as Directors, Audit & Supervisory Board Members, etc.	Long-term loans receivable	Business transactions	Lease of facilities, etc.
Oribe Hair Care, LLC	U.S.	USD8,182 thousand	Health Beauty Care	*8 100.0 [100.0]	Yes	–	–	–
Kao America Inc.	U.S.	USD3,200 thousand	Corporate services to subsidiaries and associates in the United States, and holding company of Chemical Business in the United States	100.0	Yes	–	–	–
Kao Specialties Americas LLC	U.S.	USD1	Chemical	*9 100.0 [100.0]	Yes	Yes	Supplier and buyer of products, etc.	–
Washing Systems, LLC	U.S.	USD10	Chemical	*10 100.0 [100.0]	Yes	–	–	–
*1 Kao Australia Pty. Limited	Australia	AUD152,690 thousand	Hygiene Living Care Health Beauty Care	100.0	Yes	–	–	–
Kao Germany GmbH	Germany	EUR25,000 thousand	Health Beauty Care	100.0	Yes	–	–	–
Kao Manufacturing Germany GmbH	Germany	EUR13,000 thousand	Health Beauty Care	100.0	Yes	–	Buyer of products, etc.	–
Kao Chemicals GmbH	Germany	EUR9,101 thousand	Chemical	*11 100.0 [100.0]	Yes	–	Supplier and buyer of products, etc.	–
Molton Brown Limited	U.K.	GBP516 thousand	Cosmetics	100.0	Yes	–	–	–
*1 Kao Chemicals Europe, S.L.	Spain	EUR74,035 thousand	Control of Chemical Business in Europe, etc.	100.0	Yes	–	–	–
*1 Kao Corporation, S.A.	Spain	EUR56,411 thousand	Chemical	*11 100.0 [100.0]	Yes	–	Supplier and buyer of products, etc.	–

Notes: \*1. The company is a specified subsidiary.

\*2. The company is 66.5% owned by Kao Group Customer Marketing Co., Ltd.

\*3. The company is 15.0% owned by Kao (China) Holding Co., Ltd.

\*4. The company is owned by Kao (China) Holding Co., Ltd.

\*5. The company is 92.1% and 7.9% owned by Kanebo Cosmetics Inc. and Kao (China) Holding Co., Ltd., respectively.

\*6. The company is 10.0% owned by Kao (China) Holding Co., Ltd.

\*7. The company is owned by Kao Singapore Private Limited, a subsidiary of Kao Corporation.

\*8. The company is owned by Kao USA Inc.

\*9. The company is owned by Kao Chemicals Americas Corporation, a subsidiary of Kao America Inc.

\*10. The company is owned by Washing Systems Intermediate Holdings, Inc., a subsidiary of Kao USA Inc.

\*11. The company is owned by Kao Chemicals Europe, S.L.

12. Numbers in [ ] represent the ratios of voting rights held indirectly and are included in the ratios of voting rights held.

13. Concurrent positions as Directors, Audit & Supervisory Board Members, etc. include Directors, Audit & Supervisory Board Members and employees of Kao Corporation.

14. Kao Corporation has a total of 111 consolidated subsidiaries as it has 85 smaller consolidated subsidiaries other than the above.

## (3) Associates Accounted for Using the Equity Method

As of December 31, 2025

Company name	Address	Share capital or investments in capital	Description of main businesses	Ratio of voting rights held (%)	Relationship with the Company			
					Concurrent positions as Directors, Audit & Supervisory Board Members, etc.	Long-term loans receivable	Business transactions	Lease of facilities, etc.
Nivea-Kao Company Limited	Chuo-ku, Tokyo	JPY200 million	Health Beauty Care	40.0	Yes	–	Supplier and buyer of products, etc.	Yes
Showa Kosan Co., Ltd.	Minato-ku, Tokyo	JPY550 million	Chemical	21.4	Yes	–	Supplier and buyer of products, etc.	–

Note: Kao Corporation has a total of seven associates accounted for using the equity method as it has five smaller associates accounted for using the equity method other than the above.

## (4) Other Subsidiaries and Associates

Not applicable

## 5. Employees

### (1) Information about the Group

		As of December 31, 2025	
Name of segment		Number of employees (persons)	[Number of temporary employees (persons)]
	Hygiene Living Care Business	8,499	[4,061]
	Health Beauty Care Business	7,521	[2,591]
	Cosmetics Business	9,331	[1,270]
	Business Connected Business	841	[194]
	Global Consumer Care Business	26,192	[8,116]
	Chemical Business	4,068	[252]
	Corporate (common)	1,254	[287]
	Total	31,514	[8,655]

- Notes: 1. The number of employees refers solely to full-time employees of the Company and its consolidated subsidiaries (excluding the employees seconded from the Group (the Company and its consolidated subsidiaries) to outside the Group but including the employees seconded from outside the Group to the Group). The number in square brackets represents the annual average number of temporary employees, which is not included in the number of employees.
2. We have included full-time, indefinite-term, non-regular employees, etc. in the number of employees.
3. Temporary employees include part-time employees and employees on non-regular contracts hired for a definite period but exclude those dispatched from employment agencies.
4. Corporate (common) refers to the number of employees belonging to administrative and other divisions that cannot be classified into a specific segment.

### (2) Information about Reporting Company

				As of December 31, 2025
Number of employees (persons)	Average age (years)	Average years of employment (years)	Average annual salary (thousands of yen)	
7,761	40.6	16.7	8,654	

Name of segment		Number of employees (persons)
	Hygiene Living Care Business	2,186
	Health Beauty Care Business	1,793
	Cosmetics Business	1,256
	Business Connected Business	163
	Global Consumer Care Business	5,398
	Chemical Business	1,177
	Corporate (common)	1,186
	Total	7,761

- Notes: 1. The number of employees refers solely to full-time employees of the Company (excluding the employees seconded from the Company to outside the Company but including the employees seconded from outside the Company to the Company).
2. We have included full-time, indefinite-term, non-regular employees, etc. in the number of employees.
3. Average annual salary includes bonuses and extra wages.
4. Corporate (common) refers to the number of employees belonging to administrative and other divisions that cannot be classified into a specific segment.

### (3) Labor Union

Part of the offices, plants, laboratories and consolidated subsidiaries have organized labor unions.

There are no particular matters to be noted regarding the relationship between the Company's management and each of the labor unions.

(4) Indicators Related to Diversity

Indicators related to diversity for fiscal 2025 were as follows:

- 1) Disclosure based on the Act on the Promotion of Women's Active Engagement in Professional Life and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members

	Percentage of female employees in management positions (%)	Percentage of paternity leave taken by male employees (%)	Gender pay gap (%)		
			All employees	Employees	Temporary employees
The Company	28.7	90.1	90.8	88.7	90.4
Kao Group Customer Marketing Co., Ltd.	20.6	110.2	68.3	63.5	85.6
Kao Professional Services Company, Limited	16.1	112.5	74.7	72.7	67.0
Kao Transport & Logistics Company Limited	2.6	—	53.8	83.3	70.4
Kao Sanitary Products Ehime Co., Ltd.	—	83.3	77.6	79.1	77.9
Kao Beauty Brands Counseling Co., Ltd.	73.8	*	51.6	52.4	*
e'quipe, Ltd.	63.3	100.0	62.1	61.9	47.8
Kao Cosmetic Products Odawara Co., Ltd.	13.9	60.0	74.5	77.5	58.2
Inogami Co., Ltd.	23.1	100.0	79.5	85.1	88.1

Notes: 1. Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees.

2. Temporary employees include part-time employees and employees on non-regular contracts hired for a definite period but exclude those dispatched from employment agencies.

3. All employees include the employees and temporary employees.

4. The percentage of female employees in management positions is calculated in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Employees on secondment are counted as employees of the companies to which they are seconded.

5. The percentage of paternity leave taken by male employees is calculated as follows based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, as the ratio of employees who have taken childcare leave and childcare-related leave. Those seconded to outside each company are counted as the employees of the companies they are seconded from.

$$\frac{\text{The number of male employees who took their first leave associated with childcare in 2025}}{\text{the number of male employees who had a child in 2025}} \times 100$$

The Company has introduced a paid childcare leave system, which is subject to the calculation of the percentage of taking paternity leave, and all employees who had a child are required to take the leave. In calculating the percentage of taking paternity leave based on the law, the total percentage is not necessarily equal to 100% since the range of eligible employees in the numerator and denominator may differ due to the difference between the fiscal year and the deadline for taking such parental leave or paternity leave.

6. The asterisk (\*) denotes that there are no applicable male employees.

7. The gender pay gap represents the ratio of female employees' wages to male employees' wages. There is no difference in wages for the same work, and this is due to the difference in the composition of the number of workers by grade. The wages for those seconded are calculated by the companies to which they are seconded.

2) Information about the Group

	Percentage of female employees in management positions (%)	Percentage of paternity leave taken by male employees (%)	Gender pay gap (%)
The Company and its consolidated subsidiaries	34.0	*	89.1
The Company and its domestic consolidated subsidiaries	27.7	92.7	73.1

- Notes: 1. Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees.
2. The percentage of female employees in management positions is calculated in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Employees on secondment are counted as employees of the companies to which they are seconded.
3. The percentage of paternity leave taken by male employees is calculated as follows based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, as the ratio of employees who have taken childcare leave and childcare-related leave. Those seconded to outside each company are counted as the employees of the companies they are seconded from.  

$$\frac{\text{The number of male employees who took their first leave associated with childcare in 2025}}{\text{the number of male employees who had a child in 2025}} \times 100$$
4. The asterisk (\*) denotes that the percentage of paternity leave taken by male employees at overseas subsidiaries and associates is not presented as it is not calculated.
5. The gender pay gap represents the ratio of female employees' wages to male employees' wages. There is no difference in wages for the same work, and this is due to the difference in the composition of the number of workers by grade. The wages include base salaries and incentives including bonuses. The wages for those seconded are calculated by the companies to which they are seconded.

For details, please refer to "II. Business Overview, 2 Approach to Sustainability and Related Initiatives, (3) Human Capital."

## II. Business Overview

### 1. Management Policies, Management Environments and Issues to be Solved

Forward-looking statements contained in this section are based on assumptions that management believes to be reasonable as of the filing date of the Annual Securities Report and may differ significantly from actual results due to various factors.

#### (1) Basic Management Policies

The Group's purpose (social significance) is to realize a Kirei World in which all life lives in harmony. Through wholehearted "*Yoki-Monozukuri\**" that considers the perspective of consumers and customers, we aim to make contributions to realizing a bright future for people all over the world and a sustainable society in which people can live in harmony with the Earth.

The Kao Way, our corporate philosophy, is shared by all members of the Group and put into practice daily as the basis for our way of thinking and actions. It has been our guiding principle over the past 130 years as we have developed our business while responding to the changing times and focusing on the areas of cleanliness, beauty, and health.

Since issuing the Kao Environmental Statement in 2009, we have continued to pursue management that places emphasis on harmony with nature and society. In recent years, we have further deepened our initiatives to address social issues and have linked these efforts to the enhancement of our future competitiveness and profitability.

Furthermore, amid growing uncertainty in the social and economic environment due to factors such as climate change and rising geopolitical risks, companies are required not only to achieve short-term results but also to maintain management capable of continuously creating value over the long term.

Through investments in technology, manufacturing, and human capital, the Kao Group will position the realization of a sustainable society as a source of competitiveness and connect it to improvements in profitability and capital efficiency. We believe that these initiatives are not merely non-financial ideals, but rather the foundation for generating future financial results.

Under our corporate slogan, "Kirei—Making Life Beautiful," we will establish a virtuous cycle that creates both financial results and returns to stakeholders by achieving a balance between social usefulness and economic value, thereby striving for the continuous enhancement of corporate value.

*\*Yoki-Monozukuri:* The Kao Group defines *Yoki-Monozukuri* as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, "*yoki*" means good or excellent, and "*monozukuri*" means making or craftsmanship.

#### (2) Medium- to Long-term Management Strategies and Target Management Metrics

##### 1) Long-term Management Strategy

The Group's vision for 2030 balances the pursuit of both sustained profitable growth and contributions to the sustainability of society, taking the aim of making Kao a company with a global presence a step further to make Kao a company with a global presence, valuable to society.

Under the Mid-term Plan "K27," we have worked to build a foundation for sustainable growth through structural reforms, a review of our business portfolio, and management that emphasizes capital efficiency. Through these initiatives, the Kao Group is transitioning to the next stage of growth.

Going forward, based on the management foundation being established under "K27," we will move into a phase in which we decisively capture growth by concentrating management resources in areas of high social necessity where we can best leverage the Company's strengths. At the core of this approach is the concept of "Global Sharp Top\*," through which we provide differentiated value by addressing socially significant needs with Kao's unique technological capabilities and "*Yoki-Monozukuri*."

Our proprietary technological platform, including precision interfacial control technology, enables us to achieve both environmental impact reduction and high value addition, and serves as a source of competitive advantage in the global market. In addition, by leveraging scientific marketing, digital technologies, and AI, we will enhance the quality and speed of decision-making from research and development through business operations, thereby further improving profitability and capital efficiency.

Guided by the management principle of "Maximum with Minimum," which seeks to create maximum value with minimum resources, we will realize long-term growth and continuous enhancement of corporate value as a company that is indispensable to a sustainable society.

*\* Global Sharp Top: Contributing as global No.1 to addressing the critical needs of customers with leading-edge solutions*

2) The Mid-term Plan

**Kao Group Mid-term Plan “K27”**

Vision

## Protecting future lives

# Mid-term Plan “K27”

**【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.

(Billion yen)	FY2023 Results	FY2024 Results	FY2025 Results	FY2026 Plan	FY2027 Targets
ROIC	4.1%	9.2%	9.7%	10.5%	11.0% or more
EVA	14.9	33.2	41.1	51.0	70.0 or more
Operating income	114.7 <sup>*2</sup>	146.6	164.1	182.0	Record-high operating income (FY2019 211.7 bn)
Sales outside Japan <sup>*1</sup>	655.8	705.5	725.2	760.0	800.0 or more (Sales CAGR +4.3%)

<sup>\*1</sup> Based on the locations where the sales were recognized. <sup>\*2</sup> Core operating income

**K27 Strategic Framework**



#### ■ Progress during fiscal 2025 and future plan

In the fiscal year under review, building on the results of the large-scale structural reforms implemented through the previous fiscal year, the Kao Group entered a year in which it fully rolled out its growth strategies. Following the momentum in fiscal 2024, when key indicators of the Mid-term Plan “K27,” including Return on Invested Capital (ROIC), Economic Value Added (EVA), operating income, and sales outside Japan, exceeded the plan, we worked in fiscal 2025 to solidify these results and transition them into sustainable growth.

Within the Growth Driver areas\*, in the Cosmetics Business, we expanded marketing investments centered on the six priority brands and advanced the global rollout of high-value-added products. As a result, progress was made in achieving both sales growth and substantial improvement in profitability. In the skin protection businesses, product development tailored to regional market environments and demand trends proved effective, leading to improvements in brand recognition and the expansion of product lineups. In the Chemical Business, stable growth was maintained by strengthening supply systems in key markets and promoting the sales expansion of high-value-added products. In the Stable Earnings areas\*, the Hygiene Living Care Business performed steadily, mainly in the domestic market. In particular, within the Fabric Care and Home Care Business in Japan, market-creating new value proposals and continuous product improvements expanded a customer base, resulting in increases in sales and market share. Through the enhancement of product value, strong brand power, and ongoing product improvements, we have maintained high profitability and cash flow generation, thereby supporting investment in the Growth Driver areas. In the Business Transformation areas\*, structural reforms and brand rebuilding progressed, particularly in the Hair Care Business. Premium-priced products gained strong support from consumers, contributing to enhanced brand value and improved profitability. In addition, by advancing and accelerating development processes through the use of DX, we have enabled the continuous introduction of high-value-added products, leading to improvements in the sales mix. With regard to human capital investment, we continued focused and well-balanced investments to maximize employee vitality and expertise, while strengthening swift decision-making and execution capabilities through a scrum-type management approach. In addition, we have promoted business creation through co-creation with external partners, working to maximize the technological assets and know-how possessed by the Kao Group.

Looking ahead, we will firmly link the results accumulated through 2025 to further growth and accelerate initiatives toward the final year of the Mid-term Plan “K27.” Through the development of *Global Sharp Top* businesses and strategic portfolio management, we aim to achieve sustainable growth and enhance medium- to long-term corporate value.

\* *Stable Earnings: Fabric Care, Home Care, Personal Health; Growth Driver: Skin Care, Cosmetics, Business Connected (Commercial-use hygiene products), Chemical; Business Transformation: Sanitary, Hair Care*

### 3) Target Management Metrics

The Group uses Economic Value Added (EVA) and Return on Invested Capital (ROIC) as its principal management metrics. Our reason behind choosing these metrics is to use capital efficiently to generate profits in consideration of the interests of shareholders and other fund providers. We believe that continuously increasing EVA will lead to increased corporate value and is consistent with the long-term interests of not only shareholders but all our stakeholders. The goal of our business activities is to increase EVA while expanding the scale of our operations, and we use this metric in the evaluation of individual businesses, the evaluation of investments such as capital expenditures and acquisitions, as well as in annual performance management and compensation systems. We are also working to enhance EVA management by strengthening business portfolio management by using ROIC, a metric that raises awareness of capital cost in each business and enables management that take into account their respective characteristics and competitive environment. By focusing on capital efficiency alongside profits in each business, we aim to improve EVA through focused investment in growth businesses and sound portfolio improvement.

### (3) Issues for Management

Toward 2025, the global economy continued to face uncertainty due to geopolitical risks, changes in international conditions, and fluctuations in foreign exchange rates and prices. At the same time, both in Japan and overseas, a recovery in consumer activity and the emergence of new demand have been observed, resulting in a business environment in which opportunities and risks coexist. Under these circumstances, the Kao Group continues to be required to accurately capture changes in the business environment while achieving both profitability and growth, and to link these efforts to sustainable growth.

In order to respond to these demands, the Kao Group has been promoting structural reforms and growth strategies based on the Mid-term Plan “K27.” Through initiatives undertaken to date, significant results have emerged, including improvements in profitability and capital efficiency, as well as the expansion of growth driver businesses. Going forward, it will be important to firmly connect these results to sustainable growth. To this end, we will further accelerate the development of “Global Sharp Top” businesses and flexibly promote initiatives based on strategic portfolio management.

In addition, the Kao Group has positioned the resolution of social issues at the core of its business activities and has provided high value-added products and services that are loved by consumers over the long term through environmentally conscious *Yoki-Monozukuri*. The transition to a circular business model that we have been advancing is steadily progressing, and going forward, further deepening these initiatives will be an important theme in achieving both environmental value and economic value.

Furthermore, as global business expansion progresses, strengthening a stable earnings base and enhancing the ability to respond to change remain important challenges. Through investment in human capital and the advancement of organizational management, we will strengthen a management foundation equipped with swift decision-making and strong execution capabilities, and work to enhance the overall competitiveness of the Kao Group.

Through these initiatives, the Kao Group aims to enhance long-term corporate value with a view toward the final year of the Mid-term Plan “K27” and sustainable growth beyond it.

## 2. Approach to Sustainability and Related Initiatives

Forward-looking statements contained in this section are based on assumptions that management believes to be reasonable as of the filing date of the Annual Securities Report and may differ significantly from actual results due to various factors.

### (1) ESG Strategy: Kirei Lifestyle Plan

For Kao to become a company with a global presence that is valuable to society, which is what Kao aims to achieve by 2030, we implement sustainability perspectives at the core of management. The Kirei Lifestyle Plan (KLP), which defines Kao's initiatives in the areas of environment, society, and governance (ESG), aims to enrich the lives of people all over the world. It consists of 19 Kao Actions.

Based on the KLP, we will pursue sustainable growth through the creation of environmental and social value.

#### 1) Governance

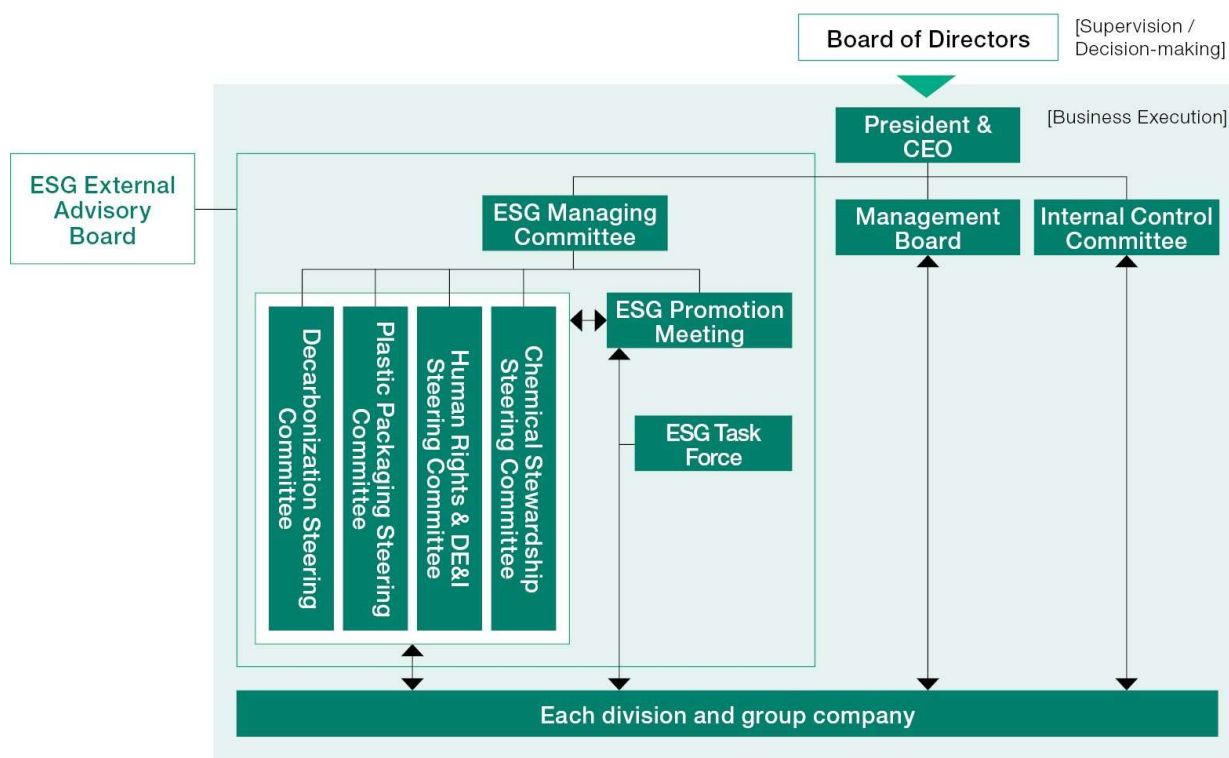
We have a flexible and robust ESG governance structure in order to swiftly respond to the major changes taking place globally, aiming to expand business and to address social issues. Our ESG governance provides a system for supervising and promoting initiatives, incorporates environmental (E) and social (S) perspectives into Kao's management and business activities, and supports the realization of the Mid-term Plan "K27" as well as the mid- to long-term corporate value enhancement beyond this plan. Under this system, the President and CEO as well as divisions and Group companies are responsible for executing business operations under the supervision of the Board of Directors, which is responsible for decision-making. Characteristics of this system include the ability to ensure swift and targeted implementation and to promote the creation of innovation by incorporating third-party perspectives from outside directors and experts into management decisions and new businesses.

The Board of Directors ensures that it has the appropriate knowledge, experience, and competence to supervise ESG issues. In order to oversee overall management from multiple perspectives, we consider a balance of expertise and position ESG matters also as requiring specialized knowledge to address. Therefore, we appoint a number of Directors and Audit & Supervisory Board Members who are well-versed in ESG matters. The Board of Directors receives regular reports twice a year and reports on policies and strategies as well as targets, KPIs and progress of activities from the ESG Managing Committee, which deliberates and discusses ESG issues. In this way, the Board of Directors oversees the execution status. The ESG-related KPIs to be reflected in the compensation policy are discussed by the Compensation Advisory Committee for Directors and Executive Officers and approved by the Board of Directors. Starting from fiscal 2024, the ratio of short-term and long-term incentive compensation against base salary has been revised to 1:1:1 for the Representative Director, President and Chief Executive Officer. Long-term incentive compensation incorporates the "ESG Activities Evaluation indicators" consisting of the achievement of the KLP's priority targets (weighted at 25%) and the results of external evaluations by major ESG evaluation organizations (weighted at 15%). The achievement of KLP's priority targets is based on a multifaceted evaluation and consists of decarbonization (CO<sub>2</sub> emissions reduction rate), zero waste (plastic recycling rate), percentage of female managers, and the number of serious compliance violations. For details, please refer to "IV. Information about Reporting Company, 4 Corporate Governance, (1) Overview of Corporate Governance, (4) Director Remuneration."

The overall execution of ESG has a governance structure with the ESG Managing Committee chaired by the Representative Director, President and Chief Executive Officer as the highest authority. The ESG Managing Committee, which consists of management, discusses and decides on the direction of activities related to the KLP, and reports the status of activities to the Board of Directors. In addition, the ESG External Advisory Board, which is comprised of outside experts, provides reports and recommendations in response to the consultations of the ESG Managing Committee, and reflects the third-party perspectives of experts in management.

Additionally, we have established the cross-functional ESG Promotion Meeting, which works to steadily execute the KLP, and the ESG Steering Committees, which strive to ensure reliable and timely execution for priority issues. Based on the decision made by the ESG Managing Committee, the ESG Promotion Meeting promotes ESG-related activities throughout the Kao Group and monitors the progress of each department. The ESG Promotion Meeting is chaired by the Senior Vice President and the Executive Officer of the ESG division, and the meeting attendees are made up of the people responsible for business divisions, regions, functional divisions, and corporate divisions. The ESG Steering Committees will promote initiatives based on the priority issues of decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship, respectively. Executive Officers are responsible as the owners of each issue and are granted a certain level of decision-making rights. The ESG Steering Committees work in conjunction with the ESG Managing Committee to ensure that initiatives are implemented promptly and reliably in each area.

ESG-related risk management is carried out by the Internal Control Committee (which meets twice a year and is chaired by the Representative Director, President and CEO), and opportunity management is conducted by the ESG Managing Committee (which meets six times a year and is chaired by the Representative Director, President and CEO).



Roles, structure, frequency of meetings and agenda of each organization

Organization	Roles	Structure (As of January 2026)	Performance (2025)	
			Frequency of meetings	Main deliberated items
ESG Managing Committee	<p>Deliberate, discuss or report the following items that concern Kao as a whole:</p> <ul style="list-style-type: none"> <li>Basic approach to and policy of ESG</li> <li>ESG policy sharing, strategy, activities, external communication, etc.</li> <li>Decisions on investments for promoting ESG activities</li> <li>Trends, issues and opportunities for the sustainability of the world at large and for ESG</li> <li>Active stakeholder engagement by ESG Managing Committee members</li> <li>Deliberation with the Board of Directors and regular reporting on the status of discussions</li> </ul>	<p>Chair: Representative Director, President and Chief Executive Officer</p> <p>Members: Representative Director, Senior Managing Executive Officer; Managing Executive Officers; Executive Officers</p> <p>Observer: Full-time Audit &amp; Supervisory Board Members</p>	Six times/year	<ul style="list-style-type: none"> <li>Deliberated on and approved disclosure regarding quantitative assessments of financial impacts based on the TCFD</li> <li>Deliberated on and approved the disclosure policy of the Kao Sustainability Report 2025, the details of disclosure including the progress made on KLP KPIs</li> <li>Added and revised KPIs in the KLP, and deliberated on and approved new KPIs</li> <li>Deliberated and decided on the annual ESG investment budget and investment projects</li> <li>Deliberated on and discussed policies and operations for goal-setting management related to promoting ESG</li> <li>Deliberated on proposals submitted by the ESG Steering Committees</li> <li>Examined the proposals from the ESG External Advisory Board</li> </ul>

ESG External Advisory Board	<ul style="list-style-type: none"> <li>• Give advice and recommendations for issues raised by the ESG Managing Committee from outside viewpoints and based on a high level of expertise</li> <li>• Provide information to the ESG Managing Committee to enable the development and implementation of world-class plans</li> <li>• Provide opportunities for collaboration and cooperation with external parties</li> <li>• Evaluate Kao's ESG activities</li> </ul>	<p>Members: External influential experts</p> <ul style="list-style-type: none"> <li>• Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption, etc.</li> <li>• Mike Jefferson Director, Verde Research and Consulting Ltd. Specialization: Waste management, Recycling systems, etc.</li> <li>• Noémie Bauer CSO, Pernod Ricard Specialization: Governance, Law, etc.</li> </ul>	Twice/year	<ul style="list-style-type: none"> <li>• Proposed expectations for and risks to Kao based on the social climate</li> <li>• Evaluated the progress made in ESG and raised issues</li> <li>• Provided advice on revising Kao's materiality</li> <li>• Provided advice on promoting the procurement of sustainable raw materials</li> <li>• Provided advice for circular economy and advocacy activities</li> <li>• Provided advice on DE&amp;I and human rights approaches and initiatives</li> </ul>
ESG Promotion Meeting	<ul style="list-style-type: none"> <li>• Implement the ESG strategy to integrate it with business based on the direction decided by the ESG Managing Committee and its suggestions</li> <li>• Supervise and examine to implement key ESG actions</li> <li>• Compile the issues faced by each division and region in promoting ESG activities and propose solutions to the issues to the ESG Managing Committee</li> </ul>	<p>Chair: Executive Officer, Senior Vice President, ESG</p> <p>Members: Responsible persons, etc. at business divisions, functional divisions, corporate divisions and regions</p>	Six times/year	<ul style="list-style-type: none"> <li>• Revised the mid- to long-term targets in the KLP and the progress and future plan for action themes in the KLP</li> <li>• The progress of the ESG Steering Committees</li> <li>• The draft of an ESG investment strategy</li> <li>• Proposed the direction of information disclosure in the Sustainability Report and other materials</li> <li>• Promotion of ESG activities in each division and region and identified issues</li> </ul>
ESG Steering Committees	Decarbonization <ul style="list-style-type: none"> <li>• Draw up a GHG reduction plan</li> <li>• Promote rapid decarbonization activities through centralized discussions on decarbonization response measures and business opportunities for mitigation and adaptation to achieve carbon zero in 2040</li> <li>• Appropriately manage climate change risks based on the results of scenario analysis</li> </ul>	<p>Owner: Executive Officer, Vice President, R&amp;D Core Technology Research Center</p> <p>Members: Staff of R&amp;D, Procurement, Manufacturing and Engineering, Chemical Business, ESG</p>	Six times/year	<ul style="list-style-type: none"> <li>• Deliberated on and approved a GHG reduction strategy</li> <li>• Discussed the progress made to achieve decarbonization-related KPIs and approved an action policy to address issues</li> <li>• Deliberated on and approved a policy for the fixation of carbon dioxide</li> </ul>

Plastic packaging	<ul style="list-style-type: none"> <li>• Discuss activities related to plastic packaging, a key issue for Kirei Lifestyle Plan action “Zero Waste” to realize a circular society, in a centralized manner and promote activities strongly and promptly</li> <li>• Promote activities in conjunction with the Decarbonization Steering Committee, Water Conservation and Biodiversity</li> </ul>	<p>Owner: Managing Executive Officer, Senior Vice President, R&amp;D  Members: Staff of R&amp;D, Procurement, Global Consumer Care Business, ESG</p>	Eleven times/year	<ul style="list-style-type: none"> <li>• Formulated a draft policy and discussed and approved the actions regarding Innovation in Recycling initiatives (collection and recycling)</li> <li>• Formulated a draft policy and discussed and approved the actions regarding Innovation in Reduction initiatives (reducing the amount of materials used and using recycled materials)</li> <li>• Responded to the Plastic Resource Circulation Act of Japan</li> </ul>
Human rights and DE&I	<ul style="list-style-type: none"> <li>• Centrally promote and manage the Kao Group’s human rights-related activities, including human rights due diligence, in accordance with the Kao Human Rights Policy</li> <li>• Centrally promote and manage the Kao Group’s DE&amp;I activities based on its DE&amp;I Policy</li> </ul>	<p>Owner: Managing Executive Officer, Senior Vice President, Human Capital Strategy  Members: Staff of Human Capital Strategy, Procurement, Manufacturing and Engineering, and Global Consumer Care Business</p>	Once/month	<ul style="list-style-type: none"> <li>• Promoted activities based on the human rights and DE&amp;I Policy</li> <li>• Shared the risks identified in the human rights risk assessment and promoted activities at relevant divisions and subsidiaries</li> <li>• Promoted understanding of human rights and DE&amp;I and developed awareness-raising initiatives for employees in anticipation of implementing activities along these lines</li> <li>• Built an internal global collaborative structure for implementing DE&amp;I, and launched activities</li> </ul>
Chemical stewardship	<ul style="list-style-type: none"> <li>• Promote voluntary management of chemical substances throughout the product lifecycle by the GFC* Promotion Committee</li> <li>• Develop policies and reduction/phase-out plans for the use of raw materials used in products taking into account the progress of regulatory trends, science, and other factors by the Chemical Stewardship Council</li> <li>• Disclose information on our approach to the use of chemicals and the results of safety assessments, and communicate with stakeholders</li> </ul> <p>*Global Framework on Chemicals – For a Planet Free of Harm from Chemicals and Waste</p>	<p>Owner: Senior Executive Officer, Senior Vice President, Product Quality Management  Members: Staff of ESG, R&amp;D, and Product Quality Management</p>	Once/month	<ul style="list-style-type: none"> <li>• Understood the European Green Deal and other regulatory trends in product raw materials and identified raw materials and products subject to such policy and regulations</li> <li>• Disclosed ingredients of high social concern among which are not used in Kao’s consumer products</li> <li>• Discussed approaches for reducing the impact of chemical substances on the environment and human health throughout the product lifecycle and for disseminating information about these initiatives in an easy-to-understand way</li> <li>• Participated and contributed to the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (Cefic)</li> </ul>

## 2) Strategy

Under the Kao Group Mid-term Plan 2027 “K27,” the Kao Group has positioned becoming a company indispensable to a sustainable society as a core element of its basic policy, and aims to achieve profitable global growth and enhance corporate value over the mid- to long-term. Kao’s approach to sustainability is an initiative to promote the creation of environmental and social value in tandem with business growth and, based on economic rationality, translate these efforts into the establishment of a sustainable competitive advantage and the enhancement of corporate value. The ESG strategy that underpins this approach is the Kirei Lifestyle Plan (KLP). By evolving *Yoki-Monozukuri* from an ESG perspective and through mitigating risks and creating opportunities that may impact the mid- to long-term enhancement of corporate value, we seek to achieve both profitable growth and contributions toward a sustainable society.

Additionally, we have established the concept of “Maximum with Minimum” to represent our approach for promoting business growth while simultaneously maximizing value and minimizing negative environmental and social impact. We are pursuing efforts to implement this approach in all business activities.

### **Five perspectives for the KLP to enhance K27**

The KLP reinforces K27’s four strategic frameworks in a multifaceted manner to achieve profitable growth and address social issues based on the following five perspectives:

#### 1. Strengthening our business by anticipating future consumer needs across the globe

In light of the needs of diverse consumers around the world as well as the growing severity of social issues, we act swiftly to seize market opportunities with high social usefulness and enhance our competitiveness by displaying unique qualities in technologies and products that can be realized by Kao. As a result, we will create new added value and contribute to building *Global Sharp Top* businesses.

#### 2. Strengthening the human capital necessary for global expansion

We develop people who can create value in response to diverse consumer issues, promote an approach in organizational management that allows us to fully demonstrate our unique technologies and product value globally, and fortify our *Global Sharp Top* human capital strategy.

#### 3. Optimizing investments to accurately reflect future risks and opportunities from a global perspective

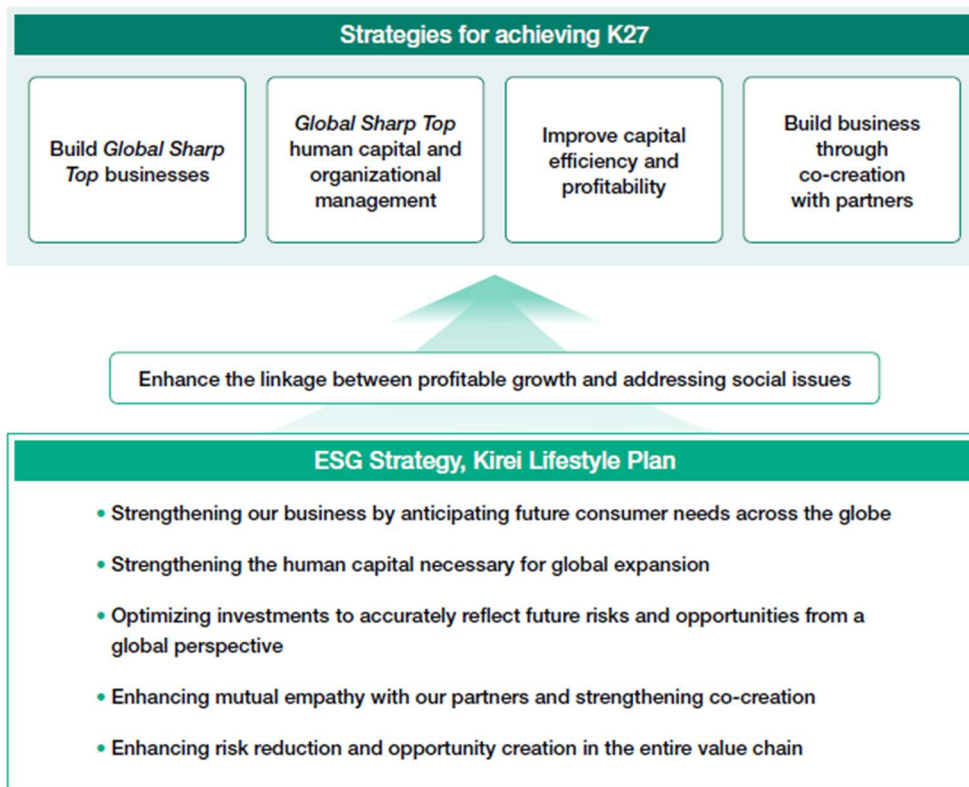
We increase business resilience by reducing ESG-related risks and creating opportunities, and we allocate capital with a focus on fields that have high social usefulness and in which Kao can demonstrate its unique value, thereby promoting capital efficiency and profitability improvement.

#### 4. Enhancing mutual empathy with our partners and strengthening co-creation

To address social issues that Kao cannot easily tackle on its own, we collaborate with partners in industry, local communities, retail, and other fields, utilizing Kao’s unique technologies and insights to promote business development through co-creation with our partners.

#### 5. Enhancing risk reduction and opportunity creation in the entire value chain

We reduce ESG-related risks at each step in the value chain, including procurement, production, distribution, retail, use, and disposal and recycling, while also creating opportunities to boost social usefulness, thereby increasing the sustainability of our business and enhancing stability in supply.



Enhancement of K27 through the KLP

## Focus Categories, Risks and Opportunities

Kao's business model and value chain have the following characteristics.

### Areas related to the characteristics of Kao's business model and its sustainability context

1. Manufacturing and sales of consumer products for consumers around the world
2. Manufacturing and sales of chemical products for customers in a wide range of industries around the world
3. Using chemicals as a key material shared between the Global Consumer Care Business and Chemical Business
4. A global value chain spanning from raw material production to product sales, with numerous raw materials suppliers in the upstream and numerous distributors, retailers, business partners, and customers in the downstream

When formulating the KLP, taking into account the characteristics of the business model described above as well as social issues, we defined four focus categories—Daily living, Society, Environment, and Business foundation—and identified risks and opportunities accordingly.

**Daily living:** A unique area of Kao's efforts to meet the needs of consumers and enrich their lives, and it constitutes the core of our ESG strategy.

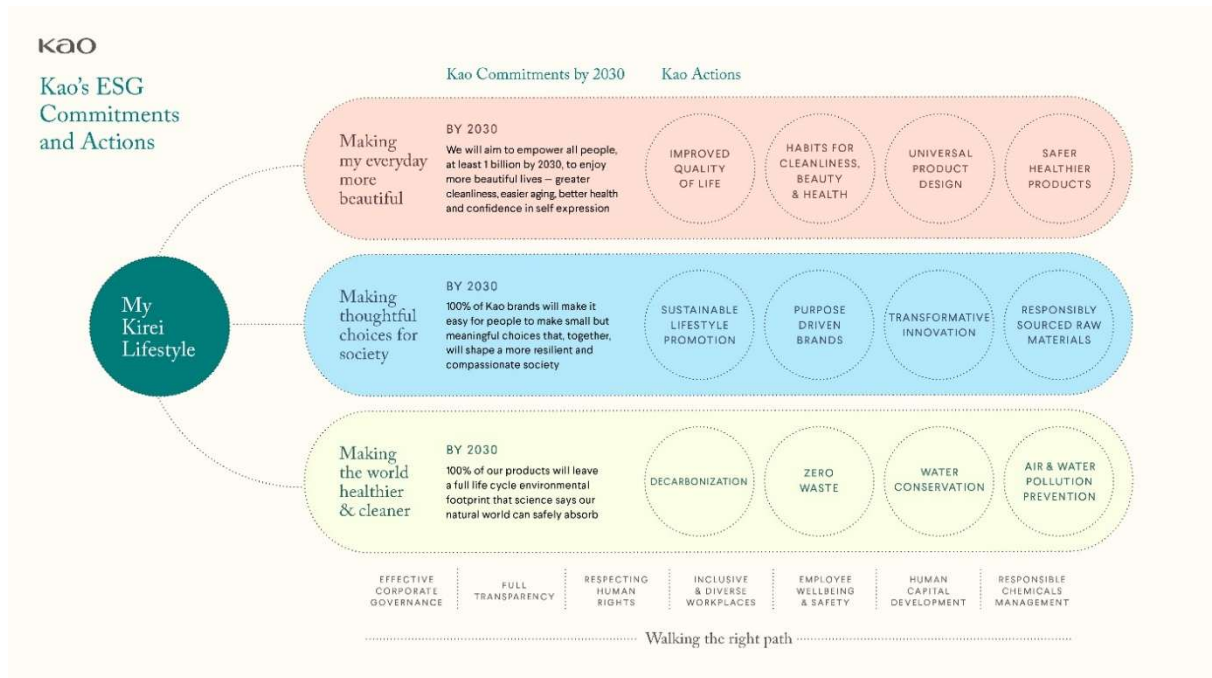
**Society:** An area in which Kao engages with diverse industries and society through its globally operated value chain and the Chemical Business.

**Environment:** An area of significant impact, as certain materials depend on natural capital, and products are distributed, used, and disposed of by consumers worldwide.

**Business foundation:** In order to steadily promote the initiatives in the above three areas, the enhancement of the business foundation including human capital development, respect for and protection of human rights, promotion of DE&I activities, and chemical substance management, etc. is essential.

In these four categories, we identify risks and opportunities and incorporate them into specific strategies within the KLP. Additionally, by enhancing the resilience of the entire value chain, managing procurement risks, utilizing alternative raw materials, strategically procuring renewable materials and pursuing other efforts, we aim to reduce environmental impact while also achieving stable supply. We will also enhance value propositions that are predicated on social issues and expand the potential of service and business models that go beyond conventional approaches of simply providing products.

Classification	Risks	Opportunities	Strategy
Daily living	<ul style="list-style-type: none"> <li>• Decrease in sales and profit due to the rise of daily necessities/personal care products that prioritize price over value-added products that contribute to people enriched lives</li> <li>• Business growth stagnated due to slowing growth in the Japanese market due to a declining birthrate and aging population and a declining population</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of existing businesses and creation of new markets by providing high value-added products that meet the needs of people seeking affluence in their lives and global expansion in accordance with regional characteristics</li> </ul>	<ul style="list-style-type: none"> <li>• Product development, business development, and global expansion aimed at enriching the lives of people</li> <li>• Strategic development of awareness-raising and communication in conjunction with the business</li> </ul>
Society	<ul style="list-style-type: none"> <li>• Improper management and handling of high-risk procurement, such as palm oil, resulting in procurement difficulties and deterioration of reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Business growth through increased brand loyalty that demonstrates involvement in society as its purpose</li> <li>• Expand business opportunities by providing revolutionary products/services through innovation</li> <li>• Stabilization of procurement through precise approaches to social issues in procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Increase loyalty by strengthening the Purpose Driven brand</li> <li>• Product and service revolution through innovation</li> <li>• Accurate supply chain management and sustainable raw material selection</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Growing environmental challenges such as decarbonization and plastic waste, as well as expanded producer responsibility, will increase taxation and corporate burdens and squeeze profits</li> <li>• Difficulty in continuing the business due to disruption of supply chains caused by loss of biodiversity and abnormal weather conditions</li> <li>• Difficulty in supplying products due to plant shutdown caused by environmental pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Increased revenues through risk avoidance, efficiency, and cost reductions in environmental taxation and regulations</li> <li>• Business growth through increased consumer/ customer loyalty through advanced environmental responsiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of CO<sub>2</sub> emissions over the entire life cycle</li> <li>• Recycling of plastics and other resources</li> <li>• Water conservation in production and product use</li> <li>• Prevention of air and water pollution in production and product use</li> </ul>
Business foundation	<ul style="list-style-type: none"> <li>• Inadequate management of compliance, human rights, and chemical substances makes it difficult to continue business</li> <li>• Difficulty in securing excellent human resources and deterioration of corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>• Improving stakeholder confidence through quality control and chemical substance management unique to Kao</li> <li>• Expand business and improve competitiveness by enhancing human resources</li> </ul>	<ul style="list-style-type: none"> <li>• Effective compliance</li> <li>• Managing human rights across the value chain</li> <li>• Strengthening human resources and organizational capabilities</li> <li>• Advanced chemical management</li> </ul>



**Our vision for sustainability**

We aim to realize a sustainable society through business activities based on the concept that Kao’s ESG activities are designed to help people around the world live more sustainably and benefit the wider society and the planet. Our value of walking the right path is presented as the foundation of these ESG activities and embodies one of the core tenets of our founder Tomiro Nagase: “Good fortune is given only to those who work diligently and behave with integrity.”

ESG strategy: the Kirei Lifestyle Plan (KLP)

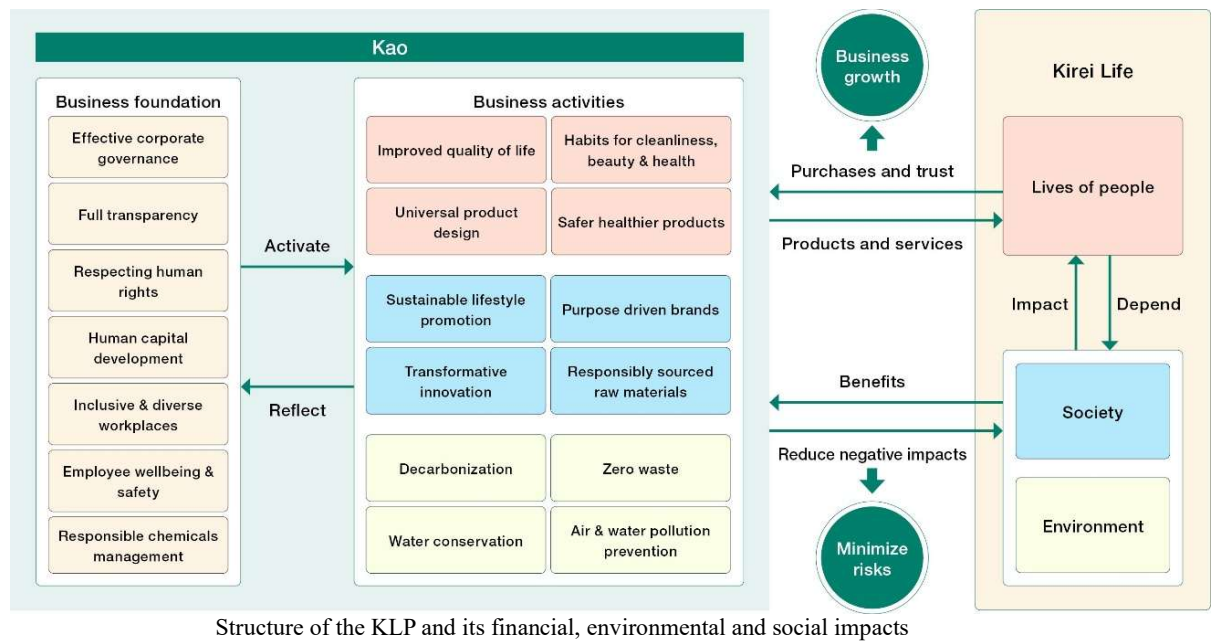
The KLP was established on the basis of the vision described above, and it aims to create economic value while solving social and environmental issues through value creation that puts consumers first.

The KLP includes three main pillars, namely “Making my everyday more beautiful,” “Making thoughtful choices for society” and “Making the world healthier and cleaner.” Walking the right path is the foundation that supports these pillars. For each pillar, we have defined the Kao Commitments, which we aim to achieve by 2030, as well as Kao Actions, our priority action themes. By setting medium- to long-term targets and metrics and managing progress against them for each of the 19 actions, we promote effective ESG activities.

By implementing the KLP, it is possible to create a financial impact, as well as a positive impact on the environment and society, while also creating a foundation for sustainable growth to support business operations. The diagram below illustrates the structure of the KLP and its financial, environmental and social impacts, while also showing how Kao implements the KLP in its business activities to promote initiatives for business growth and minimize risks.

By providing products and services that contribute to consumer value and reinforcing value propositions that respond to social issues, we earn greater trust and loyalty from consumers. This in turn boosts our competitiveness as a brand that people continually choose and serves as a foundation to support profitable business operations. Meanwhile, our activities to curb environmental impact and reduce negative social impact, respond to regulations, mitigate procurement risk, further enhance stability in the supply chain, boost business resilience and strengthen the robustness of our management foundation.

In this way, the components of the KLP contribute toward both opportunity creation and risk reduction through a multifaceted approach that involves creating consumer value, minimizing negative environmental impact, and responding to social issues. By pursuing these efforts in an integrated manner, we aim to achieve sustainable business growth while also enriching the lives of consumers.



### Financial impact of the KLP

Promotion of the KLP supports enhanced profitability through the structural reforms described in K27, greater competitiveness in our core brands and the global expansion of high-value-added products from the perspective of (1) Revenue growth and greater opportunities for revenue, (2) Cost reduction and improved resource efficiency, and (3) Risk management and reinforced resilience.

#### (1) Revenue growth and greater opportunities for revenue

- Development of markets in areas with high social usefulness and promotion of higher added value through products that have reduced environmental impact and solutions to address social issues
- Establishment of brand positioning in which the brand continues to be chosen at an appropriate price, through strengthened consumer trust and enhanced brand value
- Creation of new business opportunities aligned with trends toward the sustainability of the world, including decarbonization and resource circulation
- Establishment of a competitive advantage by accelerating the global rollout of high-value-added-products centered on proprietary technologies, quality and experiential value

#### (2) Cost reduction and improved resource efficiency

- Reduction of future regulatory compliance costs through proactive responses to environmental regulations and planned capital expenditure
- Strengthening resilience to raw material price volatility and supply constraints through reductions in raw material and energy consumption and improvements in resource efficiency
- Diversification of funding sources and reduction of the cost of capital through improved ESG ratings from external evaluation agencies and the use of sustainability-linked finance

#### (3) Risk management and reinforced resilience

- Minimization of operational risks and regulatory compliance costs through the identification and management of environmental and social risks across the supply chain
- Stabilization of raw material supply and reduction of price volatility risks by developing and procuring alternative raw materials for palm oils and expanding the procurement of raw materials with lower deforestation risk
- Reduction of reputation risk and contribution to rulemaking through the disclosure of information on chemical safety and participation in international sustainability initiatives

### Specific Financial Benefits (Cases)

Promoting initiatives based on the KLP contributes to enhancing corporate value by expanding business opportunities and reducing risks over the mid- to long-term, in addition to creating environmental and social impacts.

Case	Initiatives	Effects
Adding high value to laundry detergents through sustainable design	Integrated implementation of measures including the adoption of bio-based surfactants; expanded use of recycled plastic containers and refill packs; lightweighting and compacting of packaging; reduction in the number of rinse cycles (conserving resources during use); and the use of renewable energy in the manufacturing process.	Improved profitability by enabling sales at appropriate prices through higher value-added offerings Higher loyalty supports stable earnings
Strengthening cost competitiveness of dishwashing detergents through lightweighting of containers/packaging and the use of recycled materials	Lightweighting of refill packs; use of recycled plastic and plant-based plastics; and packaging design that enhances ease of disposal (designed to encourage behavioral change)	Reinforced cost structure through a reduction in the amount of resources used Contributions to the expansion of sales opportunities by leveraging environmental value as a differentiating factor
Business growth with climate change adaptation	In response to increasingly extreme heat and hot and humid conditions, development of skin protection businesses—including heat care, UV care products, and sweat care—in both BtoB and BtoC markets	Creation of sales opportunities Diversified revenue sources and increased brand value
BtoB implementation model with a focus on solving social issues	Rollout and promotion of a mechanism to encourage workplaces to keep products on hand (a recurring model in which companies purchase and replenish products)	Establishment of stable sales through the creation of continuous replenishment demand Strengthening of the customer base and premium opportunities
Sustainable finance	Sustainability-Linked Bond (25 billion yen), Sustainability-Linked Loan (20 billion yen), Positive Impact Finance (25 billion yen) and DBJ Employees' Health Management Rated Loan Program (10 billion yen)	Reduced funding costs by obtaining financing at low interest rates

These initiatives are being promoted with different levels of priority on the basis of the Kao Commitments in the KLP as well as the 19 Kao Actions serving as key themes. As a result, we are achieving a mid- to long-term improvement in corporate value that is integrated with the financial impact (profitability, cost and resilience) mentioned above by reducing environmental and social risks, securing stability in supply and building greater trust among consumers and customers.

### 3) Risk management

We are reinforcing our risk and opportunity management to ensure risk mitigation and business opportunity creation under flexible and resilient ESG governance.

Risk management involves the Risk and Crisis Management Committee regularly monitoring the significance of the risks. Among these, risks that would have a major impact on management and require an enhanced response are designated as Corporate Risks, and for those, risk themes and risk owners are decided by the Management Board. The progress is managed by the Risk and Crisis Management Committee, and each organization addresses risks that can be managed by individual divisions and group companies. For details, please refer to “II. Business Overview, 3. Business Risks and Other Risks.”

In terms of opportunity management, we have established a structure that comprehensively manages ESG-related key themes for the entire Kao Group to build a system that promotes ESG investments through priority setting, which is connected to creating and business opportunities for strategic development.

### 4) Metrics and targets

We are steadily implementing the KLP by setting ambitious metrics and targets, clarifying the direction of the KLP, and accurately managing the progress. We have set metrics and targets for each of the 19 actions of the KLP. Under the aforementioned ESG governance structure, progress made to meet each of the metrics is monitored and reflected in initiatives based on the results.

Mid- to long-term targets for the 19 Kao Actions of the KLP

Kao Actions	Metrics	Mid- to long-term targets	
		Target value	Year
<b>Make my everyday more beautiful</b>			
Commitment	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	1 billion	2030
Improved quality of life	The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	7 billion	2030
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)	0.1 billion	2030
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines (Japan)	100%	2030
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	100%	2030
<b>Make thoughtful choices for society</b>			
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	100%	2030
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)	0.1 billion	2030
Purpose-driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness	100%	2030
Transformative innovation	Cumulative number of proposed or realized products with big positive impact on lifestyles (cumulative since 2019)	10 or more	2030
	Cumulative number of proposed or realized businesses and systems with big positive impact on lifestyles (cumulative since 2019)	10 or more	2030
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	100%	2025
	Confirm traceability to small oil palm farm	Finish	2025

Make the world healthier and cleaner				
	Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb (Japan)	100%	2030
		Kao recognition or achievement level by external ratings firms	Highest evaluation level	Yearly
	Decarbonization	% reduction in absolute full lifecycle CO <sub>2</sub> emissions (Base year: 2017)	22%	2030
		% reduction in absolute scope 1 + 2 CO <sub>2</sub> emissions (Base year: 2017)	28%	2025
			55%	2030
		% of renewable energy in electricity consumption	100%	2030
	Zero waste	Quantity of fossil-based plastics used in packaging	Will peak and begin to decline	2030
		Quantity of innovative packaging penetration for Kao and others per annum◆	0.3 billion	2030
		% recycling rate of plastics involving Kao	50%	2030
		% of recycled plastic used in PET containers (Japan)	100%	2025
		% of the waste generated from Kao sites*, ratio of waste that cannot be recycled* Beginning with production sites	0 (less than 1%)	2030
		% reduction of discarded products and discarded promotional materials (Base year: 2020)	95%	2030
	Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	10%	2030
		% of sites that achieved the individually set water management (related to water withdrawal) targets for manufacturing sites in drought areas	100%	2030
	Air & water pollution prevention	% of plants which disclose VOC and COD* emissions◆ * Plants with an obligation to take measurements are included in the calculation◆	100%	2025
Walking the right path				
	Effective corporate governance	Kao recognition or achievement level by external ratings firms	Highest evaluation level	Yearly
		Number of serious compliance violations* per annum * Compliance violations that have a significant impact on management and significantly damage corporate value	0	Yearly
	Full transparency	% of consumer product brands for which people can easily access complete ingredients information	100%	2030
	Respecting human rights	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	100%	2030◆
	Inclusive & diverse workplaces	Score on “Inclusive organizational culture” in our employee engagement survey (perfect score: 100)	75	2030
		% of female managers related to that of female employees* * Calculated as a weighted average based on the number of management positions at each group company	100%	2030
	Employee wellbeing & safety	Lost time accident frequency rate (per million hours worked)	0.15	2030
		Average number of lost long-term work days (days/people) * Starting from Japan	105	2030
		Ratio of employees who have lost long-term work days per one thousand employees * Starting from Japan	12◆	2030
		Score on “Vitality” in our employee engagement survey (perfect score: 100)	70	2030
	Human capital development	Score on “Organizational culture in which employees are encouraged to take on challenges” in our employee engagement survey (perfect score: 100)	80	2030
		Score on “Work style satisfaction” in our employee engagement survey (perfect score: 100)	75	2030
	Responsible chemicals management	% of chemical products and raw materials with disclosed information of benefits and safety to ensure safe usage for our customers	100%	2030
		% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal	100%	Yearly

◆Changes in indicators and target values

Please refer to Kao Sustainability Report 2026 to be issued in June 2026 for more details.

<https://www.kao.com/global/en/sustainability/pdf/sustainability-report/>

(2) Responses to Climate Change (Disclosures Consistent with the Recommendations of the TCFD)

Climate change poses a significant risk to the realization of an enriched Kirei Lifestyle, both for current and future generations. The Kao Way enunciates our mission to “create a Kirei life for all, providing care and enrichment for the life of all people and the planet,” and the Kao Group is actively implementing initiatives to both mitigate and adapt to global warming. The Group supports the TCFD, and proactively implements the disclosure of information relating to climate change and engages in dialogue with investors. Recognizing that realizing a world in which the global average temperature increase is limited to 1.5°C, which is the objective of the Paris Agreement, is necessary to realize a Kirei Lifestyle for consumers of the future, we set forth Decarbonization as one of the key action themes of the KLP and are carrying out activities.

\* TCFD: Task Force on Climate-related Financial Disclosures

1) Governance

Governance on climate change is incorporated in the governance of the ESG Strategy. Please refer to “(1) ESG Strategy: Kirei Lifestyle Plan, 1) Governance” for more details.

2) Strategy

A global average temperature increase of 4°C due to climate change will pose an immense impact on society. As such, we recognize the importance of making significant contributions toward the aim to limit the global temperature increase to 1.5°C. We assess financial impacts under scenarios based on 1.5°C and 4°C temperature increases. The financial impact is calculated as the amount of loss if no action is taken, such as price pass-on. The financial impact of transition risks in 2050 is projected to be up to 79.1 billion yen from the palm oil price increase, up to 25.4 billion yen from a carbon tax, and up to 7.9 billion yen from plastic packaging regulations if no action is taken. In both scenarios, the risk of palm oil procurement includes higher costs due to supply shortages relative to demand. In response to this risk, the Company is developing raw materials for high-performance agents such as bio-IOS and alternative raw materials. By strategically taking the initiative to differentiate our company through innovation, we can not only reduce risks but also create new business opportunities.

The financial impact of physical risks is projected to be up to 4.6 billion yen due to flooding and other factors. Opportunities to contribute to mitigation include increased demand for water- and energy-saving products and products that reduce plastic waste in Global Consumer Care business, and for products that help customers reduce climate change risks in Chemical Business. Opportunities for adaptation include increased demand for UV care, self-tanning, and other skin protection products, as well as for products that reduce the risk of infectious diseases, such as disinfectants, detergents, and repellents. We will mitigate risks and create business opportunities by promoting product development in line with the Kao Sustainable Product Development Policy.

Main Business Risks and Opportunities

			Assessment items	Assessed financial impact	Financial Impact in 2050 (Unit: 100 million yen) <small>*Amount of loss if no action is taken, such as price pass-on</small>		Kao's response
					1.5°C scenario	4°C scenario	
Risk	Transition	Policy and Legal	Introduction and/or raising of carbon tax	Higher operating costs due to the introduction and increase of carbon tax	-254	-93	<ul style="list-style-type: none"> <li>Set 2030 Scope 1+2 CO<sub>2</sub> emissions reduction target and promote systematic capital investment</li> </ul>
			Introduction of restrictions on plastics	Taxation of fossil-derived packaging materials	-79	-	<ul style="list-style-type: none"> <li>Reduce innovation: Reduce plastic usage through innovative packaging</li> <li>Reduce product waste: Enhance e-commerce, inventory refinement through AI forecasting</li> </ul>
				Cost increases due to mandatory use of recycled plastic	-46	-	<ul style="list-style-type: none"> <li>Recycling innovation: Develop Film-to-Film recycling technology that achieves both quality and cost, and establish a recycling system with stakeholders.</li> </ul>
		Market	Energy price increase	Fluctuations in electricity retail prices	-11	-11	<ul style="list-style-type: none"> <li>Sourcing of renewable energy: Adopt corporate PPA to secure long-term stability at fixed prices, etc.</li> <li>Promote introduction of photovoltaic power generation equipment</li> </ul>
			Raw material price increase	Higher prices of fossil-based raw materials	_(1)	_(1)	<ul style="list-style-type: none"> <li>Continue to study reduction of fossil-based raw materials by deepening product design</li> </ul>
				Higher procurement costs for palm oil <sup>(2)</sup>	-791	-761	<ul style="list-style-type: none"> <li>Maximize utilization of palm oil, a limited resource: Develop raw materials for high-performance agents (bio IOS)</li> <li>Promote research and development of usage of alternative raw materials (algae-derived oils, unused biomass, CO<sub>2</sub>, etc.)</li> </ul>
	Physical	Acute	Intensification of extreme weather	Increase in flood damage	-4	-46	<ul style="list-style-type: none"> <li>Establish a production system that takes BCP into account</li> <li>Conduct risk surveys for suppliers</li> </ul>
Opportunity	Product and Service		<p>Mitigation</p> <ul style="list-style-type: none"> <li>Global Consumer Care Business: Expand ethical products (water-saving, energy-saving, plastic waste reduction, third-party certified label products, etc.) business</li> <li>Chemical Business: Develop and sell products that help customers reduce climate change risks</li> <li>Common: Promote products utilizing CCUS (CO<sub>2</sub> utilization) technology</li> </ul> <p>Adaptation</p> <ul style="list-style-type: none"> <li>Enhance products that contribute to clean and comfortable living even in higher temperatures (detergent, antibacterial, antiperspirants, repellents, etc.)</li> <li>Enhance products that protect skin from strong sunlight (Skin Protection business)</li> </ul> <p>Sales target of Skin Protection business (UV care, self-tanning, repellents, etc.) in 2030: 100 billion yen</p>			<ul style="list-style-type: none"> <li>Promote product development in line with the Kao Sustainable Product Development Policy</li> <li>Promote sales of Sustainable Chemical Products</li> </ul>	

(1) At the time of the survey, raw material prices had already spiked and remained high due to heightened geopolitical risks and did not appear as a financial impact.

(2) Future prices were estimated by introducing a multiple regression analysis method based on past palm oil/kernel oil price trends.

3) Risk management

The main risks related to climate change are included in and managed as risks under the ESG Strategy. Please refer to “(1) ESG Strategy: Kirei Lifestyle Plan, 3) Risk management” for more details.

#### 4) Metrics and targets

In 2021, we established and renewed our targets for 2030 based on our policy of moving toward carbon zero by 2040 and carbon negative by 2050.

- % reduction in absolute scope 1 + 2 CO<sub>2</sub> emissions –55% (base year: 2017)\*<sup>1</sup>
- % of renewable energy in electricity consumption 100%\*<sup>2</sup>
- % reduction in absolute full lifecycle CO<sub>2</sub> emissions –22% (base year: 2017)
- Avoided emissions \*<sup>3</sup> \*<sup>4</sup> 10,000 thousand tons (CO<sub>2</sub> equivalent)

\*1. This has been approved by the Science Based Targets Initiative (established to encourage companies to take ambitious activity in the field of climate change) as one of the targets for the 1.5°C scenario.

\*2. We have become a member of RE100 (global initiative bringing together companies committed to 100% renewable electricity that they use in their business operations).

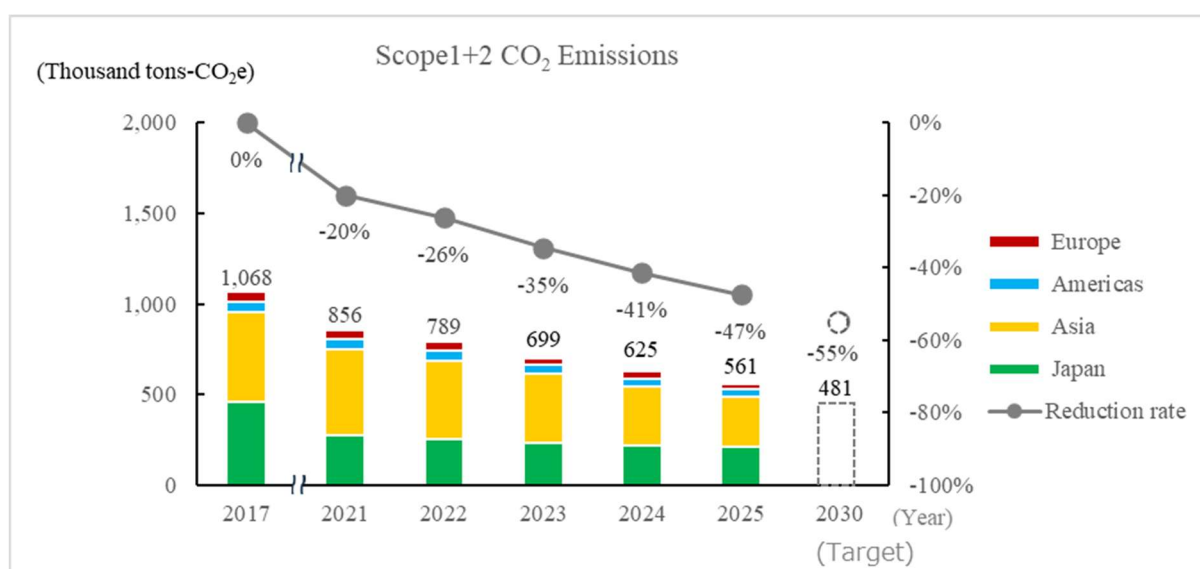
\*3. The seven types of greenhouse gases (GHG) agreed upon in the 17th session of the Conference of the Parties (COP 17) to the United Nations Framework Convention on Climate Change and the seventh session of the Conference of the Parties serving as the meeting of the Parties (CMP 7) to the Kyoto Protocol.

\*4. The amount of emission reductions in society as a whole as a result of products from the Kao Group.

The tables and graph below show the Scope 1 + 2 CO<sub>2</sub> emissions from the Kao Group. In 2025, we achieved a reduction of approximately 47% compared to the base year 2017 by implementing initiatives to increase the ratio of renewable energy, such as by promoting the sourcing of renewable energy at our plants in the Philippines and Vietnam, and by operating a biomass boiler at our plant in Spain. We will continue to introduce low-carbon equipment and use renewable energy to reduce greenhouse gas emissions.

Scope 1 CO <sub>2</sub> emissions							Scope 2 CO <sub>2</sub> emissions						
Thousand tons-CO <sub>2</sub> e							Thousand tons-CO <sub>2</sub> e						
	2017	2021	2022	2023	2024	2025		2017	2021	2022	2023	2024	2025
Total	660*	611*	602*	546*	509*	486	Total	408*	244*	187*	154*	116*	75
Japan	278*	251*	246*	229*	213*	207	Japan	178*	23*	7*	4*	4*	5
Asia	290	264	256	237	221	206	Asia	208	213	173	143	109	69
Americas	43	45	51	46	41	46	Americas	14	8	7	5	2	1
Europe	49	50	48	34	35	28	Europe	8	1	1	0	1	0
Reduction rate	0%*	-7%*	-9%*	-17%*	-23%*	-26%	Reduction rate	0%*	-40%*	-54%*	-62%*	-72%*	-82%

\* Due to a review of the scope of calculations, the Scope 1 + 2 CO<sub>2</sub> emissions from Inogami Co., Ltd. (approximately 11 thousand tons/year) in the Kao Group are reflected in the data from 2025 onward. We have also retroactively revised the data from previous fiscal years up to 2017. The impact of these revisions amounts to approximately 1% of the Scope 1 + 2 CO<sub>2</sub> emissions in the base year and does not materially affect the overall trend.



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The table below shows the absolute full lifecycle CO<sub>2</sub> emissions from the Kao Group regarding products managed by Kao, including Scope 3 emissions. The full lifecycle CO<sub>2</sub> emissions in this table are calculated for Scope 1 and 2 emissions, as well as for Categories 1, 4, 11 and 12 with respect to Scope 3 emissions. To reduce Scope 3 emissions, Kao has pursued product design based on the philosophy of “Maximum with Minimum,” whereby we aim to create the greatest functionality with fewer raw materials, all while boosting product value. We believe that this philosophy helps to reduce CO<sub>2</sub> emissions in raw material procurement and product use, while also contributing to business growth through the creation of high-value-added products. Through these and other initiatives, we achieved a reduction of approximately 17% in 2025 compared to 2017. Going forward, the Kao Group will continue to promote decarbonization through product design while also collaborating with suppliers, consumers and other stakeholders to achieve both environmental and economic value as we engage in initiatives to reduce CO<sub>2</sub> emissions throughout the product lifecycle.

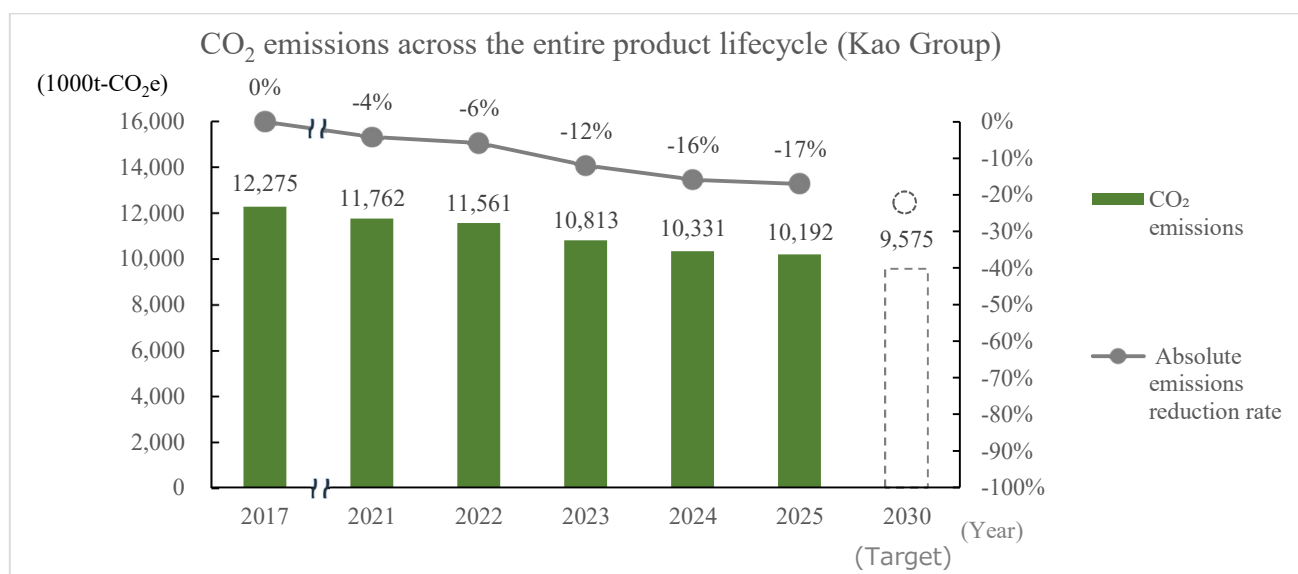
CO<sub>2</sub> emissions across the entire product lifecycle (Kao Group)

Unit: 1,000 t-CO<sub>2</sub>e

		2017	2021	2022	2023	2024	2025
Total		12,275 <sup>*1,2</sup>	11,762 <sup>*1,2</sup>	11,561 <sup>*1,2</sup>	10,813 <sup>*1,2</sup>	10,331 <sup>*1,2</sup>	10,192
Scope 1		660 <sup>*1</sup>	611 <sup>*1</sup>	602 <sup>*1</sup>	546 <sup>*1</sup>	509 <sup>*1</sup>	486
Scope 2		408 <sup>*1</sup>	244 <sup>*1</sup>	187 <sup>*1</sup>	154 <sup>*1</sup>	116 <sup>*1</sup>	75
Scope 3	1: Purchased goods and services	4,852 <sup>*2</sup>	4,582 <sup>*2</sup>	4,434 <sup>*2</sup>	4,206 <sup>*2</sup>	4,092 <sup>*2</sup>	4,053
	4: Upstream transportation and distribution	253	245	241	234	238	255
	11: Use of sold products	4,687	4,647	4,680	4,349	4,107	4,077
	12: End-of-life treatment of sold products	1,415	1,432	1,417	1,324	1,268	1,246
Reduction rate		0% <sup>*1,2</sup>	-4% <sup>*1,2</sup>	-6% <sup>*1,2</sup>	-12% <sup>*1,2</sup>	-16% <sup>*1,2</sup>	-17%

\*1 Due to a review of the scope of calculations, the Scope 1 + 2 CO<sub>2</sub> emissions from Inogami Co., Ltd. (approximately 11 thousand tons/year) in the Kao Group are reflected in the data from 2025 onward. We have also retroactively revised the data from previous fiscal years up to 2017. The impact of these revisions amounts to approximately 1% of the Scope 1 + 2 CO<sub>2</sub> emissions in the base year and does not materially affect the overall trend.

\*2 To enhance the accuracy of calculations regarding Scope 3 CO<sub>2</sub> emissions, we have changed the basic unit of our calculation method from product groups to individual SKUs within some businesses starting in 2025. The data on Scope 3 CO<sub>2</sub> emissions in 2024 has been recalculated with SKUs as the basic unit, and the differences from the figures based on the old method have also been calculated. Past data from 2017 to 2023 has been retroactively revised on the basis of these differences.



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### (3) Human Capital

Maximizing the power and potential of our *human capital*, our greatest strength and asset, is an important theme that supports our *Global Sharp Top* strategy to achieve the Mid-term Plan K27. We will create an environment and a corporate culture in which both individuals and the company can grow together by providing equitable opportunities for diverse human capital, unlocking the full potential of all employees, and maximizing their power and potential as an organization.

#### 1) Governance

After the Board of Directors discusses policies for human capital strategy from a management perspective, the Human Capital Development Committee, whose members consist of top executives, deliberates and decides on specific issues and initiatives (e.g., establishment of major organization and reorganization, appointment and dismissal of the incumbent to key positions, plans for workforce and personnel costs, and establishment, modification, and abolishment of major guidelines/policies and procedures) and shares the status of progress.

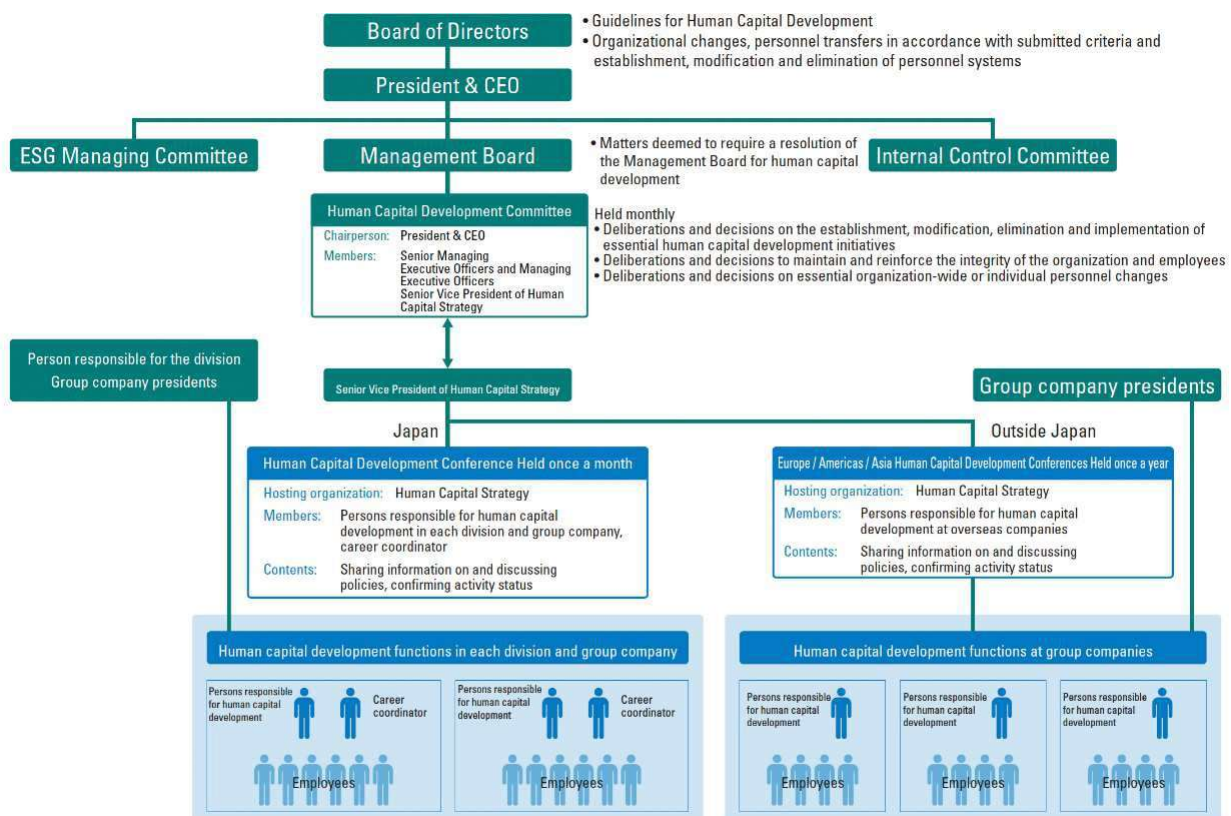
In addition, to promote activities across the Group, we have introduced a framework that is shared and utilized globally. For example, we make use of human capital information via a global human capital information system and bolster our human capital management and development through Objectives and Key Results (OKR), job grading, performance management, training, and reward strategy that are shared globally.

We pursue these activities under Senior Vice President of Human Capital Strategy in collaboration with the human capital development-related functions of each company in the Group.

Furthermore, we have set up the human capital development function for major functions in Japan while also appointing “career coordinators” who oversee the individual development of each employee and provide assistance with employees’ developing future career opportunities.

The Human Capital Development Conference, which is made up of the people responsible for human capital development in major functions and domestic subsidiaries, meets on a regular basis to share information on and discuss directions relating to human capital development throughout the Kao Group and the status of activities at domestic subsidiaries.

#### Human Capital Development Structures



## 2) Strategy

We aim to maximize the power and potential of our employees to achieve the goals in “K27” and expand our *Global Sharp Top* businesses. To this end, we are establishing effective human capital/organization development strategies and a framework of initiatives in line with our philosophy and business targets, and are implementing related measures effectively and efficiently. We have established the Guidelines for Human Capital Development, which constitutes the premise for our approach to these initiatives, based on the Kao Way and Kao Business Conduct Guidelines.

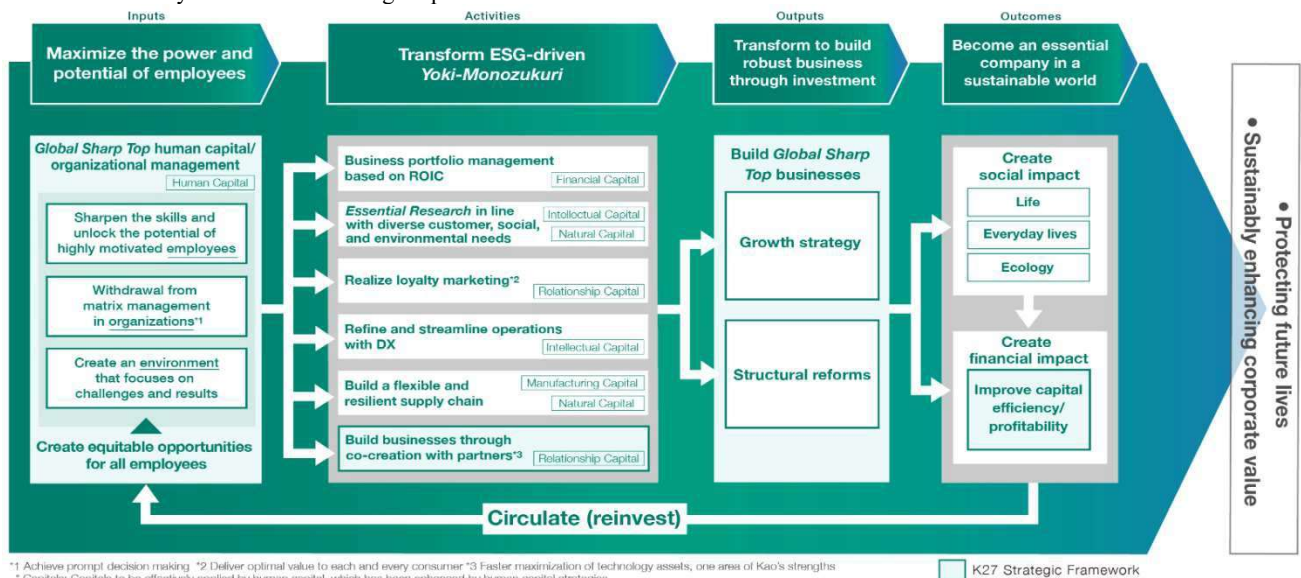
### Guidelines for Human Capital Development

- Pursuit of efficiency  
Continuously improve overall efficiency based on creative and innovative activities aimed at the sustainable growth of the Kao Group through *Yoki-Monozukuri*.
- Respect for human dignity  
Provide a work environment where each individual's dignity is respected, and which makes full use of employees' autonomy and diversity, since the enthusiasm of all employees to display their boundless wisdom is the wellspring of creation and innovation.
- Efforts aimed at integration  
Integrate organizational efforts and individual efforts through creative and innovative activities so as to achieve evolution for all. Make efforts to improve policies in order to offer all individuals freedom to display wisdom, and to enable combined individual efforts to lead the Kao Group to further prosperity.

We have moved forward with activities to develop human capital based on the directions for activities aimed at realizing the guidelines: “From equality to equity,” “From the relative to the absolute,” and “From the uniform and formal to the diverse and having initiative.”

Based on these policies and guidelines, we have established “Sharpen the skills and unlock the potential of highly motivated employees,” “Withdrawal from matrix management in organizations,” “Create an environment that focuses on challenges and results” and “Create equitable opportunities for all employees” as the foundations that will serve as the driving force for human capital strategies toward the K27 Vision “Protection of Future Lives.” By promoting these activities through dialogue, we will implement a *Global Sharp Top* human capital/organizational management style to maximize the power and potential of our employees. This will further empower the advancement of the *Yoki-Monozukuri* process, promote our transformation into a more robust business through investment and further evolve Kao into an essential company in a sustainable world.

### A value creation cycle toward enhancing corporate value





Creating outcomes through human capital development



We properly examine the effectiveness of each of the initiatives. We also periodically monitor employees’ satisfaction and motivation by conducting an employee engagement survey. To maximize the power and potential of our employees, since 2023, we have conducted an employee engagement survey (called “KES”) by first “visualizing the statuses of employees and the organization,” and then “discovering issues in managing the organization and identifying actions to effectively improve workplaces,” and finally “implementing these actions at each workplace, thereby providing employees with a sense of satisfaction to ultimately improve their engagement.” In 2025, the Kao Group conducted the survey on a global scale, including those at subsidiaries outside of Japan, analyzed and identified major factors both group-wide and at each organization and swiftly implemented all the available actions. We aim to create a comfortable work environment that leads to the achievement of long-term business goals by continuing to confirm/verify outcomes at each workplace and to work on corresponding initiatives for improvement.

- a. Sharpen the skills and unlock the potential of highly motivated employees: Advanced training  
We are strengthening the development of highly motivated human capital who can maximize the potential of the Kao Group by the understanding of diversity, collaboration, and cooperation based on the Kao Way. To help each of our employees further improve their strengths and grow stronger as a team, we have put in place a range of training programs to help them sharpen their transformation ability, professional expertise, adaptability to diversity, co-creation ability, and the ability to stay on the right track. These training programs include the programs shared across the Group, specialized programs designed for each department, and more than 9,000 self-development programs to support employees to learn on their own, jointly with others, and continue learning.
- b. Sharpen the skills and unlock the potential of highly motivated employees: Optimal assignment  
The Kao Group has engaged in a strategic assignment of employees which is linked to our corporate strategy. Specifically, we drive business growth and innovation by speedily assigning our employees to appropriate roles in consideration of the areas for growth and the areas for improving efficiency on a global scale. The Company and its domestic subsidiaries have been systematically rotating employees under the Self Education & Development Scheme and the career coordinator system, taking into account the direction of employee development and their career interests. In addition to this, from 2024, we have introduced an internal recruitment system across the Company and its domestic subsidiaries, to give employees opportunities for autonomous career development. So far, some 540 employees have applied, of whom around 100 have achieved a transfer. This system promotes working in a timely manner to bring together human capital who resonate with management issues and are willing to take on challenges to solve them, thereby enhancing our power to execute management strategies while also fostering a corporate culture that encourages employees to develop their careers and supports them in taking on challenges.
- c. Withdrawal from matrix management in organizations: Delegation of authority  
We are enhancing a matrix structure that takes advantage of the professional expertise of businesses/functions and are working to implement scrum-style management in a way that is centered on maximizing the speed and scale of responses to priority issues. Through these initiatives, we are facilitating decision-making and implementation at actual sites (*Genba*).
- d. Withdrawal from matrix management in organizations: Sustainable development of future leaders  
We systematically develop business leaders toward creating human capital and an organization for *Global Sharp Top* businesses. Specifically, we identify core human capital suitable as future candidates for key positions in senior management and specialist positions at an early stage, and then assign them positions and challenges. In addition, we provide those in management positions with a 360-degree leadership assessment to help them identify their strengths and weaknesses in their leadership management practices. After the assessment, we provide them with group training opportunities to allow them to reflect upon their past behaviors, as well as optional learning programs relating to ambition, challenges, and co-creation to encourage their autonomous learning.
- e. Create an environment that focuses on challenges and results: More transparency in evaluation  
We set Objectives and Key Results (OKR) targets which help evaluate employees by taking into account medium- to long-term time horizons and the directions of the organizations they belong to. At the end of each fiscal year, we assess a diversity of challenges they took on including their contributions and related processes basically during a year, in addition to the progress of OKR. Further, we conduct activities to share and recognize each other's accomplishments (meetings to share their experience/achievements of challenges) to create a corporate culture that encourages its employees to take on challenges. At the end of every fiscal year, each employee is evaluated from a range of clearly-defined perspectives including, the level of difficulty, creativity, co-creation and collaboration, efficiency, and autonomy, etc. This method makes clear the key points in communicating feedback, makes the evaluation more convincing, and contributes to enhancing its transparency.
- f. Create an environment that focuses on challenges and results: Recognition/Compensation and Benefits  
We aim to support the growth of each employee and bring out the maximum value by recognizing their diverse challenges. The Kao Group clarifies the roles and responsibilities of each position, arranges and assigns each employee according to their ability and aptitude rather than the years of service, and treats them based on an appropriate evaluation of their challenges and achievements in accordance with their roles and responsibilities.  
The Kao Group also believes that it is important to nurture and stimulate the willingness of its employees to develop own abilities and improve operating performance, evaluate and appreciate fairly their efforts and accomplishments, and share such efforts and accomplishments broadly across its employees, and present them as role models to be sought for by employees. To this end, the Group selects the initiatives of organizations/individuals that made notable achievements in terms of the level of challenges they had taken on, creativity, the degree of contribution, important perspectives for the division and the type of job, and grant a Division Award to the division they belong to. Then, among the activities of the winner of the Division Award, we carefully select those activities that helped promote the *Global Sharp Top* strategy and made a significant contribution to business and grant them a CEO Award in January of the following year, and announces such activities/contributions group-wide. Through these activities, the Group nurtures awareness and corporate culture for taking on challenges in our global business field and withdrawal from matrix management in organizations.

g. Create equitable opportunities for all employees: Thorough dialogue

While we work on a variety of activities to maximize the power and potential of employees, thorough dialogue constitutes a basis for practicing these activities. We believe it is important that each employee frequently have a dialogue with their supervisors, colleagues, and members of other divisions to better understand the strategies and direction of the Company, and how the activities of each employee are linked to an increase in corporate value. To drive a such better understanding, we hold the Dialogue Festival at the Company and its domestic subsidiaries in Japan every year.

h. Create equitable opportunities for all employees: OKR

It has been four years since we introduced the Objectives and Key Results (OKR) approach in 2021. Our employees better understand and use the approach more broadly today. In fact, a review we conducted in 2025 shows that almost 80% of our employees have set goals and are practicing activities that help both individual employees and organizations develop, which is an evidence that a corporate culture that encourages employees to take on challenges is firmly in place. In addition, since 2025, each division has continued to carry out activities to review and align OKR of individual employees based on ROIC perspective, one of its KPIs. More specifically, divisions are creating a ROIC Reverse Tree based on which employees link their individual targets to contribution to the organization they belong to through dialogues with their supervisors.

i. Create equitable opportunities for all employees: DE&I

Under the DE&I Policy to realize a society in which all people can thrive authentically while collaborating with all stakeholders, we have worked on initiatives for our employees with the aim of realizing the Kao Group which is inclusive and equitable organization where diversity is valued and is seen as our strength. Seeking to raise the cognitive diversity\* of the organization and to make such cognitive diversity as one of its organizational strengths, as activities to promote diversity and equity, we are committed to providing support and establishing a workplace environment where each one of our human capital can work comfortably and obtain equitable opportunities. In addition, as activities to promote inclusion, we have worked to foster an inclusive organizational culture where all employees can better understand and practice and thrive while accepting themselves as they are.

\*Cognitive diversity: Internal diversity relating to recognition including the perspectives and ways of judging things

For further detail of the DE&I Policy, please refer to the following.

<https://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/>

- Framework

The Human Rights and DE&I Steering Committee carries out group-wide DE&I promotion activities. Among such activities, for employees, the Human Capital Strategy at the Company has reflected DE&I perspectives in various personnel initiatives, while the DE&I, a dedicated organization, plans and implements DE&I promotion activities throughout the Company and its domestic subsidiaries. For subsidiaries outside of Japan, local DE&I promotion officers work closely with the DE&I of the Company to promote activities in each region that are tailored to their respective problems.

- DE&I promotion activities

- Women's empowerment

We are working on activities to promote women's empowerment, primarily in Japan, as a diversity element that relates to the greatest number of human capital and is essential for the growth of the Kao Group. In an effort to increase the pipeline of women in decision-making positions, we have set a target of increasing the percentage of female managers related to that of female employees to 100% (align the percentage of female managers at each group company with the percentage of female employees at that company) by 2030 and are working on three priority actions.

- Female leadership

(Number of employees, unless otherwise noted.)

	2023			2024			2025			2026		
	Male	Female	% of females	Male	Female	% of females	Male	Female	% of females	Male	Female	% of females
Directors* <sup>1</sup>	7 (2)	2 (2)	22.2	8 (3)	2 (2)	20.0	7 (3)	1 (1)	12.5	6 (3)	3 (2)	33.3
Audit & Supervisory Board Members* <sup>1</sup>	4 (3)	1 (0)	20.0	5 (3)	0 (0)	–	4 (2)	1 (1)	20.0	3 (2)	2 (1)	40.0
Executive Officers* <sup>2</sup>	28	4	12.5	27	4	12.9	25	5	16.7	22	7	24.1

Notes: As of January 1 of each year

\*1. The numbers in parentheses indicate the number of Outside Directors and that of Outside Audit & Supervisory Board Members.

\*2. Those who concurrently serve as Director included.

## Female employees

	2022			2023			2024			2025		
	Percentage of female employees (%)	Percentage of female Managers (%)	Percentage of female managers related to that of female employees* <sup>1</sup> (%)	Percentage of female employees (%)	Percentage of female Managers (%)	Percentage of female managers related to that of female employees* <sup>1</sup> (%)	Percentage of female employees (%)	Percentage of female Managers (%)	Percentage of female managers related to that of female employees* <sup>1</sup> (%)	Percentage of female employees (%)	Percentage of female Managers (%)	Percentage of female managers related to that of female employees* <sup>1</sup> (%)
The Group	52.9	30.5	75.9	53.1	31.1	76.2	53.2	32.6	78.1	53.6	34.0	79.4
The Company and its domestic subsidiaries	55.9	22.4	65.9	56.0	24.6	67.3	56.5	26.5	69.7	56.8	27.7	71.4
Asia	44.6	47.6	104.2	44.2	45.9	102.8	44.2	46.0	103.7	44.2	46.3	103.5
Europe	49.9	40.8	82.6	52.4	44.8	86.2	52.5	45.0	83.6	53.7	47.1	81.9
Americas	51.2	53.3	95.5	53.0	48.6	94.2	48.6	46.7	97.2	52.5	48.5	99.0

Notes: As of December 31 of each year

\*Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees.

\*1. This indicator shows the degree of achievement of the ratio of female managers relative to the ratio of female employees and is calculated as a weighted average based on the number of management positions at the company and its subsidiaries in each region.

### Overview of measures to promote women's empowerment at Kao

Aim to bring diverse perspectives into various decision-making situations

#### Development of potential future leaders

##### Strengthen development from the perspective of equity

##### Strengthen development

- Provide leadership training programs for women

##### Change the mindsets of employees

- Provide career awareness opportunities (such as seminars and cross-industrial study sessions)
- Present role models
- Provide opportunities to interact with senior employees

#### Support for balancing work and childcare to promote engagement

##### Minimize career gaps caused by childcare

##### Support career development

- Expand the working support system
- Support employees in balancing work and childcare

##### Change the mindsets of employees

- Develop the awareness to do your best at both work and childcare, rather than choosing between work and childcare
- Dispel the mindset of gender-based roles at home
- ➔ Encourage male employees to take paternity leave

#### Create an environment that enables unbiased training and promotion opportunities

##### Dispel the mindset of gender-based roles

##### Promote unbiased human capital development

- Improve human capital development framework and its implementation

##### Promote diversity management

- Improve knowledge and awareness among managers
- Ensure psychological safety and tackle unconscious bias
- Dispel the mindset of gender-based roles at work
- ➔ Encourage male employees to take paternity leave

Among these measures, for the development of potential future leaders, we selected female employees who belonged to each layer of the positions from immediately below managerial positions to executive candidates and dispatched them to outside training programs for female leaders. Additionally, to boost women's awareness about their own careers, we hold panel discussions and roundtable talks with senior employees who serve as role models, and we publish interview articles with such employees on the intranet, among other activities.

To provide support for balancing work and childcare to promote engagement, we have developed a flextime, a remote work and other systems for flexible work styles. Additionally, we have enhanced the system for reduced working hours and have expanded options for daycare centers (with support for using corporate-led daycare centers) so that employees can swiftly return to work from childcare leave at a time that aligns with their preferences. We are also working to eradicate gender role stereotypes both at home and at the workplace by encouraging men to take childcare leave through initiatives including the implementation of a paid childcare leave.

To create an environment that enables unbiased training and promotion opportunities, we provide opportunities for managers to learn about diversity management and unconscious biases.

As a result of these efforts, the percentage of female managers has been increasing year by year. As of December 31, 2025, the percentage of female managers related to that of female employees\* reached 71.4% at the Company and its domestic subsidiaries.

\*Calculated as a weighted average based on the number of management positions at the Company and its domestic subsidiaries.

The gender pay gap, one of the indicators of women's advancement, is 89.1% at the Kao Group. We believe that this gap is due to the higher percentage of men among employees with more years of service, who tend to earn higher salaries, as well as among employees in higher-paying job groups, mainly in Japan, since there is no established wage gap between male and female employees in the same roles at the Kao Group. Therefore, we will take steps to further improve our retention of female employees, and as appropriate, increase the percentage of women who are managers, senior managers and executives to align with the percentage of female employees in total.

#### Fostering an inclusive organizational culture

Toward developing an organizational culture centered on dialogues, we have been focusing on psychological safety and unconscious bias as one of our key subjects in raising awareness. To instill this outlook within the organizational culture, we provide e-learning programs titled "Basic Knowledge of Unconscious Bias" and "Basic Knowledge of Psychological Safety" as mandatory programs in which all employees participate periodically to enrich their learning.

As a result of these efforts, the score for "Inclusive organizational culture" in our employee engagement survey was 65 (a two-point improvement from the previous year). We will continue such activities with the goal of achieving a score of 70 in 2027.

j. Create equitable opportunities for all employees: Well-being

The mental and physical health of our employees is the source of our business activities, as well as an important factor in maximizing individual growth and organizational growth. The Kao Group promotes KENKO Investment for Health and provides its employees and their families with equitable opportunities to receive health support. We also incorporate products and healthcare solutions developed through the analysis of basic health information and healthcare knowledge into our own health development and promote practical activities in which employees and their families participate. We proactively disseminate the best practices and findings of our initiatives to local communities, other workplaces and consumers to help them realize healthy and enriched lifestyles.

Furthermore, we made the Kao Group Health Declaration and announced internally and externally our commitment to KENKO Investment for Health as a company. We have formulated a Mid-term Health Plan to implement initiatives.

Kao Group Health Declaration

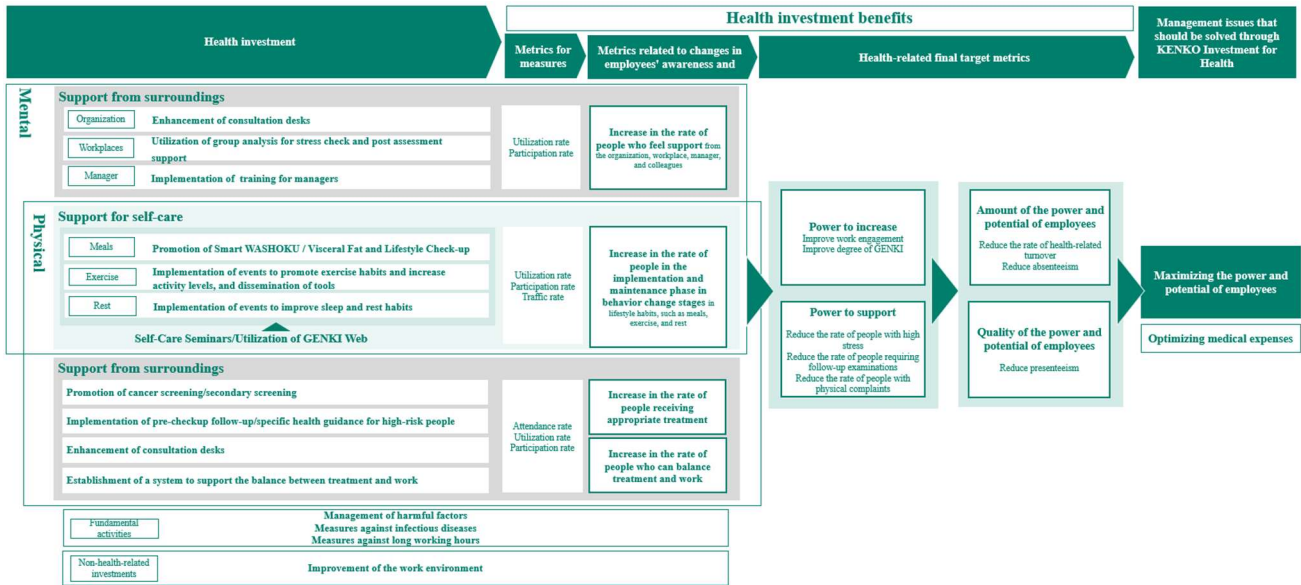
Along with promoting healthy bodies, we are striving to expand reliable healthcare based on evidence from inside and outside the company not only for employees and their families but also for communities, workplaces, and consumers. Together we will realize healthy and enriched lives for all.

- Mid-term Health Plan

The Mid-term Health Plan aims to promote a vibrant workplace and society with healthcare-conscious employees and their families by improving the lives of each individual. Under this plan, we will implement six initiatives (lifestyle-related diseases, cancer, quitting smoking, mental health care, females, and seniors), provide support for balancing treatment and work, and manage employees engaged in hazardous operations and conduct a risk assessment. We will also propose health promotion programs in which not only our employees but also their families and friends can participate.

- Strategic roadmap for KENKO Investment for Health

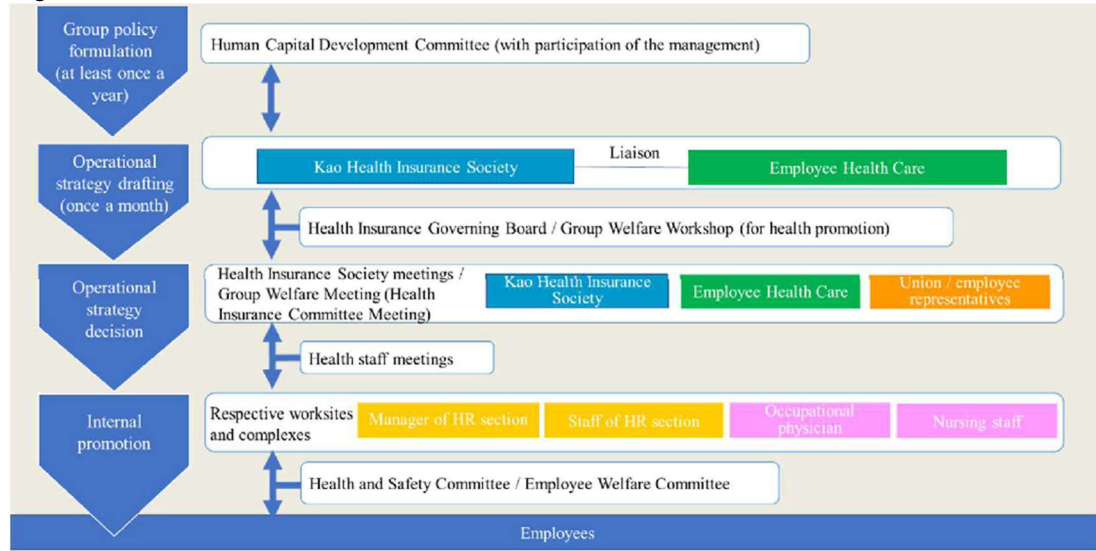
To maximize the power and potential of employees and reduce medical expenses, the Company draws up a strategic roadmap for achieving KENKO Investment for Health.



- Organizational framework

Kao Health Insurance Society and Employee Health Care have collaborated to jointly formulate plans for health initiatives. We also assign the manager and staff of the HCD function at every workplace or area, and these managers and staff work together with occupational physicians and nursing staff to implement the strategy in their respective areas. Information on the state of progress in Japan is shared with subsidiaries outside of Japan, and each of the subsidiaries implements a health promotion strategy in accordance with policies in their country or region. We also launched *GENKI* Project to expand the application of best practices that have been implemented within the Kao Group into local communities, and externally provide health solutions.

Organizational framework



3) Risk management

In managing risks associated with human capital development, we have implemented necessary measures by identifying related risks not only from a short-term perspective but also from the perspective of retaining and securing talented human capital over the medium- to long-term. Also, in view of revisions to laws and regulations and changes in social trends, the Human Capital Strategy division comprehensively deliberates on these risks after confirming the feedback from employees obtained through opportunities such as Employee-Management Dialogue Meetings, engagement surveys, opinions of external experts, etc. The Internal Control Committee looks into identified risks, and Senior Vice President of Human Capital Strategy and people responsible for the Human Capital Strategy division from each division/company identify issues to be addressed and discuss countermeasures at a Human Capital Development Meeting they participate in. For measures that will have a significant impact on the entire Group, the Human Capital Development Committee chaired by President & CEO discusses and implement such measures.

5) Metrics and targets

I. Actions Based on Human Capital Strategy				
2022	2023	2024	2025	Target value 2027
Investment in employee training (compared to 2020)				
1.42x	1.53x	2.02x	2.03x	2.5x
DX human capital (compared to 2020) *2				
1.5x	6x	10x	15x	20x*6
Personnel transferred through internal recruitment (compared to 2020) *2				
–	4x	16x	14x	20x
Ratio of mid-career recruitment in total recruitment *2				
48%	56%	60%	51%	50%
KES score: Fair evaluation				
–	60*1	61	63	70
KES score: Dialogue				
–	63*1	64	66	70
KES score: Work style satisfaction				
–	60*1	63	65	65
Percentage of female managers related to that of female employees *4				
75.9%	76.2%	78.1%	79.4%	90%
KES score: Vitality				
–	59*1	61	62	65

II. Ideal Human Capital and Organization - Global Sharp Top human capital / organization -				
2022	2023	2024	2025	Target value 2027
Challenge-oriented human capital *2*3				
26%	58%	71%	77%	80%*5
KES score: Organizational culture that encourages challenges				
–	61*1	63	64	70
KES score: Degree of promotion of Scrum-type operation				
–	57*1	58	60	70
KES score: Inclusive organizational culture				
–	62*1	63	65	70

III. Maximize the power and potential of employee				
2022	2023	2024	2025	Target value 2027
Employees engagement (Total score in KES)				
–	63*1	65	68	75
KES score: Workplace satisfaction				
–	61*1	62	64	70

IV. Create Social and Financial Impacts				
2022	2023	2024	2025	Target value 2027
Efficient impact creation (compared to 2022)				
100%	92%	120%	131%	150%

Efficient impact creation = Added value / Total annual hours workload

\*Counted in a group-wide basis, unless otherwise stated.

\*Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees.

\*KES refers to Kao Engagement Survey.

\*1. Implemented excluding some subsidiaries.

\*2. Only consolidated subsidiaries in Japan

\*3. Employee awareness survey

- \*4. This indicator shows the degree of achievement of the ratio of female managers relative to the ratio of female employees and is calculated as a weighted average based on the number of management positions at the companies and its subsidiaries.
- \*5. Numerical target was revised upward from 75% to 80%.
- \*6. Numerical target was revised upward from 15x to 20x.

### 3. Business Risks and Other Risks

Forward-looking statements contained in this section are based on assumptions that management believes to be reasonable as of the end of the fiscal year ended December 31, 2025 and may differ significantly from actual results due to various factors.

#### (1) Risk and Crisis Management System

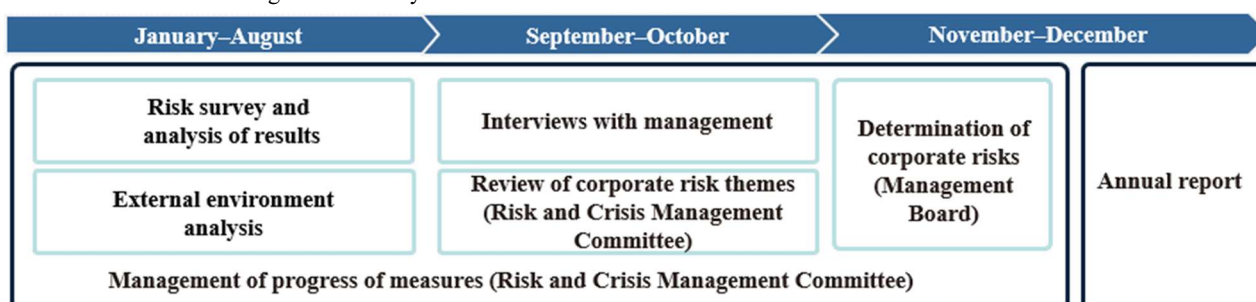
In the Kao Group Mid-term Plan 2027 “K27,” the Kao Group has set forth its basic policy: 1. Become an essential company in a sustainable world; 2. Transform to build robust business through investment; and 3. Maximize the power and potential of employees. Please refer to “1. Management Policies, Management Environments and Issues to be Solved” for more details.

Against the backdrop of climate change and changes in international conditions, uncertainty in the social and economic environment is increasing further. Amid the progression of ongoing global expansion of business and the review of the business portfolio, the risks surrounding the business are becoming more diversified and complex. Companies must respond promptly and appropriately to changes in the risks pertaining to their businesses. In this business environment, the Kao Group manages the following risks and crises.

Risk is the effect of uncertainty on the achievement of management targets and the execution of business activities. The Risk and Crisis Management Committee, one of the committees under the Internal Control Committee concerned with risk, has established a system and activity guideline to manage “risk” that results in threats and “crisis” that is a situation in which risk materializes, based on the Risk and Crisis Management Policy. Divisions, subsidiaries and affiliates manage risks by identifying and assessing risks, and formulating and implementing countermeasures based on this activity guideline. In a crisis, the Kao Group works to minimize physical damage and financial losses by establishing an Emergency Response Team Organization that corresponds to the level of emergency, and by responding promptly and appropriately. Risk and crisis management activities are reviewed by the Management Board on a regular (annual) and as necessary on a timely basis, and approved by the Board of Directors. The Internal Control Committee monitors the status of risk and crisis management and confirms their effectiveness of management. Please refer to “IV. Information about Reporting Company, 4. Corporate Governance” for more details.

Among the risks that could have a negative impact on its sustained profitable growth and contribution to the sustainability of the world, the Kao Group has selected the 14 particularly significant risks as the main risks after deliberation by the Risk and Crisis Management Committee and the Management Board. It also reviews these main risks at least once every six months based on changes in the business environment. With respect to “main risks,” the responsible departments formulate countermeasure policies and conduct progress management. Among these main risks, the Kao Group determines themes for and addresses risks that would have a major impact on management and require an enhanced response as “corporate risks.” Once a year, the Risk and Crisis Management Committee conducts a review based on its analyses of an internal risk survey and the external environment as well as interviews with management, and the Management Board decides upon risk themes and risk owners (responsible persons for each risk theme: Executive Officer). Each owner establishes a countermeasure team to formulate response plans, monitor risks, and implement measures in the event that risks materialize, and the Risk and Crisis Management Committee, which meets four times a year, manages progress.

Risk and Crisis Management Activity Process






These are main risks that might materialize within five years. The order in which they are listed reflects their importance as recognized as of the fiscal year ended December 31, 2025. There are risks other than the listed risks that may affect investors’ decisions.

## (2) Main Risks

Among the 14 main risks, those that the Kao Group addresses as corporate risks are marked with a circle in the table below. It also shows changes in a risk assessment (perceived impact and probability) of the main risks compared to that of the previous fiscal year in three levels (i.e., each risk increases, remains unchanged or decreases).

Main risks	Corporate risks	Changes in risk assessment
Large-scale earthquakes, other natural disasters, and accidents	○	→
Digital trust	○	↗
Geopolitics	○	→
Raw material procurement		↘
Changes in the market and competitive environment		→
Quality of products and other items	○	→
Compliance		→
Securing human capital	○	→
Pandemics	○	↘
Responses to social issues		↘
Reputation	○	→
Currency exchange rate fluctuations		→
Business investment		→
Litigation		→

Changes in risk assessment (perceived impact and probability)	
	: Risk increases
	: Risk remains unchanged
	: Risk decreases

<p>Large-scale earthquakes, other natural disasters and accidents</p> <p><i>Background</i> For companies with large-scale plants, process safety needs have increased in the context of accidents at chemical plants and the many natural disasters that have occurred recently.</p> <p><i>Risks and impact</i></p> <ul style="list-style-type: none"> <li>• A major obstruction to the supply of products to the market due to injury to employees or damage to facilities or supply chains resulting from a large-scale earthquake or other natural disaster such as a large-scale typhoon or flood brought on by climate change could have a significant impact on business results.</li> <li>• The occurrence of substantial injury to employees or damage to the surrounding area due to events such as a fire or explosion at a Kao Group plant could have a significant impact on business results, with a resultant loss of social credibility.</li> </ul> <p><i>Responses</i> The Kao Group is striving to enhance its safety capabilities through a regular evaluation by an external organization in addition to an internal audit in order to prevent fires, explosions and chemical spills while maintaining safe and stable operations. The Kao Group prepares for emergency situations in the event of natural disasters, including large-scale earthquakes, large-scale typhoons and floods, by having a disaster response structure in place, taking measures for facilities, educating and enlightening employees, and conducting periodic drills.</p> <p>Deeming this main risk to be a corporate risk of “large-scale earthquakes, other natural disasters, and BCP responses,” the Kao Group is analyzing the impact of and considering responses to natural disasters in Japan premised on a long-term suspension of operations, such as an earthquake in the greater Tokyo metropolitan area, Nankai Trough Earthquake and a volcanic eruption of Mt. Fuji. The Kao Group is also strengthening its BCP for bases outside Japan.</p>
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## Digital trust

### *Background*

The Kao Group is promoting business operations and operational efficiency through the use of IT and AI, while developing businesses that leverage social media and various forms of data. With the spread of such digital technologies, it is important to establish “Digital trust,” under which consumers/customers/employees can use digital environments with confidence. As digitalization progresses and various information assets are handled, their appropriate protection is indispensable. The Kao Group handles confidential information relating to research and development, production, marketing, and sales, as well as personal information of many customers, and thoroughly protects information assets based on its Information Security Policy. In addition, from the perspective of ensuring stable operation of core systems and business continuity, we are strengthening measures against cyberattacks and other threats.

### *Risks and impact*

- Cyberattacks, including ransomware and targeted phishing emails, are becoming increasingly diverse and sophisticated. As a result of such cyberattacks, the Kao Group’s internal systems may be affected, and business activities may be temporarily suspended or delayed. There is also a risk that confidential information and personal information held by the Kao Group may be improperly obtained or leaked.
- If business partners, contractors, or other third parties are subject to cyberattacks, the impact may extend to the Kao Group. If such events occur, there is a possibility of interruption of business activities due to system outages, the incurrence of costs for recovery measures and damages, and a decline in social credibility. As a result, the Group may be unable to secure targeted net sales and profits, and its operating results, financial position, and corporate value may be affected.

### *Responses*

The Kao Group is working to continuously strengthen cybersecurity by combining human and organizational measures with technical measures.

As human and organizational measures, through Information Security Committees in Japan and overseas, we have established regulations, rules, and a promotion framework across the Group, and are advancing awareness activities and education.

As technical measures, based on a roadmap for strengthening security, we are reinforcing measures such as access control and authentication (including multi-factor authentication), monitoring and detection, and vulnerability management. In addition, in preparation for ransomware and similar threats, we have established backups in isolated (offline) environments and recovery plans, and are working to ensure business continuity.

In order to identify and reduce security risks within the supply chain, we confirm the status of security measures of suppliers, contract manufacturers, and others. Based on the results, we encourage improvements as necessary and work to strengthen security capabilities across the entire supply chain.

We have also established procedures for incident response and are strengthening our framework to enable swift and appropriate responses in the event of occurrence. In preparation for major incidents, we have also taken out cyber insurance. Important risks and the status of countermeasures are regularly reported to management.

“Response to cyberattacks” is addressed as a corporate risk theme.

In addition, we aim to establish Digital trust as a whole by strengthening the protection of confidential information/personal information and enhancing risk countermeasures associated with the use of AI and social media.

## Geopolitics

### *Background*

Geopolitical risks are high in multiple countries and regions where the Kao Group conducts business. Geopolitical risks may also increase in countries and regions where the Kao Group procures raw materials.

### *Risks and impact*

- In countries and regions with heightened geopolitical risks, if destabilization of political and social conditions, diplomatic tensions, conflicts or other reasons cause a deterioration in the environment surrounding our business, human casualties, a temporary suspension of operations due to supply chain disruptions, or changes in consumer purchasing, targets for net sales and profits may be unattainable.

### *Responses*

The Kao Group prepares risk scenarios for countries and regions with heightened geopolitical risks, provides systems to address countries and regions that require special attention, and monitors the political and social situation. The Kao Group established guidelines for ensuring employee safety and is working to strengthen its supply chain networks by identifying the impact of supply chain disruptions in raw material procurement and other areas of its business.

The Kao Group addresses the main risk of geopolitics risk responses as a corporate risk theme.

## Raw material procurement

### *Background*

Market prices for natural fats and oils and petroleum products used as raw materials by the Kao Group are affected by factors including global business conditions, geopolitical risks, the balance between supply and demand, abnormal weather, and currency exchange rate fluctuations.

In addition, the Kao Group is largely dependent on natural capital such as palm oil, paper and pulp for its raw materials, and it must fulfill its corporate social responsibility by realizing sustainable procurement with extensive environmental considerations including resource conservation, global warming prevention and biodiversity preservation, as well as social considerations including safety, sanitation, labor conditions, and human rights.

### *Risks and impact*

- A sudden change in market prices of raw materials could render the Kao Group unable to attain its target for profits.
- Some raw materials are rare, thus entailing risks relating to stable procurement. If the supply of products to the market is disrupted due to demand fluctuations or other sudden changes in market conditions, or difficulties at suppliers, the Kao Group may not only be unable to attain its targets for net sales and profits, but its credibility could also decline.
- If the Kao Group's efforts for sustainable and responsible procurement are deemed to be inadequate due to supply chain issues, the Group's brand image and credibility could decline.

### *Responses*

The Kao Group is working to reduce the impact of hikes in raw material prices by reducing costs and conducting measures such as passing increases on to selling prices. For risks relating to stable procurement, the Kao Group is augmenting facilities at its main suppliers and securing secondary suppliers to diversify risks. The Kao Group also reviews contracts and proactively cooperates with suppliers to reduce risks.

On the other hand, to practice sustainable and responsible procurement, the Kao Group announced its guidelines on the ESG Promotion Activities with Suppliers and has been promoting measures to ascertain that efforts are being made to protect human rights and the environment in its supply chain. The Kao Group identifies particularly high-risk supply chains and works in collaboration with suppliers and NGOs to resolve fundamental issues. In addition, the Kao Group is working to reduce the amount of raw materials it uses and to switch to raw materials from non-edible biomass sources.

It is also strengthening coordination with suppliers through the use of Sedex for supplier monitoring, establishment of an auditing system to eliminate compliance violations by suppliers, the CDP Supply Chain Program, and establishment of the guidelines on the Partnership Requirements for Suppliers.

With the aim of sustainably procuring palm oil whose supply chain is one of the high-risk supply chains, the Kao Group is conducting a program in cooperation with local partners to help oil palm smallholders in Indonesia improve yields and acquire sustainable palm oil certification.

The Kao Group strives to disclose these initiatives to its stakeholders proactively and transparently.

## Changes in the market and competitive environment

### *Background*

The Kao Group is advancing a transformation from a “Japan-originated business model” to a “global-centric business model.”

Centered on the Health Beauty Care and Cosmetics Businesses, we are strengthening competitiveness in the global market by allocating management resources on a priority basis to focused brands. Meanwhile, in the global market, the competitive environment is becoming increasingly intense due to aggressive brand investments by major global companies and the rise of emerging and local manufacturers.

In addition, touchpoints throughout the customer journey, from awareness to purchase and recommendation of brands and products, have changed significantly, with a shift toward digital-centered channels. As a result, media strategies that reliably reach target audiences through advertising have become increasingly important. Furthermore, market structures and competitive environments differ by country and region, and the business environment continues to change, including fluctuations in changes in demand in the Chinese market and the expansion of the middle-income class in ASEAN markets. Under these circumstances, in addition to reviewing business portfolios and brand strategies, flexible and agile responses are required with respect to sales and distribution models through co-creation with business partners, taking into account the characteristics of each region.

### *Risks and impact*

- Changes in digital-based customer touchpoints have significantly transformed and diversified the customer journey, and an increasing number of consumers can no longer be reached through traditional mass media. Moreover, due to strengthened privacy regulations, restrictions on access to customer data by digital platforms (such as EC and SNS), and rapid changes in channel structures centered on EC/D2C, it may become difficult to sufficiently and timely grasp changes in customer needs and purchasing behavior. As a result, there is a possibility that such changes may not be appropriately reflected in product development and marketing, leading to a decline in brand competitiveness.
- If rapidly changing market characteristics and competitive environments in each country and region are not appropriately and timely reflected in revisions to business portfolios, brand strategies, and sales and distribution models, there is a possibility that business plans may not be achieved.

### *Responses*

In order to respond to the intensifying changes in the market and competitive environment, we have clarified the businesses and brands on which we should focus and are allocating management resources on a priority basis. By advancing an integrated global brand management structure centered on focused brands, we are working to enhance competitiveness in each market while ensuring consistency of brand value.

Based on a customer-centric approach, we formulate effective and efficient communication strategies for diversified customer journeys and promote the accumulation of internal knowledge. Furthermore, by advancing the sophistication of customer understanding through the utilization of customer data and market information, we accurately and promptly grasp changes in customer needs and purchasing behavior, and reflect such insights in marketing and sales activities as well as improvements to products and services, thereby enhancing brand value.

With respect to business strategies and sales and distribution models, through decision-making that combines business and regional perspectives, we aim to flexibly and swiftly review approaches in accordance with regional characteristics and optimize the allocation of management resources.

## Quality of products and other items

### *Background*

The basis of the Kao Group's product quality management activities is *Yoki-Monozukuri* that incorporates a spirit of starting with the consumers and customers, as set forth in the Kao Way. At every stage from raw materials procurement to research and development, production, logistics, and sales, the Kao Group pursues a high level of product safety and strives to constantly improve quality from a thoroughgoing consumer and customer perspective. Changes occurring in society include diversification of consumer values regarding quality, growing concerns about the safety of chemical substances, awareness of environmental issues, and demand for corporate transparency in information disclosure. In addition, cross-border manufacturing and product distribution have been expanding globally. Meanwhile, countries and regions have begun moving to create new legal and regulatory frameworks with the aim of a sustainable society and stronger consumer protections.

Under these circumstances, the Kao Group views market diversification and changing values as opportunities, and is taking on the challenge of developing new technologies and planning to expand its business into new fields.

### *Risks and impact*

- The occurrence of serious product quality problems could lead to a decline in credibility, not only with regard to the problems with the brand concerned, but for the entire Kao Group. In addition, inability to respond appropriately and promptly to the occurrence of new safety or environmental problems, or sudden changes in laws and regulations in each country or region could cause us to lose the opportunity to deliver products in a timely manner.

### *Responses*

The Kao Group designs and manufactures products in compliance with product-related laws and regulations and in conformance with strict standards it has set voluntarily. At the development stage, the Kao Group thoroughly carries out testing, studies and research to confirm safety. After launch, the Kao Group strives to further improve quality by drawing on feedback, requests and other information regarding products through its Customer Communication Centers.

The Kao Group is working to conduct product development that anticipates chemical safety concerns and demands regarding environmental issues, visualize quality management activities through proactive disclosure of information, and enhance communications with stakeholders. The Kao Group is also working to analyze the impact of new laws and regulations in each country and region, and to build a system capable of promptly confirming compliance with laws and regulations.

Deeming this main risk of major quality issues responses to be a corporate risk theme, the Kao Group is also strengthening its Group-wide response capabilities to minimize harm in the event of critical damage due to product quality issues and is enhancing awareness within the Group to prevent the occurrence of serious product quality issues.

## Compliance

### *Background*

In conducting business activities, companies are required to put more effort into complying with laws and regulations on matters including product quality and safety, intellectual property, environmental conservation, disaster prevention, occupational safety, chemicals management, transaction management, and information disclosure.

### *Risks and impact*

- As competition intensifies globally, there is concern that the risk of fraud will increase due to difficulties in achieving differentiation and meeting product launch schedules and delivery timelines as well as pressure to achieve performance targets, among others.
- With the penetration of a hybrid work model that combines working from home and working at the office and the increasing diversification of work style, the frequency of contact at the office has been decreasing. In addition, an excessive sense of vigilance against compliance could reduce communication at the workplace and cast a negative impact on personal relationships and the workplace environment. As a consequence, harassment and compliance risks in labor management may increase.
- A serious violation of compliance by the Kao Group and its subcontractors or other related parties could have an impact on the Group's credibility, financial condition and business results.

### *Responses*

The Kao Group regards "Integrity as the only choice" (behaving lawfully and ethically, and conducting sound and honest business activities) as the starting point of compliance, and promotes it as a foundation for earning the respect and trust of all stakeholders. As such, the Kao Group promotes activities such as ongoing education about the Kao Business Conduct Guidelines, which are its code of conduct, and responding appropriately to communications received via the compliance hotlines. Through top messages, case studies, and other means, the Kao Group is raising awareness of harassment and compliance risks in labor management. It also holds a Dialogue Festival, an activity to encourage dialogue, as part of its efforts to deepen mutual understanding at its workplaces. In addition, as activities focused on reducing serious compliance risks, the Kao Group systematically promotes compliance with laws and regulations that apply to its business, and the Compliance Committee monitors the implementation status of particularly important laws and regulations. The Kao Group is conducting activities designed to create an open workplace that allows immediate reporting to management and an appropriate response in the event that a serious violation of compliance occurs.

## Securing human capital

### *Background*

An important theme that underpins the Kao Group's "Global Sharp Top" strategy is to maximize the vitality of human resources, which are our greatest strength and asset. However, competition for human resources is intensifying globally, and the values of individual careers and work styles are more diverse than ever.

### *Risks and impact*

- Inability to secure and develop human capital with the advanced expertise required in each area in anticipation of major environmental changes, or those who will become leaders capable of directing the Group's course of transformation, could have a negative impact on the execution of Kao Group Mid-term Plan 2027 "K27."

### *Responses*

The Kao Group is promoting initiatives to maximize the power and potential of its employees with diverse backgrounds and specialties to fully display their skills and individuality through major challenges and co-creation spanning countries, regions and organizations.

The Kao Group believes that it can maintain its advantage in securing human capital by improving working environments where diverse human capital can come together and play active roles (in ways of promoting flexible work styles, promoting DE&I, operating an internal recruitment system, etc.). In addition, the Kao Group can expect further growth of employees by providing them with opportunities to learn on their own initiative and jointly with others (e.g., encouraging employees to broaden their experience through work and introducing programs that allow employees to autonomously learn DX and other latest topics) and encouraging employees to develop their careers autonomously.

In addition to these measures, each month the Human Capital Development Committee, with top management as members, discusses and promotes the assignment and development of human capital and effective organizational management that support sustainable growth, which are recognized as corporate risk themes.

## Pandemics

### *Background*

The environment surrounding infectious diseases is constantly changing, and the emergence of new and re-emerging infectious diseases, including the resurgence of difficult-to-treat infections caused by drug-resistant bacteria, continues to raise concerns regarding the occurrence of pandemics. As the timing and scale of the spread of such infectious diseases are difficult to predict, it is important to establish preparedness and response measures in advance, assuming emergency situations even during normal times.

### *Risks and impact*

- In case of a pandemic, events such as lockdowns or the occurrence of clusters at the Kao Group's bases or in its supply chains could hinder the provision of products and services.
- In case of a pandemic, the cosmetics market could shrink due to changes in purchasing behavior caused by restrictions on normal daily life, including going outside. The occurrence of such situations could result in a significant deviation from targets for net sales and profits.
- A pandemic may restrict employees' daily lives, resulting in attendance limitations, the need for infection prevention measures, and restricted access to medical care. As a result, employees' health management and ability to continue working may be affected, and the stable operation of the Kao Group's business activities may become difficult.

### *Responses*

The Kao Group addresses the response to the pandemic as a corporate risk theme, and through revising its guidelines, formulating and revising action plans for each country, and reviewing stockpiles, etc. based on its experience during the COVID-19 pandemic, we are promoting the development of a framework to ensure both employee safety and business continuity.

## Response to social issues

### *Background*

Climate change, the marine plastic waste problem, depletion of water resources, loss of biodiversity, pollution by hazardous chemicals, environmental and human rights issues throughout the value chain, including raw material procurement, and growing social issues such as the aging society and hygiene problems have increased consumer awareness about health, safety, the environment, and other matters, leading to the trend of ethical consumption and customers' increasing demand for sustainability.

To help resolve these social issues, the Kao Group is promoting the Kao Group Mid-term Plan 2027 "K27" and the Kirei Lifestyle Plan (KLP), which is its ESG Strategy, in an integrated manner. In addition to aiming for innovation at every stage, from raw material procurement to production, product use and disposal, the Kao Group has set targets (KPIs) for 19 Kao Actions, which are the action themes Kao must prioritize from both social and environmental perspectives, and all divisions throughout the Company are engaged. The Kao Group aims to contribute to the sustainability of society, while striving to engage with its stakeholders in a highly transparent manner by proactively disclosing the details of its activities.

### *Risks and impact*

- If the Kao Group's efforts to resolve social issues are inadequate, or are deemed inadequate, its products and services may not be accepted by consumers and customers, and its targets for net sales and market share may be unattainable.
- Inability to adequately show progress toward the KPIs committed to in the KLP may be perceived as greenwashing\*<sup>1</sup> and lead to a decline in corporate value. Meanwhile, if the Kao Group refrains from actively disclosing or disseminating ESG information for fear of greenwashing, it may be perceived as greenhushing\*<sup>2</sup> and leads to the risk of declining the trust from society and customers.
- As for climate change-related risks, there are transition risks (introduction and/or raising of carbon tax, introduction of restrictions on plastics, energy price increase, and raw material price increase) and physical risks (intensification of extreme weather) as listed in "Main Business Risks and Opportunities" in "2. Approach to Sustainability and Related Initiatives, (2) Responses to Climate Change (Disclosures Consistent with the Recommendations of the TCFD)."
- If the Kao Group's consideration for human rights infringement or respect for human rights is perceived as insufficient across the value chains, credibility from society and customers may decline, and such perception could affect its ability to continue business activities.
- If the Kao Group fails to respond appropriately and promptly to revisions to regulations on chemical substances, not only its business activities may be affected but also its credibility from society and customers may decline.
- With respect to sustainability-related information disclosure, the mandatory disclosure of such information based on laws and regulations is progressing in Japan and other countries and regions worldwide. If we are unable to comply with these laws and regulations, there is a possibility of loss of business opportunities and a decline in corporate value.

### *Responses*

With the aim of both helping to achieve business growth and contribution to society, the Kao Group established four ESG steering committees under the ESG Managing Committee to build a robust governance structure. The ESG steering committees address the priority issues of decarbonization, plastic packaging, human rights and diversity, equity and inclusion (DEI), and chemical stewardship, respectively. Persons at the executive officer level are responsible for analyzing issues and gaining an understanding of related opportunities and risks from the perspective of social, environmental, and business impact to make and promote response plans. The Kao Group thus has reliably implemented ESG *Yoki-Monozukuri*.

The Kao Group responds to climate change under the above governance structure. Its countermeasures against each risk are described in "Kao Group's strategy" for the transition and physical risks as listed in "Kao's response" in "Main Business Risks and Opportunities" in "2. Approach to Sustainability and Related Initiatives, (2) Responses to Climate Change (Disclosures Consistent with the Recommendations of the TCFD)."

To respect human rights, the Kao Group conducts risk assessments across its value chains to identify, prioritize, prevent, and mitigate human rights risks and adverse impacts, while raising employee awareness and strengthening response processes.

With respect to sustainability-related information disclosure, the Kao Group is developing systems to accurately and promptly collect the necessary information and comply with the laws and regulations of the countries in which we operate.

\*1. Greenwashing: Exaggerating or overstating the environmental and sustainability aspects of a company's products or services, or making unsupported claims about the environmental or sustainability actions it takes.

\*2. Greenhushing: Refraining from disclosing or disseminating information about a company's environmental initiatives and climate change measures for fear of greenwashing.

## Reputation

### *Background*

With the evolution of social media, communication between companies and consumers has diversified, and an environment in which information spreads rapidly and widely has become commonplace. Within the Kao Group as well, we are working to enhance engagement with consumers through diverse marketing activities utilizing social media. While companies are able to expand opportunities for engagement, they are also in a situation where risks related to reputation (public perception and credibility) formation are more likely to materialize.

### *Risks and impact*

- The Kao Group disseminates diverse information and is engaged in various marketing activities. However, the spread of negative evaluations or misunderstandings about inappropriate or careless expressions used in these activities on social media or other means could ultimately undermine its brand value and corporate credibility.
- In addition, various risks are inherent in our business activities, and if such risks materialize, it becomes necessary not only to respond to the risks themselves but also to address reputational risks arising from them. If responses to materialized risks or to reputational risks are insufficient, the Kao Group's responses and stance may be subject to severe evaluation through social media and other channels, which could adversely affect brand value and corporate credibility.

### *Responses*

To prevent the use of inappropriate expressions in advertising, the Kao Group has put in place a pre-check system from the perspective of ESG and has conducted internal education. The Group also strives to discover risks at an early stage by monitoring social media. Furthermore, in the event that risks materialize, we endeavor to maintain our reputation by timely and appropriately disclosing accurate information and the Kao Group's views and stance. Reputation risk response is addressed as a corporate risk theme.

## Currency exchange rate fluctuations

### *Background*

Currency exchange rate fluctuations affect foreign currency-denominated sales and the cost of procuring raw materials. They also affect the conversion into yen of the amounts on the financial statements of subsidiaries outside Japan for the consolidated settlement of accounts.

### *Risks and impact*

- Larger-than-expected fluctuations in foreign currency exchange rates against the yen, which is the Kao Group's functional currency, could have an impact on financial condition and business results.

### *Responses*

The Kao Group mitigates the impact of foreign currency-denominated transactions on business results by hedging risk of currency exchange rate fluctuations through measures including using foreign currency accounts for transaction settlement and derivative transactions such as forward exchange contracts and currency swaps. The Kao Group does not engage in derivative transactions for the purpose of speculation. In addition, the Kao Group monitors fluctuations in major currencies and the impact of these fluctuations on its business, and reports its findings to the Management Board in a timely fashion. Under the direction of management, relevant departments consider measures to mitigate the impact on business as required.

## Business investment

### *Background*

The Kao Group conducts proactive capital investment and M&A for business growth and sustainability based on investment decisions using EVA, which is highly correlated with corporate value. The Kao Group will continue to make these investments while striving to enhance corporate value through ongoing improvements in EVA.

### *Risks and impact*

- If the market and business environments deteriorate to levels not anticipated at the time investment decisions were made and the expected results cannot be generated due to a deviation from plans or other factors, impairment of property, plant and equipment recorded due to capital investment or impairment of goodwill and intangible assets recorded due to M&A could have an impact on financial condition and business results.

### *Responses*

For major investments, the Kao Group checks each time quarterly results are calculated to assess whether the expected results deviate significantly from the initial plan, and the results are reported at the Management Board meeting. In the event of a deviation, relevant departments consider future direction and measures as necessary to improve business performance.

## Litigation

### *Background*

The Kao Group conducts diverse businesses globally, and various types of litigation or other legal action may be brought against it.

### *Risks and impact*

- During the fiscal year ended December 31, 2025, no lawsuit or other legal action was filed that had a material effect on the Kao Group. However, if such an event were to occur, developments in such litigation or other legal action could have an impact on the Kao Group's financial condition and business results.

### *Responses*

The Kao Group complies with various laws and regulations relating to its business, and strives to prevent disputes by providing safe and reliable products, properly acquiring and using intellectual property rights, clarifying contract conditions, negotiating with other parties, and through other methods. In addition, the Kao Group has created a global mechanism for prompt and reliable reporting on the filing of important lawsuits and their current status, and has established a system for responding to litigation or other legal actions in cooperation with the Group's individuals in charge in each country, law firms and other parties.

### (3) Relationship of Main Risks to Kao Group Mid-term Plan 2027 "K27"

Among the 14 main risks, the Kao Group is addressing raw material procurement, changes in the market and competitive environment, the quality of products and other items, securing human capital, response to social issues, and business investment, with the recognition that they are risks with a particularly significant relationship to Kao Group Mid-term Plan 2027 "K27."

#### 4. Management Analysis of Financial Position, Operating Results and Cash Flows

The following is a summary of the Kao Group's financial position, operating results and cash flows (hereinafter the "operating results") for fiscal 2025 and views and issues analyzed and discussed with regard to the status of the operating results from management's perspective.

Forward-looking statements contained in this section have been made based on the Company's judgment as of the end of fiscal 2025.

##### (1) Analysis of Operating Results

Note: Like-for-like growth rates below exclude the effect of translation of local currencies into Japanese yen. Growth by volume includes changes due to differences in product mix.

(Billions of yen, unless otherwise noted)

	Net sales	Operating income	Operating margin (%)	Income before income taxes	Net income	Net income attributable to owners of the parent	Basic earnings per share (yen)
2025	1,688.6	164.1	9.7	169.8	120.6	120.1	260.30
2024	1,628.4	146.6	9.0	151.0	110.4	107.8	231.94
Growth	3.7% Like-for-like: 3.7%	11.9%	-	12.5%	9.3%	11.4%	12.2%

In the global economy during fiscal 2025, as conditions remained uncertain due to international supply chain disruptions and rising procurement costs following changes in tariff policies, as well as protracted geopolitical risks, mainly in Europe and the Middle East, lifestyle-related consumption remained resilient despite rising prices in all regions. In the Japanese economy, despite signs of wage growth, the impact of high prices has restrained consumer sentiment, and domestic demand trended toward a gradual recovery. According to retail sales and consumer purchasing survey data, the Kao Group's key markets of household and personal care products and cosmetics in Japan grew compared with the previous fiscal year.

In this operating environment, the Kao Group worked to build a foundation for expanding global sales while improving its earning power to achieve profitable growth and successfully carry out its Mid-term Plan 2027 ("K27").

Net sales increased 3.7% compared with the previous fiscal year to 1,688.6 billion yen. Currency translation accounted for a 0.0% increase and net sales increased 3.7% on a like-for-like basis (breakdown of the increase: 0.5% increase by volume, 3.2% increase by price). Operating income was 164.1 billion yen, an increase of 17.4 billion yen compared with the previous fiscal year, and the operating margin was 9.7%. Income before income taxes was 169.8 billion yen, an increase of 18.8 billion yen, and net income was 120.6 billion yen, an increase of 10.2 billion yen.

Basic earnings per share were 260.30 yen, an increase of 28.36 yen, or 12.2%, from 231.94 yen in the previous fiscal year.

Return on invested capital (ROIC), which the Kao Group uses as a management metric, was 9.7% and Economic Value Added (EVA\*) increased 7.9 billion yen compared with the previous fiscal year to 41.1 billion yen as net operating profit after tax (NOPAT) increased substantially.

\* EVA is a registered trademark of Stern Stewart & Co.

To improve capital efficiency and further enhance shareholder returns, Kao Corporation (the "Company") resolved at a meeting of its Board of Directors held on August 6, 2025, to repurchase its own shares, and subsequently repurchased shares for a total of 80.0 billion yen. The Company retired 12,300,000 treasury shares on December 26, 2025.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and associates were as shown below.

	First quarter (Jan.–Mar.)		Second quarter (Apr.–Jun.)		Third quarter (Jul.–Sep.)		Fourth quarter (Oct.–Dec.)	
U.S. dollar	152.65	(148.22)	144.49	(155.72)	147.41	(149.44)	154.04	(152.30)
Euro	160.48	(160.99)	163.73	(167.68)	172.30	(164.04)	179.33	(162.55)
Chinese yuan	20.98	(20.63)	19.98	(21.51)	20.59	(20.84)	21.73	(21.19)

Note: Figures in parentheses represent the exchange rates for the same period of the previous fiscal year.

### Summary of Segment Information

A summary of the changes to reportable segments implemented during the three months ended March 31, 2025, is as follows. (Reference: V. Financial Information, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements Notes to Consolidated Financial Statements, 6. Segment Information on page 139.

1. The “Consumer Products Business,” “Hygiene and Living Care Business,” and “Health and Beauty Care Business” have been renamed the “Global Consumer Care Business,” “Hygiene Living Care Business,” and “Health Beauty Care Business,” respectively.
2. The Business Connected Business has been newly established within the Global Consumer Care Business. This business consists of commercial-use hygiene products (excluding Washing Systems, LLC), life care products, and other products.
3. Washing Systems, LLC has been included in the Chemical Business.
4. Net sales and operating income for the previous fiscal year have been reclassified and restated to reflect the reorganization of segments outlined in items 1 to 3 above.

### Consolidated Results by Segment

Fiscal year ended December 31

	Net sales				Operating income				
	2024 (Billions of yen)	2025 (Billions of yen)	Growth (%)	Like-for- like (%)	2024		2025		Change (Billions of yen)
					(Billions of yen)	Operating margin (%)	(Billions of yen)	Operating margin (%)	
Fabric and Home Care Products	375.7	389.1	3.6	3.4	68.4	18.2	74.1	19.1	5.7
Sanitary Products	168.6	160.2	(5.0)	(4.0)	7.3	4.4	7.1	4.5	(0.2)
Hygiene Living Care Business	544.3	549.3	0.9	1.1	75.8	13.9	81.3	14.8	5.5
Health Beauty Care Business	424.0	432.9	2.1	2.2	34.4	8.1	39.1	9.0	4.7
Cosmetics Business	244.1	261.6	7.2	6.9	(3.7)	(1.5)	10.4	4.0	14.1
Business Connected Business	40.5	39.2	(3.2)	(3.2)	5.2	12.9	2.3	5.8	(3.0)
Global Consumer Care Business	1,252.8	1,283.0	2.4	2.5	111.7	8.9	133.1	10.4	21.3
Chemical Business	421.3	451.5	7.2	6.9	35.7	8.5	30.2	6.7	(5.5)
Total	1,674.1	1,734.5	3.6	3.6	147.5	-	163.3	-	15.8
Elimination and Reconciliation	(45.7)	(45.8)	-	-	(0.8)	-	0.8	-	1.6
Consolidated	1,628.4	1,688.6	3.7	3.7	146.6	9.0	164.1	9.7	17.4

Consolidated Net Sales Composition

(Billions of yen, unless otherwise noted)

Fiscal year ended December 31		Japan	Asia	Americas	Europe	Consolidated
Fabric and Home Care Products	2024	327.9	44.3	3.5	-	375.7
	2025	346.0	40.1	3.0	-	389.1
	Growth (%)	5.5	(9.5)	(12.4)	-	3.6
	Like-for-like (%)	5.5	(11.3)	(9.3)	-	3.4
Sanitary Products	2024	76.5	92.1	-	-	168.6
	2025	71.6	88.6	-	-	160.2
	Growth (%)	(6.3)	(3.8)	-	-	(5.0)
	Like-for-like (%)	(6.3)	(2.1)	-	-	(4.0)
Hygiene Living Care Business	2024	404.4	136.4	3.5	-	544.3
	2025	417.6	128.6	3.0	-	549.3
	Growth (%)	3.3	(5.7)	(12.4)	-	0.9
	Like-for-like (%)	3.3	(5.1)	(9.3)	-	1.1
Health Beauty Care Business	2024	212.1	36.7	112.5	62.7	424.0
	2025	225.0	36.5	109.1	62.3	432.9
	Growth (%)	6.1	(0.6)	(3.1)	(0.6)	2.1
	Like-for-like (%)	6.1	(0.1)	(1.4)	(3.4)	2.2
Cosmetics Business	2024	166.5	39.1	7.9	30.6	244.1
	2025	177.0	45.3	7.7	31.5	261.6
	Growth (%)	6.3	15.8	(1.9)	2.9	7.2
	Like-for-like (%)	6.3	16.2	(1.0)	(0.0)	6.9
Business Connected Business	2024	40.2	0.2	-	-	40.5
	2025	38.8	0.4	-	-	39.2
	Growth (%)	(3.5)	47.4	-	-	(3.2)
	Like-for-like (%)	(3.5)	47.7	-	-	(3.2)
Global Consumer Care Business	2024	823.2	212.5	123.9	93.3	1,252.8
	2025	858.5	210.8	119.9	93.8	1,283.0
	Growth (%)	4.3	(0.8)	(3.2)	0.6	2.4
	Like-for-like (%)	4.3	(0.2)	(1.6)	(2.3)	2.5
Chemical Business	2024	138.4	105.0	83.6	94.4	421.3
	2025	144.6	120.8	86.9	99.3	451.5
	Growth (%)	4.5	15.1	3.9	5.2	7.2
	Like-for-like (%)	4.5	14.2	6.7	2.3	6.9
Elimination of intersegment	2024	(38.6)	(3.7)	(0.1)	(3.2)	(45.7)
	2025	(39.7)	(3.2)	(0.2)	(2.7)	(45.8)
Consolidated	2024	923.0	313.7	207.3	184.5	1,628.4
	2025	963.4	328.3	206.5	190.4	1,688.6
	Growth (%)	4.4	4.7	(0.4)	3.2	3.7
	Like-for-like (%)	4.4	4.8	1.7	0.3	3.7

Notes:

1. Figures for the Global Consumer Care Business present sales to external customers and figures for the Chemical Business include sales to the Global Consumer Care Business in addition to external customers. Sales by geographic region are classified based on the location of the sales recognized.
2. The percentage of sales outside Japan to total net sales was 42.9% compared with 43.3% in the previous fiscal year. Starting from the three months ended March 31, 2025, this percentage is disclosed based on the location where the sales were recognized. Figures for the previous fiscal year were recalculated using the same method.

*Analysis of Change in Net Sales Compared with the Previous Fiscal Year*

	Change (%)	Currency Translation (%)	Like-for-Like (%)		
				By Volume (%)	By Price (%)
Fabric and Home Care Products	3.6	0.2	3.4	1.4	2.0
Sanitary Products	(5.0)	(1.0)	(4.0)	(3.0)	(1.1)
Hygiene Living Care Business	0.9	(0.2)	1.1	0.1	1.0
Health Beauty Care Business	2.1	(0.1)	2.2	2.0	0.2
Cosmetics Business	7.2	0.3	6.9	5.9	1.0
Business Connected Business	(3.2)	(0.0)	(3.2)	(4.6)	1.4
Global Consumer Care Business	2.4	(0.0)	2.5	1.7	0.8
Chemical Business	7.2	0.3	6.9	(3.2)	10.1
Total	3.7	0.0	3.7	0.5	3.2

Note: Chemical Business sales include intersegment transactions.

**Global Consumer Care Business**

Sales increased 2.4% compared with the previous fiscal year to 1,283.0 billion yen. Currency translation accounted for a 0.0% decrease and sales increased 2.5% on a like-for-like basis (breakdown of the increase: 1.7% increase by volume, 0.8% increase by price).

Globally, while an ongoing consumer orientation toward low prices was apparent, demand for products that offer practicality and high added value remained firm. Similarly, amid growing polarization in consumer behavior in Japan, the impact of rising prices continued, despite signs of a moderate upturn in personal consumption, which had been declining. Under these circumstances, the Kao Group continued working to build a foundation for expanding global sales while improving its earning power to achieve profitable growth by offering high-value-added products and increasing selling prices to reflect that added value, among other measures.

As a result, sales in Japan increased 4.3% to 858.5 billion yen.

In Asia, sales decreased 0.8% to 210.8 billion yen. On a like-for-like basis, sales decreased 0.2%.

In the Americas, sales decreased 3.2% to 119.9 billion yen. On a like-for-like basis, sales decreased 1.6%. In Europe, sales increased 0.6% to 93.8 billion yen. On a like-for-like basis, sales decreased 2.3%.

Operating income was 133.1 billion yen, an increase of 21.3 billion yen compared with the previous fiscal year, due to increased sales volume and improvement in earning power amid the impact of rising raw material prices.

Note: The Kao Group's Global Consumer Care Business consists of the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, and the Business Connected Business.

*Hygiene Living Care Business*

Sales increased 0.9% compared with the previous fiscal year to 549.3 billion yen. Currency translation accounted for a 0.2% decrease and sales increased 1.1% on a like-for-like basis (breakdown of the increase: 0.1% increase by volume, 1.0% increase by price). However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, sales increased 1.6% on a like-for-like basis.

Sales of fabric and home care products increased 3.6% to 389.1 billion yen. Currency translation accounted for a 0.2% increase and sales increased 3.4% on a like-for-like basis (breakdown of the increase: 1.4% increase by volume, 2.0% increase by price).

Sales of fabric care products increased. In Japan, improved products in the *Attack Antibacterial EX* series of laundry detergents, among other products, contributed to increased sales and market share expansion, due in part to market growth and the effect of price increases along with the promotion of high-value-added products. Fabric softeners performed as planned.

Sales of home care products increased. In Japan, dishwashing detergents, kitchen cleaning products, and other products sold strongly, with steady performance by *Quickle Wash Basin Cleaner*, sales of which resumed in November 2025.

Operating income for fabric and home care products increased 5.7 billion yen to 74.1 billion yen.

Sales of sanitary products decreased 5.0% to 160.2 billion yen. Currency translation accounted for a 1.0% decrease and sales decreased 4.0% on a like-for-like basis (breakdown of the decrease: 3.0% decrease by volume, 1.1% decrease by price). However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, sales decreased 2.4% on a like-for-like basis. Sales of *Laurier* sanitary napkins increased. In China, loyalty marketing initiatives proved effective, resulting in strong sales performance for *Super Slim Guard* and other products. Sales of *Merries* baby diapers decreased due to aggressive competition in Asia and other factors.

Operating income for sanitary products was 7.1 billion yen, a decrease of 0.2 billion yen. However, excluding the impact of the transfer of the pet care business conducted in June 2024, operating income increased 4.1 billion yen.

Operating income for the Hygiene Living Care Business was 81.3 billion yen, an increase of 5.5 billion yen from the previous fiscal year. However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, operating income increased 9.8 billion yen.

### *Health Beauty Care Business*

Sales increased 2.1% compared with the previous fiscal year to 432.9 billion yen. Currency translation accounted for a 0.1% decrease and sales increased 2.2% on a like-for-like basis (breakdown of the increase: 2.0% increase by volume, 0.2% increase by price).

Sales of skin care products increased. In Japan, sales increased due to strong performance by UV care products and seasonal sheet-type products. In the Americas, sales decreased. Despite a ramped-up rollout of *Bioré UV Aqua Rich* and strong performance by new *JERGENS* products, sales were impacted by aggressive competition.

Sales of hair care products increased substantially. In Japan, high premium hair care brands *melt* and *THE ANSWER*, which were launched in 2024, contributed significantly to increased sales. Sales of products for hair salons in the Americas and Europe decreased. Although the *ORIBE* brand for high-end hair salons sold strongly, primarily through e-commerce, the *GOLDWELL* brand was impacted by factors including worsening business sentiment in the United States and Europe.

Sales of personal health products increased. Sales of *PureOra Carbonic Acid Toothpaste* remained strong in Japan and sales of improved *MegRhythm* eye masks grew in Japan and China.

Operating income increased 4.7 billion yen compared with the previous fiscal year to 39.1 billion yen. However, excluding the impact of structural reform expenses at subsidiaries in the Americas and Europe in the previous fiscal year, operating income increased 1.3 billion yen.

### *Cosmetics Business*

Sales increased 7.2% compared with the previous fiscal year to 261.6 billion yen. Currency translation accounted for a 0.3% increase and sales increased 6.9% on a like-for-like basis (breakdown of the increase: 5.9% increase by volume, 1.0% increase by price).

Sales in Japan increased. Contributors to increased sales among the Kao Group's six focus brands included *Curél* derma care and *KANEBO* prestige skin care and makeup, which continued to perform well, *SOFINA* skin care, which benefitted from the substantial contribution of *SOFINA iP* and other new products, and the *SENSAI* luxury brand, which captured inbound demand. Other brands also sold steadily. Sales in Asia increased substantially. In China, sales increased substantially, driven by expanded local production and enhanced competitiveness resulting from effective communication of product value, as well as the absence of the restrictions on shipments implemented by the Kao Group in the previous fiscal year to optimize distribution inventory. In Thailand, where the Kao Group is focusing its efforts, the progress of *KANEBO* and the *KATE* makeup brand exceeded the plan. In Europe, *SENSAI* sold strongly, and the Kao Group stepped up its rollout of *Curél*.

Operating income was 10.4 billion yen, an increase of 14.1 billion yen compared with the previous fiscal year due to the substantial contribution to improved profits from concentrated investment in the six focus brands, enhanced earning power, and business streamlining.

### *Business Connected Business*

Sales decreased 3.2% compared with the previous fiscal year to 39.2 billion yen. Currency translation accounted for a 0.0% decrease and sales decreased 3.2% on a like-for-like basis (breakdown of the decrease: 4.6% decrease by volume, 1.4% increase by price.) However, if the impact of the transfer of the beverage business conducted in August 2024 is also excluded, sales increased 1.5% on a like-for-like basis.

Sales of commercial-use hygiene products increased. Although growth of products for the medical and nursing sectors remained unchanged from the previous fiscal year due to the impact of price competition, demand continued to rise for kitchen cleaning agents and guest room amenities in the food service, lodging, and leisure sectors due to firm market conditions.

Operating income decreased 3.0 billion yen compared with the previous fiscal year to 2.3 billion yen. However, excluding the impact of the transfer of the beverage business conducted in August 2024, operating income increased 3.4 billion yen.

### *Chemical Business*

Sales increased 7.2% compared with the previous fiscal year to 451.5 billion yen. Currency translation accounted for a 0.3% increase and sales increased 6.9% on a like-for-like basis (breakdown of the increase: 3.2% decrease by volume, 10.1% increase by price).

In oleo chemicals, although differences in demand emerged in each region, sales increased due to the substantial contribution from selling price adjustments implemented in response to rising prices for fat and oil raw materials.

In performance chemicals, despite a slump in the automobile-related sector and other target markets, sales were on par with the previous fiscal year, due in part to the contribution from the effects of selling price adjustments.

In information materials, sales grew as a result of steadily capturing ongoing firm demand in the semiconductor-related, hard disk, and other target sectors.

Operating income decreased 5.5 billion yen compared with the previous fiscal year to 30.2 billion yen due to the impact of fluctuations in raw material prices, among other factors, in addition to a decline in demand in some target sectors.

(2) Analysis of Financial Position  
Consolidated Financial Position

(Billions of yen, unless otherwise noted)

	December 31, 2024	December 31, 2025	Incr./(Dcr.)
Total assets	1,867.2	1,875.1	7.8
Total liabilities	768.4	780.4	12.0
Total equity	1,098.8	1,094.7	(4.1)
Ratio of equity attributable to owners of the parent to total assets	57.1%	56.7%	—
Equity attributable to owners of the parent per share (Yen)	2,296.69	2,352.49	55.80
Bonds and borrowings	131.1	131.7	0.6

Total assets increased 7.8 billion yen from December 31, 2024, to 1,875.1 billion yen as of December 31, 2025. The principal increases in assets were a 19.8 billion yen increase in property, plant and equipment and a 17.7 billion yen increase in inventories. The principal decrease in assets was a 34.4 billion yen decrease in cash and cash equivalents.

Total liabilities increased 12.0 billion yen from December 31, 2024, to 780.4 billion yen. The principal increases in liabilities were a 12.1 billion yen increase in trade and other payables and a 10.8 billion yen increase in income tax payables.

Total equity decreased 4.1 billion yen from December 31, 2024, to 1,094.7 billion yen. The principal increases in equity were net income totaling 120.6 billion yen and exchange differences on translation of foreign operations totaling 26.5 billion yen. The principal decreases in equity were purchases of treasury shares for a total of 80.0 billion yen pursuant to a resolution of the Board of Directors at a meeting held on August 6, 2025, and dividends totaling 72.7 billion yen. In addition, the Company retired 12,300,000 treasury shares on December 26, 2025.

The ratio of equity attributable to owners of the parent to total assets was 56.7% compared with 57.1% at December 31, 2024.

Return on equity (ROE) was 11.3%.

(3) Analysis of Cash Flow  
Consolidated Cash Flows

(Billions of yen)

	2024	2025	Incr./(Dcr.)
Net cash flows from operating activities	201.6	199.7	(1.9)
Net cash flows from investing activities	(45.9)	(69.8)	(23.9)
Free cash flows (operating + investing activities)	155.7	129.9	(25.8)
Net cash flows from financing activities	(104.6)	(175.1)	(70.6)

Net cash flows from operating activities totaled 199.7 billion yen. The principal increases in net cash were income before income taxes of 169.8 billion yen and depreciation and amortization of 85.8 billion yen. The principal decreases in net cash were 31.0 billion yen in income taxes paid and a 10.1 billion yen increase in inventories.

Net cash flows from investing activities totaled negative 69.8 billion yen. This mainly consisted of 61.2 billion yen for purchase of property, plant and equipment. Free cash flow, which is the total of net cash flows from operating activities and net cash flows from investing activities, was 129.9 billion yen.

Net cash flows from financing activities totaled negative 175.1 billion yen. The Company emphasizes steady and continuous dividends and flexibly repurchases and retires treasury shares to improve capital efficiency from the perspective of EVA and ROIC. During fiscal 2025, this primarily consisted of purchases of treasury shares for a total of 80.0 billion yen pursuant to a resolution of the Board of Directors at a meeting held on August 6, 2025, 72.8 billion yen for dividends paid to owners of the parent and non-controlling interests, and 22.3 billion yen in repayments of lease liabilities.

The balance of cash and cash equivalents at December 31, 2025 decreased 34.4 billion yen compared with December 31, 2024 to 323.3 billion yen, including the effect of exchange rate changes.

(4) Significant Accounting Estimates and Assumptions Used for the Estimates

The Company's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS Accounting Standards") issued by the International Accounting Standards Board, as permitted by the provision of Article 312 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Order of the Ministry of Finance of Japan No. 28 of 1976; the "Regulation on Consolidated Financial Statements"), as they satisfy the requirements for an "IFRS Specified Company" in Article 1-2 of the same regulation. The significant accounting policies and estimates adopted to prepare the consolidated financial statements are as described in "V. Financial Information, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements Notes to Consolidated Financial Statements, 3. Material Accounting Policies" and "4. Significant Accounting Estimates and Judgments."

(5) Analysis of Equity Resources and Liquidity of Funds

The planned amount of significant capital expenditures, including right-of-use assets, in fiscal 2026 is approximately 91.0 billion yen. We intend to effectively use funds available mainly within the Kao Group. The planned capital expenditures are as described in "III. Information about Facilities, 3 Planned Addition, Retirement and Other Changes of Facilities."

(6) Results of Production, Orders Received and Sales

The Kao Group's production and sales items are extremely diverse, ranging from chemical products for industries to consumer products for the general public, and primarily manufactures these products on a forecast basis to maintain the inventory of these products at almost certain required levels. Therefore, the results of production are similar to those of sales. The results of production and sales are as described in "(1) Analysis of Operating Results."

(7) Factors That Have a Significant Impact on Operating Results

Factors that have a significant impact on operating results are as described in "3 Business Risks and Other Risks."

(8) Objective Indicators to Assess the Status of Achievement of Management Policies, Strategies and Targets

Objective indicators to assess the status of achievement of management policies, strategies and targets are as described in "1 Management Policies, Management Environment and Issues to be Solved," and the status of achievement of them is as described in "(1) Analysis of Operating Results."

## 5. Material Contracts

### Joint venture agreements

Country	Counterparty	Name of joint venture	Shareholding ratio* <sup>1</sup>	Date of contract
Malaysia	IOI Oleochemical Industries Berhad	Fatty Chemical (Malaysia) Sdn. Bhd.	70.0% * <sup>2</sup>	February 29, 1988
Indonesia	PT Rodamas	PT Kao Indonesia	50.01%	August 29, 1994

\*1. Shareholding ratio is as of the end of fiscal 2025.

\*2. The shareholding ratio is indirect. Kao Singapore Private Limited (fully invested by the Company) invested in Fatty Chemical (Malaysia) Sdn. Bhd.

## 6. Research and Development Activities

With our mission to realize a sustainable Kirei World in which all life forms live in harmony, we aim to contribute to people, society and the planet as a company that protects future lives. Our R&D works to develop innovative products and technologies that will create new value and markets by deeply understanding the various cultures and needs of consumers in diverse countries and regions and combining them with our unique seeds.

As part of these initiatives, we further focused on the Skin Protection Business, which protects the skin from external stresses such as ultraviolet rays and hot environments and contributes to improving consumers' QOL (Quality of Life).

For UV care products, we developed *Bioré UV Aqua Rich Airy Hold Cream* based on a formulation design in which a close-fitting film containing UV protection agents forms uniformly on the skin. The sunscreen also focuses on the humid environment at the skin surface. Through formulation design that takes into account film behavior in response to changes in daily environmental conditions, we have achieved stable UV protection performance and a comfortable feel during daily use.

In addition, under a technological platform that precisely controls film behavior, we promoted formulation design aimed at achieving both high UV protection performance and a pleasant feel during use. These technological insights have also been utilized in the development of the *Bioré UV Aqua Rich* series for overseas markets.

For sweat care products, we advanced research to reduce humidity and temperature stress\* in hot environments and to enhance skin comfort, and applied the results to the development of products in the *Bioré Zero* series. By conducting a detailed analysis of sweat behavior on the skin surface, we are promoting the development of proprietary technologies that enable sweat to dry quickly. These research outcomes have also led to product development tailored to local living environments and usage conditions in overseas markets, and have been applied to *Bioré Breeze DEODORANT* in Indonesia.

Going forward, by integrating dermatological research with consumer understanding, we will continue to advance technologies in the Skin Protection field and promote product development that responds to global market needs, thereby contributing to people's healthy and comfortable lives.

Approximately 2,800 Kao Group employees are engaged in R&D activities.

The Kao Group's research and development expenses for fiscal 2025 amounted to 61.1 billion yen (3.6% of net sales) and the primary results are as follows:

\* Discomfort caused by sweat and stickiness

### Global Consumer Care Business

#### *Hygiene Living Care Business*

We are engaged in R&D in a wide range of fields to meet the diverse needs of people's lifestyles and values and to realize clean and secure living environments as well as provide products and services that enable everyone to live comfortably in their own way.

With the aim of further evolving our research and development capabilities in the fabric care and home care product categories and contributing to the realization of a sustainable society through co-creation with diverse stakeholders, we completed the construction of the "Lifestyle Innovation Center" at the Wakayama Office in December.

In the fabric care product category, we renewed and relaunched the laundry detergent *Attack Anti-bac EX* series. In addition to the antibacterial\*<sup>1</sup> performance that is a key feature of this series, *Attack Anti-bac EX* improves sebum cleaning power through the newly added yellowing removal ingredient, the first of its kind for Kao. *Attack Anti-bac EX for indoor drying* has been formulated to deliver deodorizing performance even when clothes are dried in close proximity\*<sup>2</sup> under high-humidity conditions.

We launched a new-format Laundry Scent Booster, *Humming Flair Aroma Beads*, from the fabric softener brand, *Humming Flair*. Through the "Fragrance Pocket Technology," in which the granules are specially processed, the product dissolves easily even in cold water and suppresses residue after washing. In addition, its clothing-care design contributes to the suppression of color fading during washing\*<sup>3</sup>.

In the home care product category, we launched *Cucute No-Scrubbing Foam Pack Spray* from the dishwashing detergent brand, *Cucute*. With an enzyme-power-in formulation, it delivers high cleaning performance, and through a spray design that covers all dishes in the sink with foam, it simplifies the conventional scrubbing process. As a result, it contributes to approximately a 30% reduction in dishwashing time\*<sup>4</sup> and approximately a 20% reduction in water usage during rinsing\*<sup>4</sup>.

Research and development expenses for this business segment amounted to 14.6 billion yen.

\*1 Does not suppress the growth of all bacteria

\*2 Refers to the environment surrounding laundry items immediately after hanging to dry

\*3 The effect may vary depending on the clothing

\*4 Compared with Kao's hand-washing products. Based on comparison under standard usage conditions, excluding pots and frying pans

### *Health Beauty Care Business*

We are engaged in R&D to achieve health, beauty, cleanliness, and hygiene through Essential Research and product propositions. Specifically, we conduct Essential Research to deeply understand the skin and hair of people around the world and to improve their quality of life by making the most of their inherent ability to maintain their health. In product propositions, we propose unique and high-value-added products based on innovative technology and quality.

In the skin care product category, we launched *Bioré The Body Revitalised Skin* from the *Bioré* brand. Formulated with Kao's proprietary sebum-selective cleansing ingredient\*<sup>1</sup>, it is designed to wash away unnecessary sebum while retaining the sebum necessary for skin moisture, thereby addressing "oily and dry skin"\*<sup>2</sup>, in which skin conditions differ by area.

In the hair care product category, we launched *MEMEME* as the third new brand under the Hair Care business transformation initiative. *MEMEME CRUSH GEL TREATMENT* adopts a gel formulation that breaks down when rubbed between your hands, making it easier to blend into the hair.

In the personal health product category, we launched two types, forehead/neck and foot, as part of the *MegRhythm carbonation*\*<sup>3</sup> patch series, a carbonated\*<sup>3</sup> gel pack, from the *MegRhythm* brand. The cooling carbonated\*<sup>3</sup> gel sheet adheres closely to the skin and enhances comfort during use.

Research and development expenses for this business segment amounted to 21.3 billion yen.

\*1 Sodium C16 Olefin Sulfonate

\*2 A skin condition in which oily and dry areas coexist

\*3 Foaming agent

### *Cosmetics Business*

We aim to create new value that is closely aligned with each individual's "beauty" and "individuality" by fusing the solid evidence from essential research, which deep-dives into the skin of people around the world, with beauty that appeals to the five senses based on sensitivity research.

In the category of counseling cosmetics, we launched *KANEBO CREAM IN DAY II* and *KANEBO CREAM IN NIGHT II* from the *KANEBO* brand. These products are formulated with *TAISHI™ Complex*\*<sup>1</sup>, a pseudo-functional component that mimics vernix caseosa, which protects the skin from dryness, and feature formulation and film designs tailored to the condition of the skin in the morning and at night.

We launched *est THE LOTION EX* and *est THE EMULSION EX* from the *est* brand as part of the basic line. Formulated with the proprietary ingredient *Ectbiosis*\*<sup>2</sup>, these products are designed with a focus on the moisture-retention function within the stratum corneum to maintain hydration even in dry environments. In addition, they contain a compound moisturizing ingredient that includes high-purity botanical extracts\*<sup>3</sup> refined through proprietary cultivation and extraction methods at the plant factory *SMART GARDEN*.

Research and development expenses for this business segment amounted to 11.4 billion yen.

\*1 Base ingredients: C10-40 Isoalkyl Acid Cholesterol Esters; Phytosteryl Macadamiate  
Moisturizers: Ceramide NG

\*2 Moisturizers: Ectoine; Diglycol Guanidine Succinate\*; Trehalose; Glycerin

\*For quasi-drug products: 2-(2-Hydroxyethoxy) ethylguanidine succinate

\*3 SG Anthemis Nobilis Flower Extract; SG Rosmarinus Officinalis (Rosemary) Leaf Extract

### *Business Connected Business*

In addition to responding to the advanced hygiene needs of professionals, we are promoting research that supports physical and mental health and contributes to the enhancement of people's wellness by providing highly precise solutions to each individual through the development of high-performance products and the utilization of monitoring technologies.

As a new brand that directly provides research knowledge in the healthcare field to consumers from both informational and product perspectives, we launched *Kao Life Care Lab.* and began offering the application *my Symmetry*, which analyzes postural distortion based on walking patterns. Going forward, we aim to create new value through the utilization of research knowledge.

In the BtoB hygiene-related product category, Kao Professional Services Company, Limited (KPS) launched the *Powerful Deodorant Strong* series nationwide for nursing care and medical facilities. In this series, in order to address issues specific to such facilities, including urine and fecal odors, proprietary fragrance technology\*<sup>1</sup> and odor prevention technologies\*<sup>2</sup>, \*<sup>3</sup> have been adopted to meet deodorization needs within facilities.

Research and development expenses for this business segment amounted to 1.3 billion yen.

\*1 A technology in which a proprietary fragrance that guards against urine and fecal odors reduces malodors and captures them, transforming them into a pleasant scent (Malodor Guard Harmoscent Technology)

\*2 Excludes *Powerful Deodorant Strong Deodorizing Air Freshener*

\*3 A technology in which a proprietary odor prevention ingredient acts on the cleaned surface to prevent the generation of urine odors (Urine Odor Blocker)

## Chemical Business

Based on the results of research and development in oleo science, surface science, polymer science, and related fields, we are working to create distinctive chemical products and solutions that contribute to the resolution of environmental and social issues through co-creation with customers and partners.

We have also worked to develop proprietary catalyst and process technologies for oleochemicals and tertiary amines in the product category of Oleo Chemicals.

In the product category of Performance Chemicals, we launched *LUNACLEAR*, an industrial removal agent capable of removing brown sludge derived from iron bacteria, thereby contributing to the reduction of workload in the infrastructure maintenance field. In addition, *STAYBRIGHT*, a room-temperature rust-preventive cleaning agent jointly developed with AISIN Corporation, was recognized for its CO<sub>2</sub> emission reduction effect and received the Minister of the Environment Award at the 52nd Environmental Awards\*.

In the product category of Information Materials, we offer the *CLEANTHROUGH* series of cleaning agents for electronic components, including flux cleaning agents and chemicals for semiconductors, providing cleaning solutions that address diverse manufacturing process needs. Going forward, based on our surface control and cleaning technologies, we will strengthen solution proposals in collaboration with partner companies to address various challenges.

Research and development expenses for this business segment amounted to 12.7 billion yen.

\* Co-hosted by the National Institute for Environmental Studies and The Nikkan Kogyo Shimbun, Ltd., and supported by the Ministry of the Environment.

### III. Information about Facilities

#### 1. Overview of Capital Expenditures

During fiscal 2025, the aggregate amount of capital expenditures, etc. was 101,038 million yen. The breakdown of capital expenditures by segment is as follows:

Name of segment	Amount (millions of yen)
Hygiene Living Care Business	32,258
Health Beauty Care Business	17,146
Cosmetics Business	13,404
Business Connected Business	1,321
Global Consumer Care Business	64,129
Chemical Business	30,492
Other	6,417
Total	101,038

Notes: 1. The amounts do not include consumption taxes, etc.

2. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets. The amount does not include increases in property, plant and equipment and right-of-use assets associated with provision for asset retirement obligations.

3. Investments that do not fall under any business segments are included in "Other."

In the Global Consumer Care Business, in addition to the reinforcement, streamlining, maintenance and upgrading of production and research facilities in each business, the Group restructured information systems. In the Hygiene Living Care Business, the Group reinforced both new and improved products, expanded its production capacity and took other measures in Japan and overseas. In addition, research facilities in the Fabric Care and Home Care fields were completed at the Wakayama Office.

In the Chemical Business, the Group expanded its production capacity mainly overseas through a range of measures, including the new construction of production facilities for tertiary amines in the United States to strengthen its stable supply system in the U.S. market. The Group also streamlined, maintained and upgraded facilities, restructured information systems, etc.

The Group globally and effectively used its capital to cover the necessary capital expenditures above.

## 2. Major Facilities

The major facilities of the Group as of the end of fiscal 2025 were as follows:

(1) The Company

As of December 31, 2025

Name of worksite (location)	Name of segment	Type of facilities	Carrying amount (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery and vehicles	Land (area in thousands of m <sup>2</sup> )	Other	Right-of-use assets (area in thousands of m <sup>2</sup> )	Total	
Wakayama Plant and Wakayama Research Laboratories (Wakayama-shi, Wakayama)	Hygiene Living Care Business Health Beauty Care Business Business Connected Business Chemical Business	Production facilities Research and development facilities	20,952	21,899	854 (603)	4,322	968	48,995	1,733 [236]
Tokyo Plant (Incubation Center Tokyo), Tokyo Research Laboratories and Sumida Office (Sumida-ku, Tokyo)	Health Beauty Care Business Cosmetics Business Business Connected Business Chemical Business	Production facilities Research and development facilities Other facilities	19,759	872	445 (44)	2,059	331	23,466	1,893 [310]
Sakata Plant (Sakata-shi, Yamagata)	Hygiene Living Care Business Health Beauty Care Business	Production facilities	5,620	4,989	931 (252)	592	1,326	13,458	210 [39]
Kawasaki Plant (Kawasaki-ku, Kawasaki-shi, Kanagawa)	Hygiene Living Care Business Health Beauty Care Business Business Connected Business	Production facilities	6,346	14,245	7,726 (101)	1,378	6,083	35,778	247 [33]
Tochigi Plant and Tochigi Research Laboratories (Ichikai-machi, Haga- gun, Tochigi)	Hygiene Living Care Business Chemical Business	Production facilities Research and development facilities	7,892	5,232	2,648 (276)	1,270	1,688 (32)	18,729	883 [89]
Kashima Plant (Kamisu-shi, Ibaraki)	Hygiene Living Care Business Business Connected Business Chemical Business	Production facilities	4,373	6,342	6,392 (354)	951	42	18,100	216 [35]
Toyohashi Plant (Toyohashi-shi, Aichi)	Hygiene Living Care Business Health Beauty Care Business Cosmetics Business	Production facilities	7,760	5,473	6,290 (314)	1,088	101	20,713	194 [11]
Ehime Plant (Kao Sanitary Products Ehime) (Saijo-shi, Ehime)	Hygiene Living Care Business	Production facilities	2,834	1,918	1,036 (53)	357	135	6,280	– [–]
Odawara Plant (Kao Cosmetic Products Odawara), Odawara Research Laboratories and Odawara Office (Odawara-shi, Kanagawa)	Cosmetics Business	Research and development facilities Production facilities	7,301	3,287	207 (3)	858	1,556	13,208	350 [18]
Kawasaki Logistics Center (Kawasaki-ku, Kawasaki-shi, Kanagawa)	Hygiene Living Care Business Health Beauty Care Business Business Connected Business	Logistics facilities	187	891	2,903 (27)	31	–	4,011	– [–]
Iwatsuki Logistics Center (Iwatsuki-ku, Saitama- shi, Saitama)	Hygiene Living Care Business Health Beauty Care Business Business Connected Business	Logistics facilities	239	767	1,529 (21)	29	480 (1)	3,044	– [–]

Name of worksite (location)	Name of segment	Type of facilities	Carrying amount (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery and vehicles	Land (area in thousands of m <sup>2</sup> )	Other	Right-of-use assets (area in thousands of m <sup>2</sup> )	Total	
Sakai Logistics Center (Nishi-ku, Sakai-shi, Osaka)	Hygiene Living Care Business Health Beauty Care Business Business Connected Business	Logistics facilities	162	709	1,931 (37)	48	357	3,206	- [-]
Atsugi Logistics Center (Aikawa-machi, Aikogun, Kanagawa)	Cosmetics Business	Logistics facilities	1,746	146	2,810 (33)	5	-	4,708	- [-]
Hachioji Logistics Center (Hachioji-shi, Tokyo)	Hygiene Living Care Business Health Beauty Care Business Business Connected Business	Logistics facilities	165	141	9,936 (31)	10	1,037	11,288	- [-]
Head Office (Chuo-ku, Tokyo)	Hygiene Living Care Business Health Beauty Care Business Cosmetics Business Business Connected Business Corporate (common)	Other facilities	1,616	16	- (-)	185	29,673	31,491	1,942 [217]

## (2) Domestic Subsidiaries

As of December 31, 2025

Company name	Name of worksite (location)	Name of segment	Type of facilities	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery and vehicles	Land (area in thousands of m <sup>2</sup> )	Other	Right-of-use assets (area in thousands of m <sup>2</sup> )	Total	
Kao Group Customer Marketing Co., Ltd.	Head Office (Chuo-ku, Tokyo)	Hygiene Living Care Business Health Beauty Care Business Cosmetics Business Business Connected Business	Sales facilities	351	-	4,220 (66)	5,178	2,680	12,429	4,925 [1,050]
Kanebo Cosmetics Inc.	Odawara Plant (Kao Cosmetic Products Odawara) (Odawara-shi, Kanagawa)	Cosmetics Business	Production facilities Other facilities	71	-	4,641 (62)	323	16	5,051	9 [42]

## (3) Overseas Subsidiaries

As of December 31, 2025

Company name	Name of worksite (location)	Name of segment	Type of facilities	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery and vehicles	Land (area in thousands of m <sup>2</sup> )	Other	Right-of-use assets (area in thousands of m <sup>2</sup> )	Total	
Kao Corporation Shanghai	Shanghai Plant (Shanghai)	Hygiene Living Care Business Health Beauty Care Business Cosmetics Business	Production facilities	-	4,507	- (-)	195	27	4,729	302 [-]

Company name	Name of worksite (location)	Name of segment	Type of facilities	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery and vehicles	Land (area in thousands of m <sup>2</sup> )	Other	Right-of-use assets (area in thousands of m <sup>2</sup> )	Total	
Kao (Shanghai) Chemical Industries Co., Ltd.	Shanghai Plant (Shanghai)	Chemical Business	Production facilities	3,630	3,910	— (—)	258	798 (83)	8,596	110 [—]
Kao (Taiwan) Corporation	Hsinchu Plant and Hsinchu Research Laboratories (Hsinchu County)	Hygiene Living Care Business Health Beauty Care Business Business Connected Business	Production facilities Research and development facilities	1,771	2,890	176 (58)	770	507	6,114	529 [4]
Pilipinas Kao, Inc.	Jasaan Plant (Misamis Oriental, Philippines)	Chemical Business	Production facilities	2,051	12,197	— (—)	1,137	98 (317)	15,483	197 [—]
Kao Industrial (Thailand) Co., Ltd.	Chonburi Plant (Chonburi, Thailand)	Hygiene Living Care Business Health Beauty Care Business Chemical Business	Production facilities Research and development facilities	2,312	5,262	1,517 (171)	1,326	1,429	11,846	1,023 [—]
Fatty Chemical (Malaysia) Sdn. Bhd.	Main Plant (Penang, Malaysia)	Chemical Business	Production facilities	2,934	5,619	— (—)	2,917	4,643 (118)	16,113	293 [—]
PT Kao Indonesia	Karawang Plant (Karawang, Indonesia)	Hygiene Living Care Business Health Beauty Care Business	Production facilities	6,937	7,961	4,277 (141)	715	1,995 (252)	21,885	1,640 [460]
PT Kao Indonesia Chemicals	Karawang Plant (Karawang, Indonesia)	Chemical Business	Production facilities	3,637	1,782	— (—)	139	681 (64)	6,239	256 [15]
Kao USA Inc.	Main Plant & Research Laboratories (Cincinnati, Ohio, U.S.)	Health Beauty Care Business Cosmetics Business	Production facilities Research and development facilities	4,313	3,074	1,164 (48)	2,303	4,751	15,605	895 [26]
Kao Chemicals Americas Corporation	Main Plant (High Point, North Carolina, U.S.)	Chemical Business	Production facilities Research and development facilities	1,247	919	3,561 (723)	35,451	25	41,203	166 [—]
Quimi-Kao S.A. de C.V.	Main Plant (Zapopan, Jalisco, Mexico)	Chemical Business	Production facilities	2,893	2,421	606 (60)	530	—	6,450	242 [—]
Kao Manufacturing Germany GmbH	Main Plant (Darmstadt, Germany)	Health Beauty Care Business	Production facilities	1,588	1,176	644 (50)	1,384	240 (27)	5,032	285 [5]
Kao Chemicals GmbH	Main Plant (Emmerich, Germany)	Chemical Business	Production facilities	6,700	3,264	228 (74)	469	429	11,090	203 [56]
Kao Corporation, S.A.	Olesa Plant (Barcelona, Spain)	Chemical Business	Production facilities	6,333	2,562	1,311 (264)	2,406	1,371	13,983	427 [24]

Notes: 1. The name of a representative worksite is presented for a company holding multiple worksites.

2. The land area is presented separately in ( ).

3. In the carrying amount section, "Other" refers to tools, furniture and fixtures and construction in progress under property, plant and equipment.

4. In the number of employees column, the number of temporary employees is presented separately in [ ].

5. Kao Chemicals Americas Corporation includes High Point Textile Auxiliaries LLC, Kao Specialties Americas LLC, and STAR (Delaware) Realty LLC, its subsidiaries, and HPC Realty, Inc., a subsidiary of Kao America Inc.

### 3. Planned Addition, Retirement and Other Changes of Facilities

The amount of planned capital expenditures (addition, expansion, etc.) of the Group (the Company and its consolidated subsidiaries) for the one-year period following fiscal 2025 will be approximately 91,000 million yen. The breakdown by business segment is as follows:

Name of segment	Planned capital investment (millions of yen)	Description and main purpose of investment
Hygiene Living Care Business	26,000	Streamlining, maintenance, update of facilities, etc., in addition to expansion of production capacity of each of the Kao Group's businesses in Japan and overseas
Health Beauty Care Business		
Cosmetics Business		
Business Connected Business		
Chemical Business	13,000	Streamlining, maintenance, update of facilities, etc., in addition to expansion of plant capacity in Japan and overseas
Corporate (common) and Other	34,000	R&D related investments, expansion, maintenance and update of logistics facilities, IT-related investments, etc.
	18,000	Right-of-use assets
Total	91,000	

Notes: 1. The amounts do not include consumption taxes, etc.

2. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.
3. There are no plans to dispose of or sell major facilities, excluding the disposal and sale of facilities for regular updating.
4. Most of the above planned investments will be financed using the Kao Group's internal funds.
5. Planned capital investments that are common to all business segments are included in "Corporate (common) and Other."

## IV. Information about Reporting Company

### 1. Company's Shares and Other Information

#### (1) Total Number of Shares and Issued Shares

##### 1) Total number of shares

As of December 31, 2025

Class	Total number of authorized shares (shares)
Ordinary shares	1,000,000,000
Total	1,000,000,000

##### 2) Issued shares

Class	Number of issued shares as of the end of the fiscal year (shares) (December 31, 2025)	Number of issued shares as of the filing date (shares) (March 25, 2026)	Name(s) of the financial instruments exchange(s) on which the Company is listed or of the authorized financial instruments firms association(s) where the Company is registered	Description
Ordinary shares	453,600,000	453,600,000	Tokyo Stock Exchange, Prime Market	These shares are standard shares of the Company with no restrictions on rights. The number of shares constituting one unit is 100 shares.
Total	453,600,000	453,600,000	—	—

#### (2) Subscription Rights to Shares

##### 1) Stock option plans

Not applicable

##### 2) Rights plans

Not applicable

##### 3) Subscription rights to shares for other uses

Not applicable

#### (3) Exercise of Moving Strike Convertible Bonds

Not applicable

## (4) Changes in Total Number of Issued Shares, Share Capital and Legal Capital Surplus

Date	Changes in total number of issued shares (thousands of shares)	Total number of shares issued and outstanding (thousands of shares)	Changes in share capital (millions of yen)	Balance of share capital (millions of yen)	Changes in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
December 31, 2021 (Note 1)	(7,000)	475,000	–	85,424	–	108,889
December 31, 2022 (Note 2)	(9,100)	465,900	–	85,424	–	108,889
December 31, 2023	–	465,900	–	85,424	–	108,889
December 31, 2024	–	465,900	–	85,424	–	108,889
December 31, 2025 (Note 3)	(12,300)	453,600	–	85,424	–	108,889

Notes: 1. Retirement of 7,000 thousand treasury shares on June 23, 2021

2. Retirement of 9,100 thousand treasury shares on September 28, 2022

3. Retirement of 12,300 thousand treasury shares on December 26, 2025

## (5) Shareholding by Shareholder Category

As of December 31, 2025

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Status of shares of less than one unit (shares)
	National and local governments	Financial institutions	Security companies	Other Japanese companies	Companies and individuals in foreign countries		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	1	167	48	1,115	941	592	128,706	131,570	–
Number of shares held (units)	9	1,535,780	252,718	212,862	1,881,198	1,587	641,270	4,525,424	1,057,600
Ratio of shares held (%)	0.00	33.94	5.58	4.70	41.57	0.04	14.17	100.00	–

Notes: 1. Of the 8,679 treasury shares, 86 units are included in “Individuals and others” and 79 shares are included in “Status of shares of less than one unit.”

2. The figures of “Other Japanese companies” include 57 units of shares in the name of Japan Securities Depository Center, Incorporated.

## (6) Status of Major Shareholders

As of December 31, 2025

Name / Company name	Address	Number of shares (thousands of shares)	Ratio of shares held to total number of issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1, Akasaka, Minato-ku, Tokyo	83,702	18.45
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	31,943	7.04
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	One Congress Street, Suite 1 Boston, MA U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	7,483	1.65
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	240 Greenwich Street, New York, New York 10286 U.S.A. (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	7,385	1.63
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo	6,997	1.54
Oasis Opportunities Fund One SPC - ECHO SP (Standing proxy: Goldman Sachs Japan Co., Ltd.)	PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands (Toranomom Hills Station Tower, Toranomom 2-6-1, Minato-ku, Tokyo)	6,879	1.52
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	6,748	1.49
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo (Akasaka Intercity AIR, 1-8-1, Akasaka, Minato-ku, Tokyo)	6,691	1.48
BBH (LUX) FOR FIDELITY FUNDS - GLOBAL DIVIDEND POOL (Standing proxy: MUFG Bank, Ltd.)	2A Rue Albert Borschette Luxembourg L-1246, Luxembourg (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	6,010	1.32
Oasis Japan Strategic Fund Ltd. (Standing proxy: Goldman Sachs Japan Co., Ltd.)	PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands (Toranomom Hills Station Tower, Toranomom 2-6-1, Minato-ku, Tokyo)	5,791	1.28
Total	—	169,629	37.40

Notes: 1. The number of shares in the list above may include the number of shares held in trusts or subject to share administration.

2. The large shareholdings report filed by Oasis Management Company Ltd. on December 10, 2024, which is open to the public, stating that they held shares of the Company as shown below as of December 5, 2024. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares as of December 31, 2025.

Name	Number of shares (thousands of shares)	Shareholding ratio (%)
Oasis Management Company Ltd.	24,347	5.23

Also, in the amendment to the large shareholdings report filed by Oasis Management Company Ltd. on February 6, 2026, which is open to the public, it is stated that the number of shares of the Company they held as of January 30, 2026 increased to 30,127 thousand shares which is 6.64% to the total number of outstanding shares.

3. The amendment to the large shareholdings report filed by BlackRock Japan Co., Ltd. and 9 other persons on August 5, 2025, which is open to the public, it is stated that they held shares of the Company as shown below as of July 31, 2025. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares as of December 31, 2025.

Name	Number of shares (thousands of shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd. and 9 other persons	37,549	8.06

4. The amendment to the large shareholdings report filed by Sumitomo Mitsui Trust Asset Management Co., Ltd. and another person on September 19, 2025, which is open to the public, stating that they held shares of the Company as shown below as of September 15, 2025. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares as of December 31, 2025.

Name	Number of shares (thousands of shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd. and another person	30,808	6.61

5. The amendment to the large shareholdings report filed by JPMorgan Asset Management (Japan) Limited. and 7 other persons on November 19, 2025, which is open to the public, stating that they held shares of the Company as shown below as of November 14, 2025. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares as of December 31, 2025.

Name	Number of shares (thousands of shares)	Shareholding ratio (%)
JPMorgan Asset Management (Japan) Ltd. and 7 other persons	20,280	4.35

6. The amendment to the large shareholdings report filed by Nomura Asset Management Co., Ltd. and another person on December 2, 2025, which is open to the public, stating that they held shares of the Company as shown below as of November 28, 2025. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares as of December 31, 2025.

Name	Number of shares (thousands of shares)	Shareholding ratio (%)
Nomura Asset Management Co., Ltd. and another person	28,363	6.09

7. The large shareholdings report filed by Mitsubishi UFJ Trust and Banking Corporation and 2 other persons on January 9, 2026, which is open to the public, stating that they held shares of the Company as shown below as of December 29, 2025. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares as of December 31, 2025.

Name	Number of shares (thousands of shares)	Shareholding ratio (%)
Mitsubishi UFJ Trust and Banking Corporation and 2 other persons	23,226	5.12

## (7) Voting Rights

## 1) Issued shares

As of December 31, 2025

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	–	–	–
Shares with limited voting rights (treasury shares, etc.)	–	–	–
Shares with limited voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Ordinary shares 8,600	–	The description of the ordinary shares is as provided in (1) Total Number of Shares and Issued Shares, 2) Issued shares, “Description” above.
Shares with full voting rights (others) (Note)	Ordinary shares 452,533,800	4,525,338	Same as above
Shares of less than one unit	Ordinary shares 1,057,600	–	Same as above
Total number of issued shares	453,600,000	–	–
Total number of voting rights	–	4,525,338	–

Note: The figure of “Number of shares” for “Shares with full voting rights (others)” includes 701,305 shares (7,013 voting rights) of the Company held by the Board Incentive Plan (BIP) Trust account and 5,700 shares (57 voting rights) in the name of Japan Securities Depository Center, Incorporated.

## 2) Treasury shares, etc.

As of December 31, 2025

Shareholder name	Shareholder address	Number of shares held in own name (shares) (Note)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Ratio of shares held to total number of issued shares (%)
Kao Corporation	14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo	8,600	–	8,600	0.00
Total	–	8,600	–	8,600	0.00

Note: The figures of “Number of shares held in own name” do not include shares of the Company held by the BIP Trust account.

## (8) Stock Ownership Plans for Directors, Audit &amp; Supervisory Board Members, Executive Officers and Employees

(Performance-based share incentive plan for Directors, excluding Outside Directors and Executive Officers of the Company)

The Company has introduced a performance-based share incentive plan for its Directors (excluding Outside Directors) and its Executive Officers who satisfy the beneficiary requirements (hereinafter, the “Plan”) with the aim of boosting awareness of contributing to improvements in the Company’s performance and corporate value over the mid- to long-term.

Under the Plan, trust money of up to 4,640 million 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 four fiscal years from fiscal 2024 to fiscal 2027), and the Company’s shares are acquired through a trust and are then vested, etc., through the trust, mainly based on the degree of achievement of performance targets set forth in the mid-term plan.

The Company has not allocated any stock options as remuneration since fiscal 2017.

- \* The Company has submitted, as a proposal (matter to be resolved) at the Annual General Meeting of Shareholders, the “Partial Revision of the Terms and Conditions of Performance Shares, etc. for Directors, etc.” Subject to the adoption of this proposal, the remuneration of Outside Directors will be revised from fiscal 2026 to consist of a fixed monthly remuneration and non-performance-based share incentive plan as long-term incentive compensation.

## 2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.

Acquisition of ordinary shares under Article 155, Item 3 and Article 155, Item 7 of the Companies Act

### (1) Acquisition by Resolution of Shareholders Meeting

Not applicable

### (2) Acquisition by Resolution of Board of Directors Meeting

Acquisition of ordinary shares under Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 thereof

Category	Number of shares (shares)	Total amount (yen)
Status of the resolution adopted at the Board of Directors meeting held on August 6, 2025 (Acquisition Period: August 7, 2025 to January 30, 2026)	15,000,000 (maximum)	80,000,000,000 (maximum)
Treasury shares acquired before the current fiscal year	–	–
Treasury shares acquired during the fiscal year ended December 31, 2025	12,217,500	79,999,652,200
Total number and aggregate amount of shares subject to the remaining resolution	2,782,500	347,800
Unexercised ratio as of the end of the fiscal year ended December 31, 2025 (%)	18.6	0.0
Treasury shares acquired during the subsequent period (Note)	–	–
Unexercised ratio as of the filing date (%)	–	–

Note: The subsequent period refers to the period from the day following the end of the fiscal year ended December 31, 2025 to the filing date of this Annual Securities Report.

### (3) Acquisition Not Based on Resolution of Shareholders Meeting or Board of Directors Meeting

Category	Number of shares (shares)	Total amount (yen)
Treasury shares acquired during the fiscal year ended December 31, 2025	2,112	13,685,080
Treasury shares acquired during the subsequent period (Note)	309	1,985,348

Note: The subsequent period refers to the period from the day following the end of the fiscal year ended December 31, 2025 to the filing date of this Annual Securities Report. However, the number of treasury shares acquired during the subsequent period does not include shares of less than one unit purchased from March 1, 2026 to the filing date of this Annual Securities Report.

(4) Disposal of Acquired Treasury Shares and Number of Treasury Shares Held

Category	Fiscal year ended December 31, 2025		Subsequent period (Note 1)	
	Number of shares (shares)	Total amount disposed (yen)	Number of shares (shares)	Total amount disposed (yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were retired	12,300,000	80,454,300,000	–	–
Acquired treasury shares that were transferred due to merger, share exchange, share delivery or company split	–	–	–	–
Other				
(Exercise of stock options)	–	–	–	–
(Sale of shares of less than one unit)	201	1,115,273	112	680,736
Number of treasury shares held (Note 2)	8,679	–	8,876	–

Notes: 1. The subsequent period refers to the period from the day following the end of the fiscal year ended December 31, 2025 to the filing date of this Annual Securities Report. However, the disposal of acquired treasury shares and the number of treasury shares held during the subsequent period do not include shares of less than one unit sold or purchased from March 1, 2026 to the filing date of this Annual Securities Report.

2. The figures of “Number of treasury shares held” do not include shares of the Company held by the BIP Trust account.

### 3. Dividend Policy

The Kao Group uses EVA and ROIC as its principal management metrics and clearly sets the use of its steadily generated cash flow as shown below from those viewpoints. Shareholder returns are one such use, and they are implemented after considering future demand for funds and the situation in financial markets.

Use of cash flow:

- Capital investment\*<sup>1</sup> for future development
- Strategic investment including M&A\*<sup>2</sup> (including acquisition of treasury shares)
- Steady and continuous dividend increases

\*1. In addition to renewal investment, includes investment contributing to the maintenance and strengthening of the business foundation, capacity expansion, DX, and other initiatives that enhance future competitiveness. Includes expenditures for repayment of lease liabilities.

\*2. Measures aimed at strengthening and transforming the business portfolio and acquiring non-continuous growth opportunities

In accordance with these policies, the Company plans to pay a year-end dividend for the fiscal year ended December 31, 2025 of 77.00 yen per share, an increase of 1 yen per share compared with the previous fiscal year.

As a result, annual cash dividends increased 2 yen per share compared with the previous fiscal year, resulting in a total of 154 yen per share. The consolidated payout ratio was 59.2%.

The Company's basic policy is to distribute the retained earnings twice a year as an interim dividend and a year-end dividend. The decision-making bodies of these distributions of retained earnings are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend. The Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, make a payment of interim dividends, with the record date of interim dividends being June 30 of each year.

The distribution of retained earnings for the fiscal year ended December 31, 2025 were as follows:

Date of resolution	Total dividends (millions of yen)	Dividends per share (yen)
Board of Directors meeting held on August 6, 2025	35,867	77
120th Annual General Meeting of Shareholders to be held on March 26, 2026 (planned)	34,927	77

## 4. Corporate Governance

### (1) Overview of Corporate Governance

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. 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.

#### 1) Corporate governance structure

##### a. Overview of 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. As of the filing date of the Annual Securities Report (March 25, 2026), the Company has: nine (9) Directors, including five (5) Outside Directors; five (5) Audit & Supervisory Board Members, including three (3) Outside Audit & Supervisory Board Members; and 29 Executive Officers (including Executive Officers concurrently serving on the Board of Directors). 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.

15 meetings, including an extraordinary meeting, of the Board of Directors were held during the fiscal year ended December 31, 2025. The attendance rates of all Outside Directors and all Outside Audit & Supervisory Board Members at their meetings as of December 31, 2025 were both 100%. To allow for active discussions at meetings of the Board of Directors, materials on matters such as the background, purposes, and content of the respective agenda items of the Board of Directors meetings are distributed to Outside Directors and Outside Audit & Supervisory Board Members prior to the meeting, and sufficient explanations are provided by the Board of Directors Secretariat and other relevant staff as necessary.

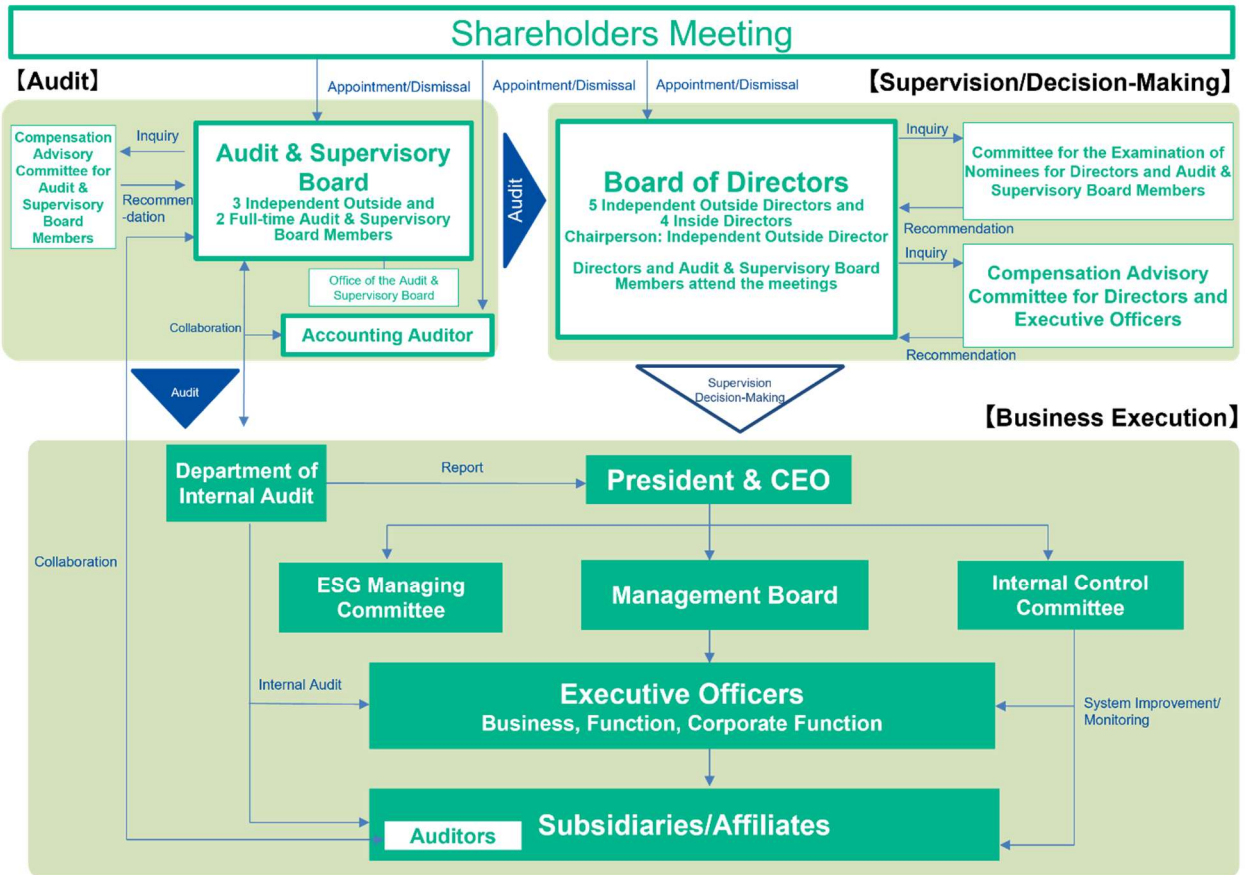
The Company has established the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers which fulfill functions similar to the nominating committee and compensation committee of a “Company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

The activities of individual committees are described in “5) Activities of the Board of Directors, Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, Compensation Advisory Committee for Directors and Executive Officers, and Compensation Advisory Committee for Audit & Supervisory Board Members.”

##### b. Reasons for adopting a corporate governance structure

The Company has made continuous efforts to improve its corporate governance structure in order to respond to 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 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 that consists of four (4) Inside Directors and five (5) Outside Directors and the Audit & Supervisory Board that consists of two (2) Full-time Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members.

The following is a diagram of our system of business execution and management oversight, our internal control system, and our risk management system.



As of the filing date of Annual Securities Report (March 25, 2026), members of the Board of Directors, Audit & Supervisory Board, and Voluntary Committees and the Chairpersons are as follows:

(As of March 25, 2026)

Title	Name	Board of Directors	Audit & Supervisory Board	Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee for Directors and Executive Officers	Compensation Advisory Committee for Audit & Supervisory Board Members
Representative Director	Yoshihiro Hasebe	✓			✓	✓
Representative Director	Masakazu Negoro	✓				
Representative Director	Toru Nishiguchi	✓				
Director	Lisa MacCallum	✓				
Outside Director	Osamu Shinobe	Chairperson		✓	Chairperson	✓
Outside Director	Eriko Sakurai	✓		Chairperson	✓	
Outside Director	Takaaki Nishii	✓		✓	✓	
Outside Director	Makoto Takashima	✓		✓	✓	
Outside Director	Sarah L. Casanova	✓		✓	✓	
Full-time Audit & Supervisory Board Member	Yasushi Wada	✓	Chairperson			
Full-time Audit & Supervisory Board Member	Mami Murata	✓	✓			
Outside Audit & Supervisory Board Member	Nobuhiro Oka	✓	✓	✓		✓
Outside Audit & Supervisory Board Member	Saeko Arai	✓	✓			Chairperson
Outside Audit & Supervisory Board Member	Junya Naito	✓	✓			✓

✓ = Attending member

In addition, the Company plans to submit, as agenda items (matters for resolution) at the Annual General Meeting of Shareholders, (i) the election of nine (9) Directors and (ii) the election of one (1) Audit & Supervisory Board Member. Subject to approval of the proposals at the Annual General Meeting of Shareholders, the management structure will consist of nine (9) Directors, including five (5) Outside Directors; five (5) Audit & Supervisory Board Members, including three (3) Outside Audit & Supervisory Board Members; and twenty-nine (29) Executive Officers (including Executive Officers concurrently serving as Directors). In addition, the members and chairpersons of the Company's Board of Directors, Audit & Supervisory Board, and voluntary committees are scheduled to be as set forth below, and this includes the content (titles, etc.) of matters to be resolved at the meeting of the Board of Directors scheduled to be held immediately after the Annual General Meeting of Shareholders.

(After the Annual General Meeting of Shareholders)

Title	Name	Board of Directors	Audit & Supervisory Board	Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee for Directors and Executive Officers	Compensation Advisory Committee for Audit & Supervisory Board Members
Representative Director	Yoshihiro Hasebe	✓			✓	
Representative Director	Masakazu Negoro	✓				
Representative Director	Toru Nishiguchi	✓				
Director	Lisa MacCallum	✓				
Outside Director	Eriko Sakurai	Chairperson		✓	✓	
Outside Director	Takaaki Nishii	✓		✓	Chairperson	
Outside Director	Makoto Takashima	✓		✓	✓	
Outside Director	Sarah L. Casanova	✓		Chairperson	✓	
Outside Director	Shinji Okuyama	✓		✓	✓	
Full-time Audit & Supervisory Board Member	Yasushi Wada	✓	Chairperson			
Full-time Audit & Supervisory Board Member	Mami Murata	✓	✓			
Outside Audit & Supervisory Board Member	Saeko Arai	✓	✓			Chairperson
Outside Audit & Supervisory Board Member	Junya Naito	✓	✓	✓		✓
Outside Audit & Supervisory Board Member	Shuji Tamaki	✓	✓			✓

✓ = Attending member

c. Other matters related to corporate governance

● Status of Internal Control System

The Company has established the Internal Control Committee (chaired by the Representative Director, President and Chief Executive Officer) as an operational form of the Management Board, which deliberates and decides on basic policies and operational plans for internal control, monitors the activities of related committees, and confirms the effectiveness of internal control activities. The following related committees have been established under the Internal Control Committee.

- Disclosure Committee
- Compliance Committee
- Information Security Committee
- Risk & Crisis Management Committee
- Responsible Care Promotion Committee
- Quality Management Committee

● Status of Risk and Crisis Management System

With regard to the risk of losses, the Kao Group regards the effect of uncertainty on the achievement of management targets and the execution of business activities as risks, and has established systems to appropriately manage the “risks” of such threats and “crisis,” a situation where the risks are manifested. The Risk and Crisis Management Committee, chaired by the Executive Officer in charge of risk and crisis management, has established a system and activity guideline for risk and crisis management based on the Risk and Crisis Management Policy. Divisions, subsidiaries and affiliates manage risks by identifying and assessing risks, and formulating and implementing countermeasures based on this activity guideline.

After deliberation by the Risk and Crisis Management Committee and the Management Board, the Kao Group has selected particularly significant main risks that could have a negative impact on its sustained profitable growth and contribution to the sustainability of society. Among these main risks, the Kao Group defines risks that would have a major impact on management and require an enhanced response as “corporate risks.” Once a year, the Management Board decides upon risk themes and risk owners (responsible persons: Executive Officer) based on its analyses of internal and external risks as well as interviews with management. Each risk owner establishes a countermeasure team to conduct reviews, and the Risk and Crisis Management Committee manages progress.

Meanwhile, in a crisis, an Emergency Response Team Organization is established under the initiative of a responsible risk owner for corporate risks and of a responsible division, subsidiary, or affiliate for other risks. In addition, depending on the magnitude of the impact of the crisis on the Kao Group as a whole, the Group works to minimize physical damage and financial losses by establishing a countermeasures headquarters with a Representative Director, President and Chief Executive Officer or another person as its general manager, and by responding to the crisis promptly and appropriately.

Risk and crisis management activities are reviewed by the Management Board on a regular and timely basis, and approved by the Board of Directors.

- Overview of Internal Control System Operation

Based on the “Policy Regarding the Development of the Internal Control Systems,” 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>

The Compliance Committee, chaired by the Managing Executive Officer responsible for compliance, promotes and facilitates initiatives, 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, the Company has implemented a thorough system to immediately report to the senior management or Audit & Supervisory Board Members. For all reported/consulted incidents, we confirm and assess how these incidents have been addressed, while taking into account the evaluation and suggestions, from a third-party perspective, of an outside attorney who attends the monthly Compliance Committee Secretariat Meeting as an advisor. For incidents that require special attention, we identify the incidents that could constitute material compliance violations and conduct a root cause analysis. We then implement countermeasures against these incidents in cooperation with the departments in which such potential compliance violations took place in a bid to prevent their recurrence. The Compliance Committee, which is convened quarterly, confirms the status of countermeasures taken by the departments in which the incidents took place or the departments that are principally in charge of the issues involved, to reduce the risk of similar incidents taking place in any other departments.
- The Compliance Hotline is put in place both outside (lawyers) and inside the Company. During the current fiscal year, we received 472 reports and consultations. For all reported and consulted incidents, we conducted fact-finding investigations into the incidents where investigations were requested, and resolved each incident one by one, while implementing necessary measures based on the awareness that there are issues that we should address to improve a workplace climate as the Company. We have also worked to foster an “open corporate climate” that makes it easier for people both inside and outside the Company to voice their opinions, thereby preventing the spread and prolongation of compliance violations.
- In an effort to prevent compliance violations, the Company issued a top message conveying zero tolerance for any human rights violations or harassment and its commitment to protecting employees, and the Chairperson of the Compliance Committee posted message posters emphasizing the importance of mutual respect. Further, a BCG verification test and compliance awareness survey were conducted on all global Kao Group employees (excluding temporary and part-time employees). In addition, the Company provides enlightening information on compliance case studies via the Kao Group’s intranet.
- 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 2025 include: (i) implementing a process to verify, after a certain period of time, whether the measures implemented by the department that experienced the compliance violation, following its root-cause analysis, have been effective, (ii) sharing the information about reported/consulted incidents, communicating the lessons learned from these incidents, and implementing activities to encourage the exchange of opinions among the employees within an organization so they can recognize the differences in opinions with others, (iii) creating and putting up posters themed on compliance in multiple languages as an effort to keep all employees informed of compliance information issued by the Company, and (iv) continuing to conduct self-evaluation on compliance activities to identify issues and consider measures to be taken to improve the situation in the future.

<Efforts Concerning Risk and Crisis Management>

By defining risks that have a particularly large impact on management and require enhanced responses as “corporate risks,” we have determined the themes and owners of such risks (those responsible for addressing these themes: Executive Officers) at the Management Board. Specifically, in 2025, the Company worked to strengthen measures against corporate risks, including major earthquakes, natural disasters, and BCP; geopolitical risks; cyber-attacks; social issues; serious quality issues; reputation risks; and pandemic responses.

In addition, with respect to significant risks that could impede the achievement of the Mid-term Plan “K27,” the Company conducted risk surveys targeting divisions and domestic and overseas subsidiaries, as well as interviews with Members of Senior Management, to identify key risks related to the *Global Sharp Top* strategy. Based on these identified key risks and existing response frameworks, the Company determined the corporate risk themes and promotion structure for 2026.

Furthermore, the Company conducted a company-wide emergency response drill aimed at ensuring the independence of emergency response organizations in western Japan, centered in Wakayama, based on the assumption that, in the event of a major earthquake directly beneath the Tokyo metropolitan area, emergency response organizations headquartered in Tokyo would be unable to function for the long term. The Company continues to address issues identified through this drill.

<Efforts Concerning Subsidiary Management>

The executive officers in charge provide 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 that 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 from each department responsible for internal control and by conducting site visits by Internal Audit.

Regarding important matters of subsidiaries, agenda items were submitted and reports were made from subsidiaries to the Company whenever necessary, in accordance with the Subsidiary Management rules, known as the “Policy Manual,” that set forth matters for which the subsidiaries should obtain prior approval from or report to the Company. In view of the ongoing strengthening of the outside Japan business, the Company has further clarified relevant regulations and reorganized roles to enhance the effectiveness of subsidiary management. Based on the Policy Manual, all matters pointed out by 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.

d. Summary of liability limitation agreements

Pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, the Company entered into an agreement with each Director (excluding those who are Executive Directors, etc.) and Audit & Supervisory Board Member to the effect that each of their liability under Article 423, Paragraph 1 of the Companies Act will be limited to the higher of: 10 million yen; or any amount prescribed by applicable laws and regulations.

e. Summary of directors and officers liability insurance in which nominees for Directors are the insured

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.

2) Requirements for resolution for election of Directors

The Company's Articles of Incorporation stipulate that the resolution for election of Directors requires an affirmative vote of a majority of votes of the shareholders present, who hold one-third (1/3) or more of the total number of voting rights of all the shareholders with exercisable voting rights, at the General Meeting of Shareholders. The Articles of Incorporation also stipulate that cumulative voting shall not be used for the election of Directors.

3) Matters to be resolved at the General Meeting of Shareholders that may be resolved by the Board of Directors and reason thereof

a. Acquisition of own shares

The Company's Articles of Incorporation stipulate that the Company may acquire its own shares by resolution of the Board of Directors in order to promptly respond to changes in the business environment and other circumstances.

b. Limitation of liabilities of Directors and Audit & Supervisory Board Members

To allow Directors and Audit & Supervisory Board Members to fully demonstrate their expected roles, the Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, limit the liabilities of a Director (including a former Director) or an Audit & Supervisory Board Member (including a former Audit & Supervisory Board Member) in respect of his/her liabilities under Article 423, Paragraph 1 of the Companies Act; provided that such Director or Audit & Supervisory Board Member must have acted in good faith and without gross negligence in performing his/her duties and provided that such limitation of the liabilities will be in accordance with the parameters set forth in applicable laws and regulations.

c. Interim dividends

To enable flexible return of profits to shareholders, the Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, make a payment of interim dividends pursuant to the provisions of Article 454, Paragraph 5 of the Companies Act, with the record date of interim dividends being June 30 of each year.

4) Requirements for special resolution of the General Meeting of Shareholders

To further ensure that the will of shareholders who exercise their voting rights is reflected in the resolutions for agenda items that require special resolution, the Company's Articles of Incorporation stipulate that the resolutions of the General Meeting of Shareholders set forth in Article 309, Paragraph 2 of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) or more of the shareholders present, who hold one-third (1/3) or more of the total number of voting rights of all the shareholders with exercisable voting rights.

5) Activities of the Board of Directors, Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, Compensation Advisory Committee for Directors and Executive Officers, and Compensation Advisory Committee for Audit & Supervisory Board Members

a. Activities of the Board of Directors

The activities of the Board of Directors in fiscal 2025 were as follows:

Title	Name	Attendance rate
Representative Director	Yoshihiro Hasebe	100% (15 out of 15 meetings)
Representative Director	Masakazu Negoro	100% (15 out of 15 meetings)
Representative Director	Toru Nishiguchi	100% (15 out of 15 meetings)
Director	Lisa MacCallum	100% (12 out of 12 meetings)
Outside Director	Osamu Shinobe	100% (15 out of 15 meetings)
Outside Director	Eriko Sakurai	100% (15 out of 15 meetings)
Outside Director	Takaaki Nishii	100% (15 out of 15 meetings)
Outside Director	Makoto Takashima	100% (15 out of 15 meetings)
Outside Director	Sarah L. Casanova	100% (12 out of 12 meetings)
Full-time Audit & Supervisory Board Member	Yasushi Wada	100% (15 out of 15 meetings)
Full-time Audit & Supervisory Board Member	Mami Murata	100% (12 out of 12 meetings)
Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (15 out of 15 meetings)
Outside Audit & Supervisory Board Member	Saeko Arai	100% (15 out of 15 meetings)
Outside Audit & Supervisory Board Member	Junya Naito	100% (12 out of 12 meetings)

Note: During fiscal 2025, the Board of Directors held 15 meetings. Since the appointment of Lisa MacCallum as Director, Sarah L. Casanova as Director, Mami Murata as Audit & Supervisory Board Member, and Junya Naito as Audit & Supervisory Board Member, the Board of Directors has held 12 meetings.

In fiscal 2025, the Board of Directors, in accordance with the Board of Directors' approach, focused its deliberations on the following points.

<How the Board of Directors should function>

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 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 to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.

■Monitoring of the progress of the Mid-term plan and issues

Through regular reporting on business-specific ROIC, the Board of Directors engages in discussions on business profitability from a medium- to long-term perspective. Ongoing discussions are held regarding challenged businesses and priority themes, with results being achieved particularly in the cosmetics business. In the overseas Global Consumer Care Business, efforts will continue to strengthen brands and develop markets in major overseas markets, focusing on cosmetics business and skin protection business, while also advancing reforms in challenge areas. In addition, the progress of "K27" is regularly monitored to increase the certainty of achieving its targets.

■Human capital strategy

Reports were provided on the results of the employee engagement survey, and discussions were held on future responses based on those results. The Board of Directors has also continued to deliberate on the progress and outcomes following the introduction of the OKR (Objectives and Key Results) human capital activation system, which encourages employee challenges, as well as the internal job posting system. It was confirmed that diverse challenges across the Group are increasing and expanding, and that further collaboration through dialogue is being promoted. In addition, reports were provided by the executive side on the framework for the selection and development of next-generation senior management, and the Board of Directors confirmed its progress.

■ Establishment and operation of internal control system

It was confirmed that the internal control system has been properly developed and is being operated. Discussions were also held on initiatives to further strengthen the system in support of global growth.

■ Holding of off-site meetings

Off-site meetings were held to further deepen discussions at Board of Directors meetings. Participants freely exchanged views on the current status and future direction of the overseas Global Consumer Care business, including businesses facing challenges, as well as on human capital development strategies and corporate branding strategies.

In addition to the above, directors who concurrently serve as executive officer report on execution and executive officers in charge report on matters deliberated by the Management Board.

Also, with an eye to enhancing its corporate value in a sustainable manner, the company aims to improve the functions of the Board of Directors by evaluating and analyzing the effectiveness of the Board as a whole, including through a self-assessment by each Director, and a disclosure with a summary of the results.

Since fiscal 2015, evaluations have been conducted once a year based on a survey of all Directors and Audit & Supervisory Board Members and discussions by the Board of Directors. In fiscal 2024 the Company introduced interviews with some Directors and an effectiveness evaluation of the Board by an external third party (scheduled once every three years) to continually enhance the depth and objectivity of the evaluation. In fiscal 2025, the Company conducted peer reviews (mutual evaluations) of Directors to confirm that each Director is fulfilling their expected role. The Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members (the “Committee for Examination of Nominees”) and the Compensation Advisory Committee for Directors and Executive Officers (the “Compensation Advisory Committee”) were evaluated at the same time.

The results of the effectiveness evaluation for fiscal 2025 are published below.

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

b. Activities of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members

To incorporate an independent and objective perspective, the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members consists of all Outside Directors and one (1) Outside Audit & Supervisory Board Member, with the chairperson chosen by the members, and in fiscal 2025 an Independent Outside Director held the position again. This committee maintains a high level of objectivity since all its members are independent. The Committee, given inquiry from the Board of Directors, first discusses the desirable composition (diversity, skills, ratio of outsiders, size, etc.) in light of the strategy and business environment. Subsequently, based on this framework, the committee will review candidates suitable for the next Board of Directors composition. For new candidates, the committee will review resumes and skill matrices, followed by interviews with the candidates. The Committee will then deliberate on whether the candidates can fulfill the expected roles and whether they possess the necessary experience, expertise, and engagement, before submitting its recommendations to the Board of Directors. The Board will ultimately decide on the Director candidates, respecting the recommendations of the Committee.

The Company has shortened the term of office for Directors to one year; therefore, all Director candidates, including those for reappointment, undergo a rigorous review every year. With respect to Inside Director candidates, evaluations are conducted by Outside Directors, and the results are reflected not only in compensation but also in the nomination process. With regard to nominees for Audit & Supervisory Board Members, the Audit & Supervisory Board, which includes three Independent Outside Audit & Supervisory Board Members as its members, examines the appropriateness and qualifications, etc. of each nominee, based on its independent and objective perspective and in accordance with the above-described policy and the policy of nominating nominees for Audit & Supervisory Board Members established by the Audit & Supervisory Board. Eventually, with the consent of the Audit & Supervisory Board, the Board of Directors determines such nominees as the nominees for Audit & Supervisory Board Members based on the opinions of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members.

The activities of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members in fiscal 2025 were as follows:

	Title	Name	Attendance rate
Chairperson	Outside Director	Eriko Sakurai	100% (7 out of 7 meetings)
Member	Outside Director	Osamu Shinobe	100% (7 out of 7 meetings)
Member	Outside Director	Takaaki Nishii	100% (7 out of 7 meetings)
Member	Outside Director	Makoto Takashima	85.7% (6 out of 7 meetings)
Member	Outside Director	Sarah L. Casanova	100% (6 out of 6 meetings)
Member	Outside Audit & Supervisory Board Member	Nobuhiro Oka	85.7% (6 out of 7 meetings)

Note: During fiscal 2025, the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members held 7 meetings. Since the appointment of Ms. Sarah L. Casanova, Outside Director, the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members has held 6 meetings.

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 the Committee

In fiscal 2025, in response to consultations from the Board of Directors, the committee deliberated on the approach to Board composition, the attributes required of Director candidates, the skills matrix, candidates for next-term Directors and Audit & Supervisory Board Members, and the President and CEO succession plan, and submitted its recommendations to the Board of Directors.

During the fiscal year, the committee concluded in particular that it was necessary to strengthen skills related to the overseas Global Consumer Care Business, as well as marketing utilizing IT and digital transformation (DX). Based on these considerations, the committee conducted rigorous examinations of candidates for Directors and Audit & Supervisory Board Members, including document reviews and interviews, and reported the results of such examinations to the Board of Directors. Regarding the President and CEO succession plan, lists of multiple successor candidates and the progress of their development plans were presented based on defined human capital requirements. Discussions were held on the alignment between future strategy and human capital requirements, further refinement of the succession process, and opportunities to increase engagement between the candidates and the Board of Directors.

(For Reference)

**Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors**

At Board of Directors meetings (attended by Directors and Audit & Supervisory Board Members), Directors provide broad direction regarding 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.

The Kao Group Mid-term Plan “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, 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 in accordance with the above strategies.

In addition to knowledge, experience and ability, the Company recognizes that 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 items of experience, knowledge, and expertise are reviewed annually by the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members in terms of their importance to the Company’s sustainable growth. Based on the skills matrix, the committee deliberates on the composition of the Board of Directors and candidates for the upcoming fiscal year.

The Company aims for a small Board of Directors to accelerate decision-making while also considering the balance between having diverse personnel required to conduct the proper deliberations and supervision of execution. It has also set the number of Outside Directors to comprise at least half of the Board of Directors and is considering increasing it to the majority to ensure its diversity and influence and emphasizes their independence. In addition, the Company aims to have a majority of Outside Audit & Supervisory Board Members who meet the Standards for Independence.

### **Policy on Nomination of Director and Audit & Supervisory Board Member Candidates**

In accordance with our approach to the balance, diversity, scale of the knowledge, experience, and capabilities of the Board of Directors, the Company will nominate appropriate Directors and Audit & Supervisory Board Members. It is necessary for Directors and Audit & Supervisory Board Members to secure sufficient time to perform their duties as Directors and Audit & Supervisory Board Members of the Company and the number of concurrent positions held by Directors and Audit & Supervisory Board Members in listed companies, excluding the Company, is limited to three, in principle. At the time of 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 most recent fiscal year. 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 capacity for stable management. In addition, to promote sharing of the knowledge and information obtained related to the Company's management and businesses from predecessor to successor, the Company sets staggered terms of office for Outside Directors and Outside Audit & Supervisory Board Members.

The human capital strategy, including the successor to the President and CEO, is regarded as one of the most critical management issues, and it has been discussed continuously at the Board of Directors meetings and at the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members.

Members of 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.

### **Succession plan**

- Approach to the succession plan

The Company considers its human capital strategy, including the succession of the President and Chief Executive Officer, to be one of its most critical management priorities, and conducts continuous discussions at meetings of the Board of Directors and the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members. With respect to Members of Senior Management, candidates are nominated with emphasis on experience and capabilities that enable them to exercise strong leadership and to execute swiftly and appropriately, based on an understanding of the business environment necessary for formulating management strategies, the Kao Group's business and management conditions in response thereto, and the management strategies determined by the Board of Directors.

- Succession Plan for the President and Chief Executive Officer

Taking into account the Company's management environment, the President and Chief Executive Officer formulates, from a medium- to long-term perspective, the required qualifications for the next President and Chief Executive Officer, and prepares a list of successor candidates who are considered likely to meet such requirements in the future. At the same time, development plans for the successor candidates are also prepared.

The President and Chief Executive Officer then proposes (i) Leadership and experience requirements, (ii) the list of candidates for succession, and (iii) the development plans (including progress status) to the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, where they are deliberated upon (including monitoring of progress).

The content and results of the committee's deliberations are reported to the Board of Directors.

Based on the committee's deliberations, the President and Chief Executive Officer revises the lists and plans as appropriate and implements the plans accordingly. The President and Chief Executive Officer reports on the status of implementation to the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members at least once a year, and the committee monitors such status.

Decisions regarding the dismissal of Directors and Audit & Supervisory Board Members are made in accordance with the provisions of the Companies Act. However, if circumstances arise that warrant the dismissal of Directors, Audit & Supervisory Board Members, or the President and CEO, the matter is deliberated in a timely manner by the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, and the Board of Directors deliberates on the matter, taking into consideration the Committee's deliberations.

With respect to Members of Senior Management, at the time of the examination of candidates for Directors, the positions and responsibilities of all candidates for Executive Officers are reported to the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, and they are subsequently appointed by the Board of Directors. If circumstances arise that warrant the dismissal of Members of Senior Management, the matter is deliberated in a timely manner by the Board of Directors.

c. Activities of the Compensation Advisory Committee for Directors and Executive Officers

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 the Company's Representative Director, President and CEO, and all of the Company's Outside Directors. The chairperson is elected by mutual vote, and again this fiscal year, an Outside Director served as chairperson.

The activities of the Compensation Advisory Committee for Directors and Executive Officers in fiscal 2025 were as follows:

	Title	Name	Attendance rate
Chairperson	Outside Director	Osamu Shinobe	100% (7 out of 7 meetings)
Member	Outside Director	Eriko Sakurai	100% (7 out of 7 meetings)
Member	Outside Director	Takaaki Nishii	100% (7 out of 7 meetings)
Member	Outside Director	Makoto Takashima	100% (7 out of 7 meetings)
Member	Outside Director	Sarah L. Casanova	100% (5 out of 5 meetings)
Member	Representative Director	Yoshihiro Hasebe	100% (7 out of 7 meetings)

Note: During fiscal 2025, the Compensation Advisory Committee for Directors and Executive Officers held 7 meetings.

Since the appointment of Ms. Sarah L. Casanova, Outside Director, the Compensation Advisory Committee for Directors and Executive Officers has held 5 meetings.

- Major topics discussed by the Committee members

In fiscal 2025, in response to consultations from the Board of Directors, the committee deliberated on the payment rate for STI for fiscal 2024, the fiscal 2024 review of the performance-based share remuneration plan under "K27," the Company's views on shareholder proposals submitted to the 119th Annual General Meeting of Shareholders, the appropriateness of executive compensation levels, and revisions to the compensation structure for Outside Directors and the cash compensation framework.

With respect to executive compensation amounts for fiscal 2026, after confirming market levels for executive compensation, the committee determined the content of its recommendations to the Board of Directors. In particular, regarding compensation for Outside Directors, the committee recommended to the Board of Directors that revisions to the compensation structure and the accompanying revision of the cash compensation framework were necessary.

d. Activities of the Compensation Advisory Committee for Audit & Supervisory Board Members

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. Also, after the Annual General Meeting of Shareholders, the committee is scheduled to be composed of all Outside Audit & Supervisory Board Members. The chairperson is elected from among the Outside Audit & Supervisory Board Members.

The activities of the Compensation Advisory Committee for Audit & Supervisory Board Members in fiscal 2025 were as follows:

	Title	Name	Attendance rate
Chairperson	Outside Audit & Supervisory Board Member	Saeko Arai	100% (1 out of 1 meeting)
Member	Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (1 out of 1 meeting)
Member	Outside Audit & Supervisory Board Member	Junya Naito	—
Member	Outside Director	Osamu Shinobe	100% (1 out of 1 meeting)
Member	Representative Director	Yoshihiro Hasebe	100% (1 out of 1 meeting)

Note: During fiscal 2025, the Compensation Advisory Committee for the Audit & Supervisory Board held 1 meeting. The meeting took place before the retirement of Outside Audit & Supervisory Board Member Mr. Hideki Amano, who served as its chairperson. The successor chairperson is Outside Audit & Supervisory Board Member Ms. Saeko Arai, and no committee meetings have been held since she assumed the position of chairperson nor since Outside Audit & Supervisory Board Member Mr. Junya Naito assumed.

- Major topics discussed by the Committee members

In fiscal 2025, at the request of the Audit & Supervisory Board, the Committee deliberated on the amount of compensation for Audit & Supervisory Board Members for fiscal 2025, confirmed the market level of such compensation, and determined the content of its report to the Audit & Supervisory Board.

(2) Directors and Audit & Supervisory Board Members

1) List of Directors and Audit & Supervisory Board Members

The status of Directors and Audit & Supervisory Board Members as of the filing date of the Annual Securities Report (March 25, 2026) is as follows.

Nine men and five women (The percentage of women among the total number of Directors and Audit & Supervisory Board Members is 35.7%)

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Representative Director, President and Chief Executive Officer	Yoshihiro Hasebe	July 30, 1960	Apr. 1990 Joined the Company Jul. 2003 Head of Laboratory 4, Research and Development – Performance Chemicals Research Mar. 2008 Head of Laboratory 1, Household Products Research, Research and Development -Fabric & Home Care Research Mar. 2011 Vice President, Research and Development - Beauty Research - Hair Beauty Research Jan. 2014 Vice President, Research and Development - Core Technology Mar. 2014 Executive Officer; Vice President, Research and Development, Global Mar. 2015 Senior Vice President, Research and Development, Global Jan. 2016 Managing Executive Officer Mar. 2016 Director Jan. 2018 Senior Managing Executive Officer; Responsible for Corporate Functions, Global Apr. 2018 Senior Vice President, Strategic Innovative Technology Mar. 2019 Representative Director(current) Jan. 2021 President and Chief Executive Officer (current) Jan. 2023 Responsible for DX Strategy	*1	20,500
Representative Director, Senior Managing Executive Officer; Responsible for Management Finance Unit	Masakazu Negoro	January 7, 1960	Apr. 1983 Joined the Company Mar. 1999 Business Manager, Oleo & Specialties, Kao Specialties Americas LLC Jul. 2003 Vice President, Oleo & Specialties, Kao Specialties Americas LLC Jul. 2005 Senior Manager, Business Planning, Chemical Business Jul. 2006 Vice President, Sales, Oleo Chemical Business, Chemical Business Apr. 2007 Vice President, Sales and Planning, Oleo Chemical Business, Chemical Business Jul. 2009 President, Oleo Chemical Business, Chemical Business Mar. 2013 Executive Officer; President, Chemical Division Unit; Chairperson of the Board of Directors, Pilipinas Kao, Inc.; Chairperson of the Board of Directors, Fatty Chemical (Malaysia) Sdn. Bhd.; Chairperson of the Board, Kao Chemicals Europe, S.L. Jan. 2019 Managing Executive Officer; Senior Vice President, Procurement, Global Jan. 2021 Responsible for Accounting and Finance Jan. 2022 Responsible for Management Strategy; Global Jan. 2023 Senior Managing Executive Officer (current); Responsible for Management Finance (Accounting and Finance, Business Structure Reforms, Procurement, Human Capital Strategy) Mar. 2023 Representative Director (current) Jan. 2025 Responsible for Management Finance Unit (current)	*1	14,500

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Representative Director, Senior Managing Executive Officer; Responsible for Global Consumer Care Business, Global	Toru Nishiguchi	November 18, 1961	<p>Apr. 1985 Joined the Company</p> <p>Mar. 2006 Manager, International Business, Consumer Products, Asia</p> <p>Nov. 2006 Senior Vice President, Market Division, Kao Commercial (Shanghai) Co., Ltd.</p> <p>May. 2007 Vice President; Vice President, Marketing, Kao Commercial (Shanghai) Co., Ltd.</p> <p>Jul. 2008 Vice President; Vice President, Marketing, Kao Commercial (Shanghai) Co., Ltd.</p> <p>Feb. 2014 President, Kao (Taiwan) Corporation</p> <p>Jan. 2017 Chairperson of the Board of Directors &amp; President, Kao (Taiwan) Corporation</p> <p>Jan. 2018 President, PT Kao Indonesia</p> <p>Jan. 2019 Vice President, Consumer Products, Asia</p> <p>Jan. 2020 Executive Officer; President, Consumer Products, Asia; Chairperson of the Board and President, Kao (China) Holding Co., Ltd.; Chairperson of the Board and President, Kao Corporation Shanghai; Chairperson of the Board, Kao Commercial (Shanghai) Co., Ltd.; Chairperson of the Board and President, Kao (Hefei) Co., Ltd.</p> <p>Jan. 2021 Managing Executive Officer; President, Consumer Products, Asia; Responsible for Consumer Products - Merries Business; Chairperson of the Board, Kanebo Cosmetics (China) Co., Ltd.</p> <p>Jan. 2023 Senior Managing Executive Officer(current) ; Vice President, Consumer Products, Global</p> <p>Mar. 2023 Director; Responsible for Consumer Products, Global; Responsible for Kao Professional Services Company, Limited</p> <p>Jan. 2024 President, Consumer Products - Life Care Business, Global</p> <p>Mar. 2024 Representative Director (current)</p> <p>Jan. 2025 Responsible for Global Consumer Care Business, Global (current) ; President, Global Consumer Care, Asia</p>	*1	18,600
Director, Corporate Executive Fellow (Responsible for Corporate Branding)	Lisa MacCallum	April 10, 1972	<p>Feb. 1998 Founding Executive, Business Breakthrough, Inc. (currently, Aoba-BBT, Inc.)</p> <p>Nov. 2001 USA Business Senior Executive, NIKE, Inc.</p> <p>Jun. 2006 Managing Director, Nike Foundation</p> <p>May. 2010 Vice President, NIKE, Inc.</p> <p>Aug. 2015 Founder and President, Inspired Companies Pty Ltd. (current)</p> <p>Jul. 2019 ESG External Advisory Board, the Company</p> <p>Sep. 2021 Corporate Executive Fellow</p> <p>Jan. 2025 Corporate Executive Fellow (Responsible for Corporate Branding) (current)</p> <p>Mar. 2025 Director, the Company (current)</p>	*1	-

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director	Osamu Shinobe	November 11, 1952	<p>Apr. 1976 Joined ALL NIPPON AIRWAYS CO., LTD. (currently, ANA HOLDINGS INC.)</p> <p>Jun. 2007 Member of the Board, ALL NIPPON AIRWAYS CO., LTD.</p> <p>Apr. 2009 Executive Vice President (jomu torishimariyaku), ALL NIPPON AIRWAYS CO., LTD.</p> <p>Jun. 2011 Executive Vice President (senmu torishimariyaku), ALL NIPPON AIRWAYS CO., LTD.</p> <p>Apr. 2012 Senior Executive Vice President, ALL NIPPON AIRWAYS CO., LTD.</p> <p>Apr. 2013 Member of the Board, ANA HOLDINGS INC. President and Chief Executive Officer, ALL NIPPON AIRWAYS CO., LTD.</p> <p>Apr. 2017 Member of the Board, Vice Chairman, ANA HOLDINGS INC.</p> <p>Mar. 2018 Director, the Company (current)</p> <p>Apr. 2019 Special Advisor, ANA HOLDINGS INC.</p> <p>Jul. 2025 EXECUTIVE ADVISOR, ANA HOLDINGS INC. (current)</p>	*1	3,700
Director	Eriko Sakurai	November 16, 1960	<p>Jun. 1987 Joined Dow Corning Corporation</p> <p>May. 2008 Director, Dow Corning Toray Co., Ltd.</p> <p>Mar. 2009 Chairman and CEO, Dow Corning Toray Co., Ltd.</p> <p>Jun. 2018 Chairman and CEO, Dow Toray Co., Ltd.</p> <p>Aug. 2020 President, Dow Chemical Japan Limited</p> <p>Mar. 2022 Director, the Company (current)</p>	*1	700
Director	Takaaki Nishii	December 27, 1959	<p>Apr. 1982 Joined Ajinomoto Co., Inc.</p> <p>Jun. 2013 Member of the Board &amp; Corporate Vice President, Ajinomoto Co., Inc.</p> <p>Aug. 2013 President, Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda.</p> <p>Jun. 2015 Representative Director, President &amp; Chief Executive Officer, Ajinomoto Co., Inc.</p> <p>Jun. 2021 Director, Representative Executive Officer, President &amp; CEO, Ajinomoto Co., Inc.</p> <p>Apr. 2022 Director, Executive Officer, Ajinomoto Co., Inc.</p> <p>Jun. 2022 Senior Corporate Advisor, Ajinomoto Co., Inc.</p> <p>Mar. 2023 Director, the Company (current)</p>	*1	4,000
Director	Makoto Takashima	March 31, 1958	<p>Apr. 1982 Joined Sumitomo Bank, Limited</p> <p>Apr. 2012 Managing Executive Officer, Head of Americas Division, Sumitomo Mitsui Banking Corporation (SMBC)</p> <p>Apr. 2014 Senior Managing Executive Officer, Co-Head of International Banking Unit (Europe, Americas), SMBC</p> <p>Apr. 2015 Senior Managing Executive Officer, Co-Head of International Banking Unit (Europe, Middle East and Africa, Americas), SMBC</p> <p>Dec. 2016 Director and Senior Managing Executive Officer, SMBC</p> <p>Apr. 2017 President and Chief Executive Officer, SMBC</p> <p>Jun. 2017 Director, Sumitomo Mitsui Financial Group, Inc. (SMFG)</p> <p>Apr. 2023 Chairman of the Board, SMBC</p> <p>Mar. 2024 Director, the Company (current)</p> <p>Jun. 2025 Chairman of the Board, SMFG (current)</p>	*1	-
Director	Sarah L. Casanova	April 6, 1965	<p>Jan. 1991 Joined McDonald's Restaurants of Canada, Ltd.</p> <p>Oct. 2004 Vice President, Marketing, McDonald's Company (Japan), Ltd.</p> <p>Apr. 2007 Senior Vice President, Business Development, McDonald's Company (Japan), Ltd.</p> <p>Jul. 2009 Managing Director, McDonald's Malaysia and Brunei</p> <p>Jun. 2012 Regional Manager, McDonald's Malaysia, Singapore and Brunei</p> <p>Aug. 2013 Representative Director, President and CEO, McDonald's Company (Japan), Ltd.</p> <p>Mar. 2014 Representative Director, President and CEO of McDonald's Holdings Company (Japan), Ltd.</p> <p>Mar. 2019 Representative Director, Chairman of the Board, McDonald's Company (Japan), Ltd.</p> <p>Mar. 2021 Representative Director, Chairman of the Board, McDonald's Holdings Company (Japan), Ltd.</p> <p>Mar. 2025 Director, the Company (current)</p>	*1	-

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Full-time Audit & Supervisory Board Member	Yasushi Wada	July 30, 1959	Apr. 1984 Joined the Company Mar. 2014 Executive Officer Mar. 2015 Vice President, Supply Chain Management - Demand and Supply Planning Center, Global Jan. 2019 Managing Executive Officer; Senior Vice President, Product Quality Management, Global Jan. 2021 Responsible for Legal and Compliance Jan. 2022 Responsible for Legal and Governance Jan. 2023 Fellow for Special Mission Mar. 2023 Full-time Audit & Supervisory Board Member, the Company (current)	*2	14,700
Full-time Audit & Supervisory Board Member	Mami Murata	June 16, 1965	Apr. 1991 Joined the Company Jan. 2015 Sofina Regional Brand Manager, Beauty Care - Cosmetics Business Unit - Sofina Business Jan. 2016 Vice President, Beauty Care - Cosmetics Business Unit - Sofina Business; Sofina est Brand Manager, Beauty Care - Cosmetics Business Unit - Sofina Business; Sofina Holistic Beauty Manager, Beauty Care - Cosmetics Business Unit -Sofina Business Jan. 2017 President, Beauty Care - Cosmetics Business Unit - Sofina Business; Sofina Asia Business Development Manager, Beauty Care - Cosmetics Business Unit - Sofina Business Jan. 2018 President, Consumer Products - Sofina Business Jan. 2019 Vice President, Consumer Products - Marketing Emergence, Global; Vice President, Consumer Products - Marketing Emergence - Brand Management Development, Global Jan. 2021 Executive Officer; Vice President, Corporate Strategy - Strategic Public Relations Center, Global Jan. 2023 Senior Vice President, Strategic Public Relations, Global; Vice President, Strategic Public Relations, Strategic Public Relations Center Jan. 2025 Fellow for Special Mission Mar. 2025 Full-time Audit & Supervisory Board Member, the Company (current)	*3	2,000
Audit & Supervisory Board Member	Nobuhiro Oka	April 5, 1963	Apr. 1993 Registered as an attorney-at-law, Joined Kajitani Law Offices Apr. 1997 Representative Partner, Takekawa and Oka Law Office Oct. 2004 Representative Partner, Takekawa, Oka and Yoshino Law Office Apr. 2012 Professor, Keio University Law School (current) Oct. 2013 Representative, Oka-Partners Law Office (current) Mar. 2014 Outside Audit & Supervisory Board Member, Kao Customer Marketing Co., Ltd. Jan. 2016 Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd. (current) Mar. 2018 Audit & Supervisory Board Member, the Company (current)	*4	6,000
Audit & Supervisory Board Member	Saeko Arai	February 6, 1964	Oct. 1987 Joined Arthur Andersen & Co. (currently, KPMG AZSA LLC) Aug. 1992 Registered as Certified Public Accountant (Reregistered in January 1997) Oct. 1993 Joined Sasaki Certified Public Accountants Office Apr. 1997 Joined Internet Research Institute, Inc. (IRI) Sep. 1998 Director, CFO, IRI Feb. 2000 Director and CFO, IRI USA, Inc. Nov. 2002 Director, President, Chief Executive Officer and Secretary, IRI USA, Inc. Nov. 2002 Established Gratia, Inc. (currently, Acuray, Inc.), and assumed the position of President (current) Mar. 2024 Audit & Supervisory Board Member, the Company (current)	*5	400
Audit & Supervisory Board Member	Junya Naito	August 22, 1964	Apr. 1991 Admitted to Japanese Bar; Joined Momo-o, Matsuo & Namba May. 1995 Graduated from Columbia University, Law School Sep. 1995 Weil, Gotshal & Manges LLP in New York Mar. 1996 Admitted to New York Bar Sep. 1997 Returned to Momo-o, Matsuo & Namba Jan. 1999 Partner, Momo-o, Matsuo & Namba (current) Mar. 2025 Audit & Supervisory Board Member, the Company (current)	*3	-
Total					85,100

Notes: 1. Mr. Shinobe, Ms. Sakurai, Mr. Nishii, Mr. Takashima and Ms. Casanova are Outside Directors.

2. Mr. Oka, Ms. Arai and Mr. Naito are Outside Audit & Supervisory Board Members.

3. The terms of office of Directors and Audit & Supervisory Board Members are as follows.
  - \*1. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2024 to the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2025
  - \*2. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2022 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2026
  - \*3. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2024 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2028
  - \*4. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2021 to the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2025
  - \*5. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2023 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2027
4. The Company has introduced an executive officer system. The Company has 29 Executive Officers, three of whom concurrently serve as Directors.

The Company has proposed the “Election of nine (9) Directors” and “Election of one (1) Audit & Supervisory Board Member” as an agenda item (matter to be resolved) for the Annual General Meeting of Shareholders. If the proposal is approved, the composition of the Directors and Audit & Supervisory Board Members will be as outlined below, including matters (positions, etc.) to be decided at a meeting of the Board of Directors immediately following the Annual General Meeting of Shareholders.

Nine men and five women (The percentage of women among the total number of Directors and Audit & Supervisory Board Members is 35.7%)

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Representative Director, President and Chief Executive Officer	Yoshihiro Hasebe	July 30, 1960	<p>Apr. 1990 Joined the Company</p> <p>Jul. 2003 Head of Laboratory 4, Research and Development – Performance Chemicals Research</p> <p>Mar. 2008 Head of Laboratory 1, Household Products Research, Research and Development -Fabric &amp; Home Care Research</p> <p>Mar. 2011 Vice President, Research and Development - Beauty Research - Hair Beauty Research</p> <p>Jan. 2014 Vice President, Research and Development - Core Technology</p> <p>Mar. 2014 Executive Officer; Vice President, Research and Development, Global</p> <p>Mar. 2015 Senior Vice President, Research and Development, Global</p> <p>Jan. 2016 Managing Executive Officer</p> <p>Mar. 2016 Director</p> <p>Jan. 2018 Senior Managing Executive Officer; Responsible for Corporate Functions, Global</p> <p>Apr. 2018 Senior Vice President, Strategic Innovative Technology</p> <p>Mar. 2019 Representative Director(current)</p> <p>Jan. 2021 President and Chief Executive Officer (current)</p> <p>Jan. 2023 Responsible for DX Strategy</p>	*1	20,500
Representative Director, Senior Managing Executive Officer; Responsible for Management Finance Unit	Masakazu Negoro	January 7, 1960	<p>Apr. 1983 Joined the Company</p> <p>Mar. 1999 Business Manager, Oleo &amp; Specialties, Kao Specialties Americas LLC</p> <p>Jul. 2003 Vice President, Oleo &amp; Specialties, Kao Specialties Americas LLC</p> <p>Jul. 2005 Senior Manager, Business Planning, Chemical Business</p> <p>Jul. 2006 Vice President, Sales, Oleo Chemical Business, Chemical Business</p> <p>Apr. 2007 Vice President, Sales and Planning, Oleo Chemical Business, Chemical Business</p> <p>Jul. 2009 President, Oleo Chemical Business, Chemical Business</p> <p>Mar. 2013 Executive Officer; President, Chemical Division Unit; Chairperson of the Board of Directors, Pilipinas Kao, Inc.; Chairperson of the Board of Directors, Fatty Chemical (Malaysia) Sdn. Bhd.; Chairperson of the Board, Kao Chemicals Europe, S.L.</p> <p>Jan. 2019 Managing Executive Officer; Senior Vice President, Procurement, Global</p> <p>Jan. 2021 Responsible for Accounting and Finance</p> <p>Jan. 2022 Responsible for Management Strategy; Global</p> <p>Jan. 2023 Senior Managing Executive Officer (current); Responsible for Management Finance (Accounting and Finance, Business Structure Reforms, Procurement, Human Capital Strategy)</p> <p>Mar. 2023 Representative Director (current)</p> <p>Jan. 2025 Responsible for Management Finance Unit (current)</p>	*1	14,500

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Representative Director, Senior Managing Executive Officer; Responsible for Global Consumer Care Business, Global	Toru Nishiguchi	November 18, 1961	<p>Apr. 1985 Joined the Company</p> <p>Mar. 2006 Manager, International Business, Consumer Products, Asia</p> <p>Nov. 2006 Senior Vice President, Market Division, Kao Commercial (Shanghai) Co., Ltd.</p> <p>May. 2007 Vice President; Vice President, Marketing, Kao Commercial (Shanghai) Co., Ltd.</p> <p>Jul. 2008 Vice President; Vice President, Marketing, Kao Commercial (Shanghai) Co., Ltd.</p> <p>Feb. 2014 President, Kao (Taiwan) Corporation</p> <p>Jan. 2017 Chairperson of the Board of Directors &amp; President, Kao (Taiwan) Corporation</p> <p>Jan. 2018 President, PT Kao Indonesia</p> <p>Jan. 2019 Vice President, Consumer Products, Asia</p> <p>Jan. 2020 Executive Officer; President, Consumer Products, Asia; Chairperson of the Board and President, Kao (China) Holding Co., Ltd.; Chairperson of the Board and President, Kao Corporation Shanghai; Chairperson of the Board, Kao Commercial (Shanghai) Co., Ltd.; Chairperson of the Board and President, Kao (Hefei) Co., Ltd.</p> <p>Jan. 2021 Managing Executive Officer; President, Consumer Products, Asia; Responsible for Consumer Products - Merries Business; Chairperson of the Board, Kanebo Cosmetics (China) Co., Ltd.</p> <p>Jan. 2023 Senior Managing Executive Officer(current) ; Vice President, Consumer Products, Global</p> <p>Mar. 2023 Director; Responsible for Consumer Products, Global; Responsible for Kao Professional Services Company, Limited</p> <p>Jan. 2024 President, Consumer Products - Life Care Business, Global</p> <p>Mar. 2024 Representative Director (current)</p> <p>Jan. 2025 Responsible for Global Consumer Care Business, Global (current) ; President, Global Consumer Care, Asia</p>	*1	18,600
Director, Corporate Executive Fellow (Responsible for Corporate Branding)	Lisa MacCallum	April 10, 1972	<p>Feb. 1998 Founding Executive, Business Breakthrough, Inc. (currently, Aoba-BBT, Inc.)</p> <p>Nov. 2001 USA Business Senior Executive, NIKE, Inc.</p> <p>Jun. 2006 Managing Director, Nike Foundation</p> <p>May. 2010 Vice President, NIKE, Inc.</p> <p>Aug. 2015 Founder and President, Inspired Companies Pty Ltd. (current)</p> <p>Jul. 2019 ESG External Advisory Board, the Company</p> <p>Sep. 2021 Corporate Executive Fellow</p> <p>Jan. 2025 Corporate Executive Fellow (Responsible for Corporate Branding) (current)</p> <p>Mar. 2025 Director, the Company (current)</p>	*1	-

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Director	Eriko Sakurai	November 16, 1960	<p>Jun. 1987 Joined Dow Corning Corporation</p> <p>May. 2008 Director, Dow Corning Toray Co., Ltd.</p> <p>Mar. 2009 Chairman and CEO, Dow Corning Toray Co., Ltd.</p> <p>Jun. 2018 Chairman and CEO, Dow Toray Co., Ltd.</p> <p>Aug. 2020 President, Dow Chemical Japan Limited</p> <p>Mar. 2022 Director, the Company (current)</p>	*1	700
Director	Takaaki Nishii	December 27, 1959	<p>Apr. 1982 Joined Ajinomoto Co., Inc.</p> <p>Jun. 2013 Member of the Board &amp; Corporate Vice President, Ajinomoto Co., Inc.</p> <p>Aug. 2013 President, Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda.</p> <p>Jun. 2015 Representative Director, President &amp; Chief Executive Officer, Ajinomoto Co., Inc.</p> <p>Jun. 2021 Director, Representative Executive Officer, President &amp; CEO, Ajinomoto Co., Inc.</p> <p>Apr. 2022 Director, Executive Officer, Ajinomoto Co., Inc.</p> <p>Jun. 2022 Senior Corporate Advisor, Ajinomoto Co., Inc.</p> <p>Mar. 2023 Director, the Company (current)</p>	*1	4,000
Director	Makoto Takashima	March 31, 1958	<p>Apr. 1982 Joined Sumitomo Bank, Limited</p> <p>Apr. 2012 Managing Executive Officer, Head of Americas Division, Sumitomo Mitsui Banking Corporation (SMBC)</p> <p>Apr. 2014 Senior Managing Executive Officer, Co-Head of International Banking Unit (Europe, Americas), SMBC</p> <p>Apr. 2015 Senior Managing Executive Officer, Co-Head of International Banking Unit (Europe, Middle East and Africa, Americas), SMBC</p> <p>Dec. 2016 Director and Senior Managing Executive Officer, SMBC</p> <p>Apr. 2017 President and Chief Executive Officer, SMBC</p> <p>Jun. 2017 Director, Sumitomo Mitsui Financial Group, Inc. (SMFG)</p> <p>Apr. 2023 Chairman of the Board, SMBC</p> <p>Mar. 2024 Director, the Company (current)</p> <p>Jun. 2025 Chairman of the Board, SMFG (current)</p>	*1	-
Director	Sarah L. Casanova	April 6, 1965	<p>Jan. 1991 Joined McDonald's Restaurants of Canada, Ltd.</p> <p>Oct. 2004 Vice President, Marketing, McDonald's Company (Japan), Ltd.</p> <p>Apr. 2007 Senior Vice President, Business Development, McDonald's Company (Japan), Ltd.</p> <p>Jul. 2009 Managing Director, McDonald's Malaysia and Brunei</p> <p>Jun. 2012 Regional Manager, McDonald's Malaysia, Singapore and Brunei</p> <p>Aug. 2013 Representative Director, President and CEO, McDonald's Company (Japan), Ltd.</p> <p>Mar. 2014 Representative Director, President and CEO of McDonald's Holdings Company (Japan), Ltd.</p> <p>Mar. 2019 Representative Director, Chairman of the Board, McDonald's Company (Japan), Ltd.</p> <p>Mar. 2021 Representative Director, Chairman of the Board, McDonald's Holdings Company (Japan), Ltd.</p> <p>Mar. 2025 Director, the Company (current)</p>	*1	-
Director	Shinji Okuyama	December 27, 1965	<p>Apr. 1989 Joined P&amp;G Far East, Inc. (currently, P&amp;G Japan G.K.)</p> <p>Sep. 2008 President, Procter &amp; Gamble Korea, Inc.</p> <p>Jun. 2012 President, P&amp;G Japan Limited. (currently, P&amp;G Japan G.K.)</p> <p>Nov. 2016 Senior Corporate Officer - Marketing, Ezaki Glico Co., Ltd.</p> <p>Feb. 2021 President, Google Japan G.K. (current)</p> <p>Mar. 2026 Director, the Company (current)</p>	*1	-

Position	Name	Date of birth	Career summary	Term of office	Share ownership (shares)
Full-time Audit & Supervisory Board Member	Yasushi Wada	July 30, 1959	Apr. 1984 Joined the Company Mar. 2014 Executive Officer Mar. 2015 Vice President, Supply Chain Management - Demand and Supply Planning Center, Global Jan. 2019 Managing Executive Officer; Senior Vice President, Product Quality Management, Global Jan. 2021 Responsible for Legal and Compliance Jan. 2022 Responsible for Legal and Governance Jan. 2023 Fellow for Special Mission Mar. 2023 Full-time Audit & Supervisory Board Member, the Company (current)	*2	14,700
Full-time Audit & Supervisory Board Member	Mami Murata	June 16, 1965	Apr. 1991 Joined the Company Jan. 2015 Sofina Regional Brand Manager, Beauty Care - Cosmetics Business Unit - Sofina Business Jan. 2016 Vice President, Beauty Care - Cosmetics Business Unit - Sofina Business; Sofina est Brand Manager, Beauty Care - Cosmetics Business Unit - Sofina Business; Sofina Holistic Beauty Manager, Beauty Care - Cosmetics Business Unit -Sofina Business Jan. 2017 President, Beauty Care - Cosmetics Business Unit - Sofina Business; Sofina Asia Business Development Manager, Beauty Care - Cosmetics Business Unit - Sofina Business Jan. 2018 President, Consumer Products - Sofina Business Jan. 2019 Vice President, Consumer Products - Marketing Emergence, Global; Vice President, Consumer Products - Marketing Emergence - Brand Management Development, Global Jan. 2021 Executive Officer; Vice President, Corporate Strategy - Strategic Public Relations Center, Global Jan. 2023 Senior Vice President, Strategic Public Relations, Global; Vice President, Strategic Public Relations, Strategic Public Relations Center Jan. 2025 Fellow for Special Mission Mar. 2025 Full-time Audit & Supervisory Board Member, the Company (current)	*3	2,000
Audit & Supervisory Board Member	Saeko Arai	February 6, 1964	Oct. 1987 Joined Arthur Andersen & Co. (currently, KPMG AZSA LLC) Aug. 1992 Registered as Certified Public Accountant (Reregistered in January 1997) Oct. 1993 Joined Sasaki Certified Public Accountants Office Apr. 1997 Joined Internet Research Institute, Inc. (IRI) Sep. 1998 Director, CFO, IRI Feb. 2000 Director and CFO, IRI USA, Inc. Nov. 2002 Director, President, Chief Executive Officer and Secretary, IRI USA, Inc. Nov. 2002 Established Gratia, Inc. (currently, Acuray, Inc.), and assumed the position of President (current) Mar. 2024 Audit & Supervisory Board Member, the Company (current)	*4	400
Audit & Supervisory Board Member	Junya Naito	August 22, 1964	Apr. 1991 Admitted to Japanese Bar; Joined Momo-o, Matsuo & Namba May. 1995 Graduated from Columbia University, Law School Sep. 1995 Weil, Gotshal & Manges LLP in New York Mar. 1996 Admitted to New York Bar Sep. 1997 Returned to Momo-o, Matsuo & Namba Jan. 1999 Partner, Momo-o, Matsuo & Namba (current) Mar. 2025 Audit & Supervisory Board Member, the Company (current)	*3	-
Audit & Supervisory Board Member	Shuji Tamaki	December 3, 1961	Apr. 1985 Joined OMRON Tateisi Electronics Co. (currently, OMRON Corporation) May. 1991 Graduated from New York University School of Law Sep. 1991 Mayer, Brown & Platt (currently, Mayer Brown) Mar. 1992 Admitted to New York Bar Mar. 2015 Senior General Manager, Global Risk Management and Legal HQ, OMRON Corporation Apr. 2015 Executive Officer, OMRON Corporation Jun. 2021 Audit & Supervisory Board Member (Full-time), OMRON Corporation Jun. 2025 Representative Director, Riscarre Research Co., Ltd. (current) Mar. 2026 Audit & Supervisory Board Member, the Company (current)	*5	-
Total					75,400

Notes: 1. Ms. Sakurai, Mr. Nishii, Mr. Takashima, Ms. Casanova and Mr. Okuyama are Outside Directors.

2. Ms. Arai, Mr. Naito and Mr. Tamaki are Outside Audit & Supervisory Board Members.

3. The terms of office of Directors and Audit & Supervisory Board Members are as follows.

\*1. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2025 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2026

\*2. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2022 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2026

\*3. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2024 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2028

\*4. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2023 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2027

\*5. From the close of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2025 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2029

4. The Company has introduced an executive officer system. The Company has 29 Executive Officers, three of whom concurrently serve as Directors.

## 2) Status of Outside Directors and Outside Audit & Supervisory Board Members

a. Number of Outside Directors and Outside Audit & Supervisory Board Members, and personal, capital, business, and other interests of outside directors and outside Audit & Supervisory Board Members in the Company

As of the filing date of the Annual Securities Report (March 25, 2026), the Company has five (5) Outside Directors and three (3) Outside Audit & Supervisory Board Members. As described below in c. Details of criteria or policies regarding independence for appointing Outside Directors and Outside Audit & Supervisory Board Members, the Company has established the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation,” and each Outside Director and each Outside Audit & Supervisory Board Member was deemed not to present a risk of conflict of interest with general shareholders in light of the said standards, and none has any special interest in the Company.

In addition, the Company has submitted, as proposals (matters to be resolved) at the Annual General Meeting of Shareholders, the “Election of nine (9) Directors” and the “Election of one (1) Audit & Supervisory Board Member.” If these proposals are approved, the Company will have five (5) Outside Directors and three (3) Outside Audit & Supervisory Board Members. Matters concerning the independence of such Outside Directors and Outside Audit & Supervisory Board Members are as follows.

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 and sale of raw materials, etc. with the corporate group to which Dow Chemical Japan Limited is affiliated; however, the amounts involved in such transactions accounted for less than 0.1% of the such Group’s consolidated net sales and less than 0.5% of the Kao Group’s consolidated net sales for the latest fiscal year, respectively.

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, selling 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 the Ajinomoto Group’s consolidated net sales and less than 0.1% of the Kao Group’s consolidated net sales for the latest fiscal year, respectively. In addition, he previously had executive authority at FINET, INC., but ceased to have such authority from June 2025. 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.

Mr. Takashima previously had executive authority at Sumitomo Mitsui Banking Corporation, but ceased to have such authority from April 2023. Although the Kao Group has transactions with the Sumitomo Mitsui Financial Group, such as the use of corporate credit cards, the ratios of the amount involved in such transactions account for less than 0.1% of the Sumitomo Mitsui Financial Group’s consolidated ordinary income and the Kao Group’s consolidated net sales for the latest fiscal year, respectively. In addition, although the Kao Group has regular banking transactions with and borrows from the Sumitomo Mitsui Financial Group, the amount borrowed by the Kao Group from the group as of the end of the latest fiscal year accounts for less than 1.5% of the total consolidated assets of the Kao Group.

Mr. Okuyama has executive authority at Google Japan G.K. The Kao Group conducts transactions related to the advertising, etc. with the corporate group to which Google Japan G.K. is affiliated; however, the amounts involved in such transactions account for less than 0.1% of such group’s consolidated net sales and less than 0.1% of the Kao Group’s consolidated net sales for the latest fiscal year.

Mr. Tamaki previously had executive authority at OMRON Corporation but ceased to have such authority from April 2021. The OMRON Group is engaged in manufacturing and sales of control equipment and data solutions business. Although, the Kao Group purchase equipment provided by the company group, among other things, the amounts involved in such transactions account for less than 0.1% of such group’s consolidated net sales and less than 0.1% of the Kao Group’s consolidated net sales for the latest fiscal year. He had executive authority at Japan Audit & Supervisory Board Members Association but ceased to have such authority from December 2025. Although, the Kao Group pay membership fees to the association, the ratios of the amount involved in such transactions account for less than 0.1% of the Japan Audit & Supervisory Board Members Association’s consolidated ordinary income and the Kao Group’s consolidated net sales for the latest fiscal year, respectively.

Regarding Outside Director Ms. Casanova, Outside Audit & Supervisory Board Member Ms. Arai, and Outside Audit & Supervisory Board Member Mr. Naito, there are no relevant matters.

b. Functions and roles of Outside Directors and Outside Audit & Supervisory Board Members in the Company's corporate governance

The Outside Directors are expected to share, in the course of management of the Company, their considerable experience and expertise as management of global companies and those in their respective fields, and the Outside Directors fulfill the checking functions from neutral positions, independent of the Company's management, to ensure that the managerial decisions of the Company are not biased by the views of its internal members.

Also, the Company expects the Outside Audit & Supervisory Board Members to utilize their perspectives based on their high expertise and wealth of experience and knowledge as certified public accountants, lawyers in auditing and group governance and auditing practices.

c. Details of criteria or policies regarding independence for appointing Outside Directors and 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" as described below, 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. Given the importance of Outside Directors and Outside Audit & Supervisory Board Members being independent of the Company, the Company places importance on independence based on these Standards when examining candidates for Outside Directors and Outside Audit & Supervisory Board Members.

Five (5) Outside Directors, Mr. Shinobe, Ms. Sakurai, Mr. Nishii, Mr. Takashima, and Ms. Casanova and three (3) Outside Audit & Supervisory Board Members, Mr. Oka, Ms. Arai, and Mr. Naito, were deemed not to present a risk of conflict of interest with general shareholders in light of the said standards, and are reported as independent directors and audit & supervisory board members as defined by Tokyo Stock Exchange, Inc. as of the filing date of the Annual Securities Report (March 25, 2026). In addition, proposals (matters to be resolved) have been submitted at the Annual General Meeting of Shareholders, the "Election of nine (9) Directors" and the "Election of one (1) Audit & Supervisory Board Member." If these proposals are approved, five (5) Outside Directors, Ms. Sakurai, Mr. Nishii, Mr. Takashima, Ms. Casanova, and Mr. Okuyama, and three (3) Outside Audit & Supervisory Board Members, Ms. Arai, Mr. Naito, and Mr. Tamaki, will be reported as independent directors and audit & supervisory board members as defined by Tokyo Stock Exchange, Inc. "Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" is disclosed on the Company's website.

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

d. Appointment of Outside Directors and Outside Audit & Supervisory Board Member

The status of Directors and Audit & Supervisory Board Members as of the filing date of the Annual Securities Report (March 25, 2026) is as follows.

	Name	Material Position	Reason for Nomination
Outside Director	Osamu Shinobe	EXECUTIVE ADVISOR, ANA HOLDINGS INC.	He has extensive experience and deep insight in global corporate management and risk management, having served as an executive at an airline that actively operates both passenger and cargo businesses worldwide. During Board discussions, he has actively contributed by providing insights and recommendations on key management issues for Kao Group. Since March 2022, he has served as Chairperson of the Board, demonstrating strong leadership in enhancing the effectiveness of the Board and contributing to the Company's corporate value. Additionally, since March 2024, he has chaired the Compensation Advisory Committee for Directors and Executive Officers, playing a key role in ensuring transparency and fairness in executive compensation discussions. Given his extensive experience and expertise, we expect him to continue overseeing Kao Group's management as an independent outside director. At the meeting of the Board of Directors following the General Meeting of Shareholders held on March 21, 2025, in addition to continuing to serve as Chairperson of the Board of Directors and Chairperson of the Advisory Committee on Compensation for Directors and Executive Officers.
	Eriko Sakurai	Outside Director of the Company	She has extensive experience in corporate management, having served for many years at the Japanese subsidiary of a U.S.-based chemical manufacturer with a global presence. She has also held outside director positions at multiple major manufacturers and financial institutions, contributing to governance oversight at global companies. With her background in the chemical industry, she possesses deep insights into Kao Group's chemical business, which operates alongside its consumer products business. She has actively contributed to Board discussions by providing valuable input from this perspective. Additionally, she has offered strategic guidance on compensation, talent development, and human resources management based on her experience in formulating and executing HR strategies in global business environments. Since March 2024, she has served as Chairperson of the Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members, overseeing discussions on Board composition, the skills required for directors to achieve K27, candidate selection, and succession planning. Given her extensive experience and deep expertise, we expect her to continue supervising Kao Group's management as an independent outside director. At the meeting of the Board of Directors following the General Meeting of Shareholders held on March 21, 2025, in addition to continuing to serve as Chairperson of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members.
	Takaaki Nishii	Outside Director of the Company	He has a long history of corporate management in a globally operating food manufacturer, where he demonstrated strong leadership in driving corporate cultural transformation and enhancing sustainable corporate value through ROIC-based management. At Kao's Board meetings, he has consistently provided insights and recommendations from a capital efficiency perspective, which has contributed to embedding ROIC principles within the Company. Additionally, with his extensive experience in key HR and overseas subsidiary leadership roles in the food industry, he has provided valuable insights on talent strategy and international business operations, actively contributing to Board discussions. Furthermore, based on his experience implementing effective governance reforms, he has offered guidance on optimizing Board oversight. Given his wealth of experience and strong expertise, we expect him to continue supervising Kao Group's management as an independent outside director.
	Makoto Takashima	Chairman of the Board, SMFG	He has extensive experience in global corporate management, having worked in international operations and corporate planning at a major global financial institution for many years. He later served as an executive in a rapidly evolving global financial industry, demonstrating strong leadership in adapting to change. At Kao's Board meetings, he has actively contributed by providing insights and recommendations on key areas such as Investor Relations (IR), Shareholder Relations (SR), and global partnerships. Leveraging his vast experience and deep expertise, we expect him to continue overseeing Kao Group's management as an independent outside director.
	Sarah L. Casanova	Outside Director of the Company	She has extensive experience in marketing across multiple countries, including Japan, at a major global restaurant chain. With extensive experience as an executive and regional leader in various country subsidiaries, she demonstrated exceptional management skills as the CEO of the Japanese company from 2013 to 2019, executing growth strategies which led to significant business performance improvements. She also has experience engaging with capital markets as the executive of a publicly listed company. Given her extensive experience and expertise, our strong view is that Ms. Casanova will provide valuable oversight as an independent outside director, particularly for Kao Group's global growth strategies, brand strategy, and marketing initiatives.

	Name	Material Position	Reason for Nomination
Outside Audit & Supervisory Board Member	Nobuhiro Oka	Attorney-at-Law	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 a 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 make full use of his experience in the auditing of the entire Kao Group.
	Saeko Arai	Certified Public Accountant	She has served as an outside director and outside audit & supervisory board member for several companies, leveraging her extensive knowledge of accounting and finance as a certified public accountant to support corporate management such as establishing internal control systems. In addition to management experience as CFO of a venture company, she also has extensive international experience, including serving as a representative of a U.S. corporation. The Company expects that she will make full use of her experience in the auditing of the entire Kao Group.
	Junya Naito	Attorney-at-Law	He is a licensed attorney in both Japan and the state of New York, with extensive knowledge and experience in corporate law, commercial law, international business transactions, international arbitration, and cross-border disputes. He has also served as an outside auditor or audit committee member for multiple companies, gaining substantial experience in auditing practices. Given his expertise, we are confident he will contribute effectively to Kao Group's audit functions.

The Company has proposed the “Election of nine (9) Directors” and “Election of one (1) Audit & Supervisory Board Member” as an agenda item (matter to be resolved) for the Annual General Meeting of Shareholders. If the proposals are approved, the composition of the Directors and Audit & Supervisory Board Members will be as outlined below

	Name	Material Position	Reason for Nomination
Outside Director	Eriko Sakurai	Outside Director of the Company	<p>She has extensive experience in corporate management, having served for many years at the Japanese subsidiary of a U.S.-based chemical manufacturer with a global presence. She has also held outside director positions at multiple major manufacturers and financial institutions, contributing to governance oversight at global companies, and she has offered strategic guidance on compensation, talent development, and human resources management based on her experience in formulating and executing HR strategies in global business environments. Since March 2024, she has served as Chairperson of the Committee for Examination of Nominees for Directors and Audit &amp; Supervisory Board Members, contributing to progress of the discussions on Board composition, the skills required for directors to achieve K27, candidate selection, and succession planning.</p> <p>In 2025, as Chair of the Committee, she led the implementation and enhancement of an appropriate and highly transparent appointment process, while also engaging in constructive dialogue with investors through SR meetings. She has also contributed to the further enhancement of the Company's corporate governance, including by calling for greater clarity in the appointment process. Given her extensive experience and deep expertise, we expect her to continue supervising Kao Group's management as an independent outside director. Therefore, we are nominating her for reappointment as an outside director. If this proposal is approved, she is expected to serve as Chairperson of the Board of Directors following the General Meeting of Shareholders.</p>
	Takaaki Nishii	Outside Director of the Company	<p>He has a long history of corporate management in a globally operating food and amino acid manufacturer, where he demonstrated strong leadership in driving corporate cultural transformation and enhancing sustainable corporate value through ROIC-based management. At Kao's Board meetings, he has consistently provided insights and recommendations from a capital efficiency perspective, which has contributed to embedding ROIC principles within the company. Additionally, with his extensive experience in key HR and overseas subsidiary leadership roles in the food and amino acid industry, he has provided valuable insights on talent strategy and international business operations, actively contributing to Board discussions. Furthermore, based on his experience promoting governance reforms, he has offered guidance on optimizing Board oversight. In recent years, he offered effective advice regarding the Company's communication with investors, drawing on his experience in dialogue with capital markets. Given his wealth of experience and strong expertise, we expect him to continue supervising Kao Group's management as an independent outside director. Therefore, we are nominating him for reappointment as an outside director. If this proposal is approved, he is expected to serve as Chairperson of the Compensation Advisory Committee for Directors and Executive Officers following the General Meeting of Shareholders.</p>

	Name	Material Position	Reason for Nomination
Outside Director	Makoto Takashima	Chairman of the Board, SMFG	He has extensive experience in global corporate management, having worked in international operations and corporate planning at a major global financial institution for many years. He later steered the company in a rapidly evolving global financial industry, demonstrating strong leadership in adapting to change. At Kao's Board meetings, he has actively contributed by providing insights and recommendations on key areas such as Investor Relations (IR), Shareholder Relations (SR), and global partnerships. In recent years, he provided broad and valuable perspectives on overseas IR strategy and overseas business management. In addition, drawing on his insights in risk management and legal affairs, he offered accurate advice on policy trends and legal risks. Leveraging his vast experience and deep expertise, we expect him to continue overseeing Kao Group's management as an independent outside director. Therefore, we are nominating him for reappointment as an outside director.
	Sarah L. Casanova	Outside Director of the Company	She has extensive experience in marketing across multiple countries, including Japan, at a major global restaurant chain. With extensive experience as an executive and regional leader in various country subsidiaries, she demonstrated exceptional management skills as the CEO of the Japanese company from 2013 to 2019, executing growth strategies which led to significant business performance improvements. She also has experience engaging with capital markets as the executive of a publicly listed company. At Kao's Board meetings, she has also actively provided comments and recommendations on matters such as global growth strategies, brand strategies, and dialogue with investors. In 2025, she has provided clear and constructive advice that contributed to enhancing the execution of the Company's growth strategies, including emphasizing marketing driven by customer insights, building organizations, talent and processes aligned with strategy, and stressing the importance of prioritization and speed. We expect her to leverage this wealth of experience and high level of insight to supervise the management of the Kao Group as an independent outside director. Therefore, we are nominating her for reappointment as an outside director. If this proposal is approved, she is expected to serve as Chairperson of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members following the General Meeting of Shareholders.
	Shinji Okuyama	President, Google Japan G.K.	He brings extensive experience in marketing across Japan and Asia, gained through his career at a Japanese subsidiary of one of the world's largest consumer goods companies, where he successfully revitalized multiple brands by proposing new value. He also led portfolio transformation as a marketing leader in a food manufacturer. In addition, he has served as President of the Korean and Japanese subsidiaries of one of the world's largest consumer goods companies, as well as the President at the Japanese subsidiary of a global IT company. In these roles, he demonstrated strong capabilities in talent acquisition and development and in promoting D&I. Furthermore, through his tenure as president of a global IT company's Japanese subsidiary, he developed deep insights into IT · DX, including the promotion of digital and AI transformation in Japan. Given his extensive experience and expertise, our strong view is that he will provide valuable oversight as an independent outside director, particularly for Kao Group's global growth strategies, brand strategies, human resources strategy, marketing and IT · DX. Therefore, we are nominating him as an outside director candidate.
Outside Audit & Supervisory Board Member	Saeko Arai	Certified Public Accountant	This is the same as the description above under "Outside Audit & Supervisory Board Members < as of March 25, 2026 (the filing date of the Annual Securities Report ) >.
	Junya Naito	Attorney-at-Law	This is the same as the description above under "Outside Audit & Supervisory Board Members < as of March 25, 2026 (the filing date of the Annual Securities Report ) >.
	Shuji Tamaki	New York Bar; Representative Director, Riscarre Research Co., Ltd.	He has a long history of legal affairs, compliance, internal controls, and Risk Management Operations in a major global automation equipment manufacturer actively engaged in governance initiatives. He has also served as executive officer in charge of Global Risk Management. In addition, he has also served as the company's Audit & Supervisory Board Member (Full-time) and chairperson of the Audit & Supervisory Board, gaining extensive experience in auditing practices. Given his expertise, we are confident Mr. Tamaki will contribute effectively to Kao Group's audit functions, and therefore, we are nominating him as an Outside Audit & Supervisory Board Member candidate.

- 3) Mutual collaboration among supervision or audits by Outside Directors and Outside Audit & Supervisory Board Members, internal audits, audits by Audit & Supervisory Board Members and audits by the Accounting Auditor, and relationship with the internal control divisions

Outside Directors and Outside Audit & Supervisory Board Members attend the Board of Directors meetings to receive reports on audits (including audits conducted by the Accounting Auditor) from Audit & Supervisory Board Members; reports on internal audits from the Department of Internal Audit, which is the division responsible for internal auditing; and reports on the development and operation of the internal control system from the Internal Control Committee on a regular basis, and express their opinions as necessary.

In addition, Outside Audit & Supervisory Board Members share information with Full-time Audit & Supervisory Board Members in a timely manner, and, together with Full-time Audit & Supervisory Board Members, they exchange opinions with the Accounting Auditor and the Department of Internal Audit on a regular basis. They also attend interviews conducted by Audit & Supervisory Board Members with divisions relevant to internal control to confirm the status of development and monitoring of internal control, as well as to offer objective advice and opinions, based on their wealth of knowledge and experience in various fields. Furthermore, they exchange opinions with auditors of the Kao Group companies to promote mutual collaboration.

In addition, Outside Directors and Outside Audit & Supervisory Board Members exchange opinions on a regular basis to share the Group's current status and issues, among other topics.

(3) Status of Audits

1) Status of audits by Audit & Supervisory Board Members

a. Audit policy

The Kao Group aims to become a *Global Sharp Top* company by further advancing reforms to enhance earnings power toward achieving its Mid-term Plan “K27,” through *Yoki-Monozukuri* and maximizing employee vitality. After sharing management’s sense of urgency and the need to accelerate global growth, the Audit & Supervisory Board established a policy of conducting audit activities with due awareness of stakeholder requests and societal expectations, by confirming the status of execution of “K27” and responses to risks in the management environment.

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

■ Proactive expression of opinions

Audit & Supervisory Board Members proactively express their opinions regarding decision-making processes and resolutions at important meetings such as Board of Directors meetings and Management Board meetings. They also engage in active exchanges of views with Directors and Executive Officers on key auditing items.

■ Dialogue with people on-site (Genba)

Through on-site audits and interviews at various divisions and group companies, Audit & Supervisory Board Members place importance on understanding the extent to which management strategies have been implemented, proactive initiatives, issues faced on-site, and requests directed toward management. Following on-site audits and interviews, Audit & Supervisory Board Members share their comments, categorized into guidance items, requests, advice, and best practices, so that they can reflect them in their respective initiatives. At least one Outside Audit & Supervisory Board Member participated in approximately 70% of such on-site audits and interviews.

b. Organization and personnel

As of the date of filing of the Annual Securities Report (March 25, 2026), 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). Full-time Audit & Supervisory Board Members with extensive internal execution experience and diverse knowledge, together with Outside Audit & Supervisory Board Members possessing leadership experience and a high level of expertise and insight, share audit-related information as appropriate and deliberate from diverse perspectives. In addition, an Audit & Supervisory Board Office has been established directly under the Audit & Supervisory Board to assist Audit & Supervisory Board Members in the execution of their duties, and staff members concurrently serve as auditors of subsidiaries.

Title	Name	Career
Chairperson Full-time Audit & Supervisory Board Member	Yasushi Wada	He has held important positions in the departments responsible for process engineering and product quality management at the Company. 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 as Chairperson of the Compliance Committee, he also has expertise in legal affairs and risk management.
Full-time Audit & Supervisory Board Member	Mami Murata	She has held key positions in our Consumer Products Business Division, including serving as the brand lead and in senior roles responsible for marketing, media planning, and development, and has a deep understanding of brand strategy formulation and value communication. In addition, she has overseen the PR strategy division and served as a member of internal control-related committees, through which she has also acquired substantial knowledge of environmental and social issues, as well as risk and crisis management.
Outside Audit & Supervisory Board Member	Nobuhiro Oka	As an attorney-at-law, he has expertise in corporate legal affairs and corporate governance. He has extensive insight through his experience as a member of a major corporate investigative committee and a professor at a university.
Outside Audit & Supervisory Board Member	Saeko Arai	She has served as an outside director and outside audit & supervisory board member for several companies, leveraging her extensive knowledge of accounting and finance as a certified public accountant to support corporate management such as establishing internal control systems. In addition to management experience as CFO of a venture company, she also has extensive international experience, including serving as a representative of a U.S. corporation.
Outside Audit & Supervisory Board Member	Junya Naito	He is a licensed attorney in both Japan and the state of New York and has extensive knowledge and experience not only in corporate law and commercial law but also in international business transactions, international arbitration, and cross-border disputes. He has also served as an outside auditor or audit committee member for multiple companies, thereby gaining substantial experience in auditing practices.

Reasons for the appointment of Outside Audit & Supervisory Board Members are stated in “(2) Directors and Audit & Supervisory Board Members 2) Status of Outside Directors and Outside Audit & Supervisory Board Members d. Appointment of Outside Directors and Outside Audit & Supervisory Board Member”

Also, subject to approval of the proposal “Election of one (1) Audit & Supervisory Board Member” at the Annual General Meeting of Shareholders, the Audit & Supervisory Board is scheduled to consist of five Audit & Supervisory Board Members (two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members).

c. Deliberations by the Audit & Supervisory Board

Number of meetings held: 10	Attendance rate of Audit & Supervisory Board Members: 100% by all members	Duration: Average of two hours and fifteen minutes
18 resolutions	Audit policy, division of duties, key auditing items, annual plan, audit report, Audit & Supervisory Board regulations, internal control matters, Accounting Auditor matters (including agreement on remuneration, and deliberation on reappointment), appointment of Audit & Supervisory Board Members, etc.	
16 matters discussed	Audit findings, revision of the policy on selection of candidate Audit & Supervisory Board Members, revision of Audit & Supervisory Board regulations, key themes for exchange of opinions with Representative Directors and Outside Directors, semiannual reports on audit activities, enhancement of the effectiveness of overseas on-site audits and interviews, confirmation of the effectiveness evaluation process, etc.	

In addition to meeting agenda of the Audit & Supervisory Board, Audit & Supervisory Board Members exchange opinions freely on topics such as the skills of Audit & Supervisory Board Members, group governance, and the progress of management strategies.

d. Key auditing items, achievements and evaluation of effectiveness

Key auditing items	Audit method and efforts	Activity results and evaluation of effectiveness
Status of execution of duties by Directors and Executive Officers	Attend 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
	Attend important meetings such as the Management Board to confirm decision-making process, request explanations as necessary, and expressed opinions in a timely manner	Full-time Audit & Supervisory Board Members attended all Management Board meetings, ESG Committee meetings, and Internal Control Committee meetings, confirmed the decision-making process, and expressed opinions on matters requiring deliberation
	Active exchange of views with Directors of Kao and major Kao Group companies regarding key auditing items	Kao: Representative Directors (three times), Outside Directors (two times), Executive Officers with titles (four times) Important subsidiaries: Representative Directors (two times) <ul style="list-style-type: none"> <li>With Representative Directors, exchanged opinions mainly on the status of execution of “K27” and awareness of issues related to area strategies</li> <li>With Outside Directors, had in-depth discussions on on-site issues and group governance issues identified through audits and interviews, and reported the results of such discussions to the Representative Directors</li> </ul>
	On-site audits and interviews at worksites, divisions, domestic and overseas subsidiaries and affiliates (Also confirm key auditing items such as internal control.)	101 times <ul style="list-style-type: none"> <li>Confirmed numerous examples of effective use of ROIC and workplace improvement actions based on the employee engagement survey</li> <li>Confirmed that Audit &amp; Supervisory Board Members’ comments contributed to improve the PDCA cycle</li> </ul>
	Attend the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, and Compensation Advisory Committee for Directors and Executive Officers	The responsible Outside Audit & Supervisory Board Members attended meetings (six times)

Key auditing items	Audit method and efforts	Activity results and evaluation of effectiveness
Effectiveness of Group governance	<ul style="list-style-type: none"> <li>Systematize the Kao Group's structure of Audit &amp; Supervisory Board (Kao, affiliates, and subsidiaries)</li> <li>Improve the effectiveness of auditing activities tailored to each company's characteristics, under the unified management of the Group</li> </ul>	<ul style="list-style-type: none"> <li>Maintained a structure in which members of the Office of the Audit &amp; Supervisory Board concurrently serve as auditors of subsidiaries</li> <li>At Group auditor opinion exchange meetings (three times), shared findings and issue awareness arising from audit activities and conducted training to enhance audit skills</li> </ul>
	<ul style="list-style-type: none"> <li>Exchange opinions between the Accounting Auditor, Audit &amp; Supervisory Board Members and related departments</li> <li>Report accounting audit results of the Accounting Auditor to the Board of Directors meetings</li> </ul>	Exchanged opinions (nine times), and reported to the Board of Directors meetings (three times) <ul style="list-style-type: none"> <li>Audit plan, accounting audit results, key auditing items, non-assurance services management, audit quality, etc.</li> <li>Held meetings to exchange opinions on main audit issues with auditors for overseas subsidiaries</li> </ul>
	Strengthen collaboration in three types of Audits (between the Audit & Supervisory Board Members, the Accounting Auditor, and the Department of Internal Audit)	Held three types of Audits meetings (three times) to share audit plans and key issues among each audit organization, thereby strengthening coordination and improving the effectiveness of audit activities
Development and operation of internal control	<ul style="list-style-type: none"> <li>Hold interviews with the departments in charge of the second line of internal control</li> <li>Risk management and effectiveness of evaluations by the Internal Control Committee and major subordinate committees</li> </ul>	<ul style="list-style-type: none"> <li>Confirmed that the first defense line conducts self-assessments and that the second defense line monitors such assessments (quarterly or semi-annually)</li> <li>Confirmed that a global quality governance framework and related quality assurance regulations have been developed and implemented based on the Three Defense Lines Model</li> </ul>
	Collaboration with the Department of Internal Audit	In addition to regular meetings (four times), requested the Head of the Department of Internal Audit to attend meetings of the Audit & Supervisory Board and shared findings and risk awareness
	Analysis of causes and evaluation of countermeasures for compliance incidents	While responses to significant compliance incidents were generally appropriate, advice was provided to further strengthen root-cause analysis and countermeasures by the second line
Proactive disclosure	Attendance at major meetings and confirmation of disclosure status during audits and interviews of related departments	Confirmed that IR, SR, and PR activities are coordinated and that information is disclosed strategically

<Evaluation of the effectiveness of the Audit & Supervisory Board>

Each year, evaluation items are established with a focus on key auditing items, and effectiveness is evaluated from multiple and objective perspectives. In addition to self-evaluations by each Audit & Supervisory Board Member, the opinions of Directors and other relevant parties are taken into consideration, and as a result of extensive discussions by the Audit & Supervisory Board, the overall evaluation for the fiscal year concluded that the Board is functioning effectively.

With respect to the status of execution of "K27," particular attention was paid to the Cosmetics Business, which is positioned as a growth driver area. Through on-site audits and interviews, and important meetings, the Audit & Supervisory Board verified the extent to which growth strategies had been implemented on-site and the effectiveness of structural reforms. ROIC has become established not only in business divisions but also in functional divisions, and numerous examples of its application were confirmed. In addition, audit results based on the three types of audits conducted over the past 15 years for audit target subsidiaries (90 companies) were carefully reviewed, and priority areas, businesses, and corresponding audit areas were shared with the Department of Internal Audit. Governance of overseas subsidiaries will continue to be closely monitored as an important theme in connection with global business expansion.

Issues identified through this evaluation will be reflected in the next period's key auditing items in order to further enhance effectiveness.

Please find the link below for the overview of evaluation of the effectiveness of the Audit & Supervisory Board.  
[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/pdf/audit\\_2026.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/pdf/audit_2026.pdf)

## 2) Status of internal audits

### a. Organization, personnel and procedures

The Department of Internal Audit, which is in charge of the Kao Group's internal audits, consists of 37 members in Japan and abroad as of the filing date of the Annual Securities Report (March 25, 2026). The Department of Internal Audit is under the direct control of the Representative Director, President and CEO and separated from other business lines so that it can evaluate the overall management activities of the Company and domestic and overseas Kao Group companies from an independent and objective standpoint. Specifically, the Department evaluates the development and operation of internal control from the perspectives of legal compliance, the appropriateness of financial reporting, and the effectiveness and efficiency of business operations. Based on the evaluation results, it provides reasonable assurance on the reliability of their management activities and makes suggestions to further enhance their internal controls.

Basic plans and policies for the effectiveness of internal control over financial reporting under the Financial Instruments and Exchange Act are determined by the Internal Control Committee. The Department of Internal Audit evaluates the status of company-wide internal control and business process control at important sites on behalf of the Representative Director, President and CEO, and reports the evaluation results to the Representative Director, President and CEO.

As for efforts concerning subsidiary management, the Company has established 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. All matters pointed out in audits by the Department of Internal Audit fall into matters to be reported under these rules, and are shared among directors and other officers of relevant subsidiaries, at the time of regular management meetings at such subsidiaries, along with the measures to be taken and the results thereof.

### b. Mutual collaboration among internal audits, audits by Audit & Supervisory Board Members and audits by the Accounting Auditor, and the relationship between these audits and internal control

The Department of Internal Audit and Audit & Supervisory Board Members receive explanations from the Accounting Auditor on audit plans, priority audit items and accounting audit results (interim review\* and annual audit) and major audit considerations, and exchange opinions on a regular and necessary basis.

The Department of Internal Audit and the Accounting Auditor also strive 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.

\*During the fiscal year under review, the Accounting Auditor conducted a quarterly review in the first quarter and a semi-annual review, as review during the period, since quarterly reports were abolished due to a partial revision to the Financial Instruments and Exchange Act and a shift in regulatory requirements from quarterly reviews to a review during the period.

### c. Efforts to ensure the effectiveness of internal audits

The results of the internal auditing activities are reported at the Management Board and Board of Directors meetings on a regular basis. In addition, the Department of Internal Audit and Audit & Supervisory Board Members share information and exchange opinions on each other's audit plans, internal audit results, findings from on-site hearings by Audit & Supervisory Board Members, etc. not only at regular meetings (four times a year) but also at the meetings of threefold auditing members (three times a year).

Furthermore, the Vice President of the Department of Internal Audit attends meetings of the Audit & Supervisory Board and the Conference of Auditors for Domestic Group Companies as appropriate.

### 3) Status of accounting audits

#### a. Accounting Auditor

Deloitte Touche Tohmatsu LLC

#### b. Number of years of continuous audit

48 years

In 2014, the Company conducted a screening of candidates for the Accounting Auditor, expanding the list of candidates subject to appointment beyond the current auditing firm.

The auditing firm's engagement partners are rotated appropriately to ensure that none of them are involved in the Company's accounting audits for more than seven consecutive accounting periods. Meanwhile, a lead engagement partner is not involved in the Company's audits for more than five consecutive accounting periods.

#### c. Certified Public Accountants engaged in the audit

Designated Limited Liability Partners/Engagement Partners: Junichi Yamanobe, Yoshiki Okutsu, and Yuichiro Nakashima

#### d. Assistants to the audit

18 CPAs and 46 others

#### e. Policy and reason for selecting the auditing firm

For selecting the Accounting Auditor, the Audit & Supervisory Board gathers information from the Company's Accounting and Finance Department, the Department of Internal Audit and the Accounting Auditor at its meetings every year, and evaluates and makes decisions on the independence of the Accounting Auditor, the auditing system and the status of implementation of audits, as well as on the quality of audits based on the evaluation criteria formulated by the Audit & Supervisory Board. If any item of Article 340, Paragraph 1 of the Companies Act is found to apply to the Accounting Auditor, the Audit & Supervisory Board will dismiss the Accounting Auditor with the consent of all Audit & Supervisory Board Members. In such case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders held after the dismissal.

#### f. Evaluation of the auditing firm by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board gathered information from the Accounting Auditor 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 the Company's Accounting and Finance Department and Department of Internal Audit, and then evaluated the appropriateness of the reappointment of the Accounting Auditor. 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 AI 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 the response to the pre-approval process for non-assurance services, 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 continuous audit period and rotation of the current auditing firm.

4) Details of audit fees, etc.

a. Audit fees paid to certified public accountants and others

Category	Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Reporting company	156	3	165	2
Consolidated subsidiaries	62	–	62	–
Total	218	3	227	2

Fiscal year ended December 31, 2024

Non-audit services received by the Company include the entrustment of macro economy and risk information provision services.

Fiscal year ended December 31, 2025

Non-audit services received by the Company include the preparation of comfort letters in connection with the issuance of straight bonds.

b. Fees for organizations that belong to the same network (Deloitte Touche Tohmatsu Limited) to which the certified public accountants and others belong (excluding fees specified in a. above)

Category	Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Reporting company	–	49	–	40
Consolidated subsidiaries	678	139	663	212
Total	678	188	663	252

Fiscal year ended December 31, 2024

Non-audit services received by the Company include advisory services on product offerings.  
Non-audit services received by consolidated subsidiaries include tax consulting services.

Fiscal year ended December 31, 2025

Non-audit services received by the Company include the entrustment of macro economy and risk information provision services and others.  
Non-audit services received by consolidated subsidiaries include tax consulting services.

c. Details of other material audit fees

Fiscal year ended December 31, 2024

Information on the details of other material audit fees is omitted, because there are no such fees.

Fiscal year ended December 31, 2025

Information on the details of other material audit fees is omitted, because there are no such fees.

d. Policy for determining audit fees

The Company determines the amount of remuneration to be paid to certified public accountants and others by considering, among other things, the content of audit plans that take into account the size and corporate structure of the Company, etc. and number of days required for the planned audits.

e. Reason for the Audit & Supervisory Board's consent to remuneration, etc. for the Accounting Auditor

The Company's Audit & Supervisory Board examined the content of audit plans prepared by the Accounting Auditor, the status of execution of its duties, and the basis for calculation of estimated remuneration amount in light of changes in the environment to roles and responsibilities expected of the Accounting Auditor, among other things. As a result of the examination, the Audit & Supervisory Board determined that the amount of remuneration, etc. to be paid to the Accounting Auditor was appropriate and gave consent in accordance with Article 399, Paragraph 1 of the Companies Act.

#### (4) Director Remuneration

##### 1) Discloser policy on determining remuneration amounts and calculation methods

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.

##### (i) Fiscal year ended December 31, 2025

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 100% of the base salary for the President and CEO, 50% to 70% of the base salary for the Executive Officers with titles other than the CEO and 30% to 50% 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, business results that reflect the achievement level of the single-year target EVA, which is a management index that the Company holds in high regard as an indicator to measure the degree of corporate value, and the results of individual evaluation. The bonus payment rate is set within a range of 0% to 200%.

The net sales, profit, and EVA 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. In the process of individual evaluation, the Company has put in place a process of evaluation by Outside Directors and Outside Audit & Supervisory Board Members to ensure objectivity and transparency of the evaluation.

The single-year targets for these evaluation indicators for the fiscal year under review were sales (sales calculated based on the accounting standards used before the adoption of IFRS 15) of 1,781.7 billion yen, profit (gross profit minus selling, general and administrative expenses) of 160.0 billion yen, with EVA single-year target of 37.9 billion yen. The actual results were sales of 1,806.4 billion yen, profit of 163.0 billion yen, and EVA of 41.1 billion yen. In addition to the above, the percentage improvement from the results of the previous fiscal year is used as an evaluation indicator for sales and profit. The rate of business performance-based remuneration based on these results for the fiscal year under review came in at 112.84%.

c. Performance-based share incentive plan as long-term incentive compensation

With four years from 2024 to 2027 as the period applicable to the Mid-term Plan “K27,” the Company’s shares, etc., are delivered to Directors, other than Outside Directors, and Executive Officers based on factors such as the degree of achievement against the key performance targets adopted under “K27.” This performance-based share incentive plan consists of two parts: a variable portion in which Company shares, etc. are delivered in accordance with the degree of achievement against targets adopted under the mid-term plan, etc., and a fixed portion in which a certain number of Company shares, etc. are 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 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 100%, the yearly share remuneration amount is set at approximately 30% to 100% of a base salary.

The variable portion is delivered after Directors, etc. retire (or after the applicable period for Directors with foreign nationalities, etc.) depending on the level of their achievement. The fixed portion is delivered after the end of each fiscal year. A certain proportion of the amount is delivered in the Company’s shares and the remainder is delivered in the amount of the Company’s 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 “K27,” “Business Growth Evaluation (degree of growth in overall business sales, profit, and EVA, etc.)”; “ESG Activities Evaluation (evaluation by external indicators, status of realization of internal indicators, etc.)”; and “Top Management Activities Evaluation (Total Shareholder Return (TSR) and evaluation of management activities by employees, etc.)” are used as evaluation indicators and evaluations are made based on the degree of achievement. ESG capability evaluation focuses on the degree of achievement of key targets from the perspective of economic rationality, based on the Company’s belief that enhancing social value and environmental conservation value will lead to the long-term enhancement of its corporate value. The degree of achievement that is reflected in the variable portion will be determined within the range of 0% to 200% depending on the evaluation results of these indicators after the applicable period from 2024 to 2027.

Kao also has put in place a clawback provision, which allows the Company to reclaim the stock compensation paid through a resolution by the Board of Directors in the event that it had to correct its financial statements after filing them due to material misstatements or misconduct in accounting, or a Director or an Audit & Supervisory Board Member committed an act of disloyalty, for instance.

Evaluation indicators for the variable portion of the performance-based share incentive plan

	Evaluation indicator	Weight	Scale	Objective	
Business Growth Evaluation	Degree of overall business growth, sales, profit, and EVA (ROIC)	40%	5-point scale	The degree of contribution to continued growth and sound financial management is evaluated.	
ESG Activities Evaluation	Achievement level of KLP (Kao Kirei Lifestyle Plan) priority targets Decarbonization (CO <sub>2</sub> emissions reduction rate), Zero Waste (Plastic recycling rate), Ratio of female managers, Number of serious compliance violations, etc.	25%	7-point scale	Solution to a variety of social issues and contribution to a sustainable society are evaluated from multiple perspectives.	
	External evaluation results by major ESG rating agencies	15%	7-point scale		
Top Management Activities Evaluation	Relative TSR evaluation	Comparison with TOPIX (including dividends)	5%	7-point scale	The adequacy of corporate governance is evaluated.
		Comparison with benchmark companies	5%	7-point scale	
	Employee engagement survey results	10%	7-point scale		

Compensation for 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 Directors or Audit & Supervisory Board Members.

(ii) From the following fiscal year onward

The Company has submitted, as a proposal (matter to be resolved) at the Annual General Meeting of Shareholders scheduled to be held on March 26, 2026, the "Partial Revision of the Terms and Conditions of Performance Shares, etc. for Directors, etc." Subject to the adoption of this proposal, the remuneration of Outside Directors will be revised from fiscal 2026 to consist of a fixed monthly remuneration and non-performance-based share incentive plan as long-term incentive compensation. The purpose of this revision is to strengthen the sharing of interests with stakeholders through the promotion of shareholding and to provide appropriate incentives to support initiatives aimed at enhancing corporate value.

● Inside Directors and Executive Officers

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 100% of the base salary for the President and CEO, 50% to 70% of the base salary for the Executive Officers with titles other than the CEO and 30% to 50% 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, improvements from the previous year's results, business results that reflect the achievement level of the single-year target EVA, which is a management index that the Company holds in high regard as an indicator to measure the degree of corporate value, and the results of individual evaluation. The bonus payment rate is set within a range of 0% to 200%.

c. Performance-based share incentive plan as long-term incentive compensation

With four years from 2024 to 2027 as the period applicable to the Mid-term Plan “K27,” the Company’s shares, etc., are delivered to Directors, other than Outside Directors, and Executive Officers based on factors such as the degree of achievement against the key performance targets adopted under “K27.” This performance-based share incentive plan consists of two parts: a variable portion in which Company shares, etc. are delivered in accordance with the degree of achievement against targets adopted under the mid-term plan, etc., and a fixed portion in which a certain number of Company shares, etc. are 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 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 100%, the yearly share remuneration amount is expected to be set at approximately 30% to 125% of a base salary.

The variable portion is delivered after Directors, etc. retire (or after the applicable period for Directors with foreign nationalities, etc.) depending on the level of their achievement. The fixed portion is delivered after the end of each fiscal year. A certain proportion of the amount is delivered in the Company’s shares and the remainder is delivered in the amount of the Company’s 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 “K27,” “Business Growth Evaluation (degree of growth in overall business sales, profit, and EVA, etc.);” “ESG Activities Evaluation (evaluation by external indicators, status of realization of internal indicators, etc.);” and “Top Management Activities Evaluation (evaluation of management potential (Total Shareholder Return (TSR) and evaluation of management activities by employees, etc.)” are used as evaluation indicators and evaluations are made based on the degree of achievement. The degree of achievement that is reflected in the variable portion will be determined within the range of 0% to 200% depending on the evaluation results of these indicators after the applicable period from 2024 to 2027. There have been no changes to the evaluation indicators, weightings, etc. from fiscal 2025.

In addition, with respect to the share incentive plan, Kao also has put in place a clawback provision, which allows the Company to reclaim the stock compensation paid through a resolution by the Board of Directors in the event that it had to correct its financial statements after filing them due to material misstatements or misconduct in accounting, or breaches of duty by a Director or an Audit & Supervisory Board Member.

- Outside Directors

Remuneration of Outside Directors consists of fixed monthly remuneration as a base salary and non-performance-based share incentive plan as long-term incentive compensation, and is designed to provide appropriate incentives to support initiatives aimed at enhancing corporate value.

The yearly share remuneration amount is set at 20% of total remuneration.

- Audit & Supervisory Board Members

Remuneration of Audit & Supervisory Board Members consists of fixed monthly remuneration as a base salary, as they hold a position independent from the Company’s business execution function.

There is no retirement bonus system for Directors or Audit & Supervisory Board Members.

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 the Company's Representative Director, President and CEO, and all of the Company's Outside Directors. As such, over half of the Committee's members are independent. The chairperson is elected from among the Outside Directors.

Regarding determining individual compensation for Directors for the current fiscal year, the Compensation Advisory Committee for Directors and Executive Officers conducted a comprehensive review of the proposed plan, including its alignment with the objectives of the Company's executive remuneration policy, and submitted its recommendations. After reviewing and deliberating the committee's findings and recommendations, the Board of Directors confirmed that the remuneration structure is consistent with the stated objectives of executive remuneration, and has approved them.

The levels of compensation for Audit & Supervisory Board Members are determined through discussions by 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. Also, after the Annual General Meeting of Shareholders, the committee is scheduled to be composed of all Outside Audit & Supervisory Board Members. The chairperson is elected from among the Outside Audit & Supervisory Board Members.

The levels of compensation for Directors, Executive Officers, and Audit & Supervisory Board Members are determined each year after ascertaining the levels of other major manufacturers of a similar size, industry category, and business type to the Company and other companies that are comparable to the Company in terms of the direction of management strategies and business form, using officer compensation survey data from an external survey organization.

2) Compensation Paid for Individual Directors in Fiscal Year ended December 31, 2025

Aggregate Amount of Remuneration, etc., Paid to Directors and Audit & Supervisory Board Members during fiscal 2025

(Millions of 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 stock compensation)	
					variable Portion	fixed Portion
Directors (including, in parentheses, Outside Directors)	10 (5)	767 (92)	414 (92)	167 (-)	133 (-)	53 (-)
Audit & Supervisory Board Members (including, in parentheses, Outside Audit & Supervisory Board Members)	7 (4)	138 (53)	138 (53)	- (-)	- (-)	- (-)
Total (including, in parentheses, Outside Directors and Outside Audit & Supervisory Board Members)	17 (9)	905 (145)	552 (145)	167 (-)	133 (-)	53 (-)

Notes:

1. The above numbers of Directors/Audit & Supervisory Board Members include one Inside Director, one Inside Audit & Supervisory Board Member, and one Outside Audit & Supervisory Board Member who resigned at the conclusion of this 119th Annual General Meeting of Shareholders held on March 21, 2025.
2. Of the long-term incentive compensation (performance-based stock compensation), for foreign directors for whom it is not appropriate to grant shares due to the laws and regulations of their country of residence, an amount equivalent to long-term incentive compensation (performance-based stock compensation) is scheduled to be paid in cash. The variable portion of the long-term incentive compensation (performance-based stock compensation) will be finalized on the final year of the applicable period of four fiscal years from 2024 to 2027 of the Mid-term Plan "K27." As such, the variable portion equals the amount of provision for long-term incentive compensation recognized in the current fiscal year. For the variable portion paid to directors who retired during the fiscal year, the difference between the reversal of provisions from prior fiscal years based on the level of achievement in the annual review and the provision amount recorded for the current fiscal year is presented.
3. The maximum amounts of remuneration, etc. are as follows:

(1) Maximum aggregate amount of monetary 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 conclusion of this Annual General Meeting of Shareholders. 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 conclusion of this Annual General Meeting of Shareholders.

Based on a resolution adopted at the 118th Annual General Meeting of Shareholders held on March 22, 2024, 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 monetary remuneration, etc., for Directors. Under this share incentive plan, trust money of up to 4.64 billion yen is contributed during the fiscal years subject to the Company's mid-term plan (the initial period to be covered being the period of four fiscal years from the fiscal year ended December 31, 2024 to the fiscal year ending December 31, 2027), 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 Business Growth Evaluation indicators (such as the degree of growth in overall business sales, profit, and EVA), ESG Activities Evaluation indicators (status of realization of internal indicators and evaluation by external indicators), and Top Management Activities Evaluation indicators (TSR (Total Shareholder Return) and evaluation of management activities by the Company's employees etc.). The Company had four Directors (excluding Outside Directors) at the conclusion of this Annual General Meeting of Shareholders.

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

An annual amount of 180 million yen (as resolved at the 118th Annual General Meeting of Shareholders held on March 22, 2024). The Company had five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) at the conclusion of this Annual General Meeting of Shareholders.

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.

3) Aggregate amount of remuneration, etc. by officer

Name (title)	Aggregate amount of remuneration, etc. (millions of yen)	Company category	Components of remuneration (millions of yen)			
			Base salary	Short-term incentive compensation (performance-based bonus)	Long-term incentive compensation (performance-based share incentive plan)	
					Variable portion	Fixed portion
Yoshihiro Hasebe (Director)	281	Reporting company	87	97	69	29
Masakazu Negoro (Director)	119	Reporting company	49	35	25	10
Toru Nishiguchi (Director)	119	Reporting company	49	35	25	10
David J. Muenz (Director)	130	Reporting company	122	-	8	-

Notes:

1. The variable portion of the long-term incentive compensation (performance-based stock compensation) will be determined at the end of the final fiscal year of the four fiscal years from 2024 to 2027, which are subject to our mid-term management plan "K27." Therefore, the variable portion will be recorded as an accrued amount for the current fiscal year. For the variable portion attributable to a director who retired during the fiscal year (Mr. David J. Muenz), the company present the difference between the amount of the prior-year provision accrued or reversed based on the achievement level confirmed in the annual review and the amount accrued and recognized for the current fiscal year.
2. The table above includes information only on those whose aggregate remuneration, etc. exceeds 100 million yen.

(5) Shareholdings

1) Standards for and views on classification of investment shares

The Kao Group classifies shares held for the purpose of purely generating capital gains through changes in stock prices or income through dividends from the shares as “investment shares held for pure investment” and others as “investment shares held for purposes other than pure investment.” The Company does not hold any investment shares held for pure investment.

2) Investment shares held for purposes other than pure investment

a. Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual stocks

The Kao Group 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. There were no stocks that failed to satisfy the quantitative criteria as of December 31, 2025.

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 Company. The Company engages in dialogue with the issuing company on the details of the proposals and other matters as necessary.

b. Number of stocks and total amount on the balance sheet

	Number of stocks	Total amount on the balance sheet (millions of yen)
Unlisted stocks	27	4,065
Stock other than unlisted stocks	13	4,048

Stocks whose shares held by the Company increased during the fiscal year ended December 31, 2025

	Number of stocks	Total acquisition cost for increased shares (millions of yen)	Reason for increase in number of shares
Unlisted stocks	–	–	–
Stock other than unlisted stocks	2	3	The listing of unlisted companies in which we have invested, and shares purchased through a stock ownership association

Note: Of the increases other than unlisted stocks, one issue increased as a result of the listing of an unlisted stock previously held, and no acquisition cost was incurred.

Stocks whose shares held by the Company decreased during the fiscal year ended December 31, 2025

	Number of stocks	Total sale amount for decreased shares (millions of yen)
Unlisted stocks	1	–
Stock other than unlisted stocks	3	438

Note: One decrease in unlisted stocks was due to the listing of an unlisted stock previously held, and no proceeds from sale were generated.

c. Number and balance sheet amount of specified investment shares by stock

Specified investment shares

Stock	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2024	Purpose of shareholdings, outline of business alliances, etc., quantitative effects of shareholdings and reason for increase in number of shares	Shares of common stock owned by each company
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
AEON Co., Ltd.	849,326	282,541	(Purpose of shareholding) The company is a purchaser of products provided by the Global Consumer Care Business, and the Group holds the shares to maintain cooperation in its business transactions. (Reason for increase in number of shares) The number of shares increased due to shares purchased through a stock ownership association and an increase in the number of shares due to a stock split.	No
	2,104	1,044		
Tokio Marine Holdings, Inc.	212,410	265,460	(Purpose of shareholding) The company mainly provides insurance services to the Group, and the Group holds the shares to maintain cooperation in its risk management.	No (Note 2)
	1,236	1,521		
Zeon Corporation	130,000	130,000	(Purpose of shareholding) The company is a business partner of the Chemical Business, and the Group holds the shares to maintain cooperation in its business transactions, etc.	Yes
	233	195		
SANKYO KASEI CORPORATION	35,112	35,112	(Purpose of shareholding) The company is a business partner of the Chemical Business, and the Group holds the shares to maintain cooperation in its business transactions, etc.	Yes
	156	151		
NICHIREKI GROUP CO., LTD.	52,807	52,807	(Purpose of shareholding) The company is a purchaser of products provided by the Chemical Business, and the Group holds the shares to maintain cooperation in its business transactions.	No
	129	142		
The Yamagata Bank, Ltd.	28,458	73,458	(Purpose of shareholding) The bank is a counterparty to the Group's financing and other financial transactions, and the Group holds the shares to maintain cooperation in its financial transactions.	Yes
	55	74		
Mebuki Financial Group, Inc.	50,223	50,223	(Purpose of shareholding) The company is a counterparty to the Group's financing and other financial transactions, and the Group holds the shares to maintain cooperation in its financial transactions.	No
	52	32		
PLANET, INC.	24,000	24,000	(Purpose of shareholding) The company is in a collaborative relationship with the Group in developing common infrastructure in the toiletries industry, and the Group holds the shares to maintain cooperation in standardization activities across the industry including the Group.	No
	31	30		
Mirairo Inc.	40,000	–	(Purpose of shareholding) The company is in a collaborative relationship with the Group in the fields of accessibility and universal design, and the Group holds the shares to maintain cooperation in initiatives in these areas. (Reason for increase in number of shares) Initial public offering of an unlisted company.	No
	16	–		
ASIA PILE HOLDINGS CORPORATION	11,000	11,000	(Purpose of shareholding) The company is a purchaser of products provided by the Chemical Business, and the Group holds the shares to maintain cooperation in its business transactions.	No
	16	9		
TOHO Co., Ltd.	2,400	2,400	(Purpose of shareholding) The company is a business partner of the Business Connected Business, and the Group holds the shares to maintain cooperation in its business transactions.	No
	9	7		
FUJIYA CO., LTD.	3,000	3,000	(Purpose of shareholding) The company is a purchaser of products provided by the Chemical Business, and the Group holds the shares to maintain cooperation in its business transactions.	No
	8	8		
NIPPON CONCRETE INDUSTRIES CO., LTD.	14,000	14,000	(Purpose of shareholding) The company is a purchaser of products provided by the Chemical Business, and the Group holds the shares to maintain cooperation in its business transactions.	No
	5	5		
Mizuho Financial Group, Inc.	–	14,477	(Purpose of shareholding) The company is a counterparty to the Group's financing and other financial transactions, and the Group holds the shares to maintain cooperation in its financial transactions.	No
	–	56		

- Notes: 1. While it is difficult to describe the quantitative effects of shareholdings, 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 sold three stocks during fiscal 2025, and there were no stocks that failed to satisfy the quantitative criteria as of December 31, 2025.
2. While the company whose shares the Company holds does not hold the Company's shares, a subsidiary(ies) of the company hold(s) the Company's shares.
  3. “-” indicates that the Company does not hold these stocks.

## **V. Financial Information**

### **1. Basis of Preparation of Consolidated Financial Statements**

The Company's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (hereinafter "IFRS Accounting Standards"), as permitted by the provision of Article 312 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Order of the Ministry of Finance of Japan No. 28 of 1976; the "Regulation on Consolidated Financial Statements").

### **2. Audit Certificate**

The Company's consolidated financial statements for the fiscal year from January 1, 2025 to December 31, 2025 were audited by Deloitte Touche Tohmatsu Limited, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

### **3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc. and Development of a System for the Appropriate Preparation of Consolidated Financial Statements, etc. in Accordance with IFRS Accounting Standards**

The Company has made special efforts to ensure the appropriateness of its consolidated financial statements, etc. and developed a system for the appropriate preparation of its consolidated financial statements, etc. in accordance with IFRS Accounting Standards. The details are as follows.

- (1) The Company has joined the Financial Accounting Standards Foundation to deepen its understanding through seminars and reference books and developed a system that allows the Company to accurately respond to changes in accounting standards, etc. To prepare appropriate consolidated financial statements, etc., the Company has developed internal rules and manuals and established a Disclosure Committee within the Internal Control Committee to conduct a preliminary review of the content of consolidated financial statements, etc. prepared in accordance with prescribed procedures.
- (2) In applying IFRS Accounting Standards, the Company obtains press releases and standards issued by the International Accounting Standards Board as needed to keep track of the latest standards. In addition, in order to prepare appropriate consolidated financial statements, etc. in accordance with IFRS Accounting Standards, the Company has prepared the Group's accounting policies in compliance with IFRS Accounting Standards and performs accounting processes in accordance with these policies.

# 1. Consolidated Financial Statements and Other Information

## (1) Consolidated Financial Statements

### 1) Consolidated Statement of Financial Position

Kao Corporation and Consolidated Subsidiaries

As of December 31, 2025

		2024	(Millions of yen) 2025
Assets	Notes		
Current assets			
Cash and cash equivalents	7, 34	357,713	323,282
Trade and other receivables	8, 34	238,077	245,286
Inventories	9	274,628	292,366
Other financial assets	34	10,525	10,925
Income tax receivables		5,467	5,469
Other current assets	10	26,053	26,906
Subtotal		<u>912,463</u>	<u>904,234</u>
Non-current assets held for sale	11	<u>1,562</u>	<u>1,658</u>
Total current assets		914,025	905,892
Non-current assets			
Property, plant and equipment	12	423,251	443,080
Right-of-use assets	17	116,637	113,218
Goodwill	13	228,413	231,071
Intangible assets	13	81,947	79,471
Investments accounted for using the equity method	14	14,526	15,616
Other financial assets	34	28,132	29,639
Deferred tax assets	15	49,044	43,303
Other non-current assets	10, 19	<u>11,262</u>	<u>13,764</u>
Total non-current assets		<u>953,212</u>	<u>969,162</u>
Total assets		<u><u>1,867,237</u></u>	<u><u>1,875,054</u></u>

		(Millions of yen)	
		2024	2025
	Notes		
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 34	258,035	270,149
Bonds and borrowings	16, 34	35,749	26,059
Lease liabilities	16, 17, 32, 34	20,146	20,878
Other financial liabilities	17, 34	7,280	7,623
Income tax payables		20,984	31,824
Provisions	20	2,773	1,362
Contract liabilities	25	43,878	43,342
Other current liabilities	21	120,755	116,958
Total current liabilities		<u>509,600</u>	<u>518,195</u>
Non-current liabilities			
Bonds and borrowings	16, 34	95,310	105,599
Lease liabilities	16, 17, 32, 34	94,123	90,606
Other financial liabilities	17, 34	6,370	6,543
Retirement benefit liabilities	19	39,460	36,686
Provisions	20	8,223	6,934
Deferred tax liabilities	15	9,754	10,829
Other non-current liabilities		5,562	4,962
Total non-current liabilities		<u>258,802</u>	<u>262,159</u>
Total liabilities		<u>768,402</u>	<u>780,354</u>
Equity			
Share capital	22	85,424	85,424
Capital surplus	22	106,256	106,398
Treasury shares	22	(5,924)	(5,125)
Other components of equity	22	132,239	160,759
Retained earnings	22	748,781	716,621
Equity attributable to owners of the parent		<u>1,066,776</u>	<u>1,064,077</u>
Non-controlling interests		32,059	30,623
Total equity		<u>1,098,835</u>	<u>1,094,700</u>
Total liabilities and equity		<u><u>1,867,237</u></u>	<u><u>1,875,054</u></u>

## 2) Consolidated Statement of Income

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 2025

		(Millions of yen)	
		2024	2025
	Notes	<u>2024</u>	<u>2025</u>
Net sales	6, 25	1,628,448	1,688,633
Cost of sales	9, 12, 13, 17, 19	(990,044)	(1,020,464)
Gross profit		<u>638,404</u>	<u>668,169</u>
Selling, general and administrative expenses	12, 13, 17, 19, 26	(498,140)	(505,133)
Other operating income	25, 27	30,354	18,870
Other operating expenses	12, 13, 17, 19, 28	(23,974)	(17,837)
Operating income	6	<u>146,644</u>	<u>164,069</u>
Financial income	6, 19, 29	4,988	6,198
Financial expenses	6, 17, 19, 29	(4,090)	(3,827)
Share of profit in investments accounted for using the equity method	6, 14	3,482	3,406
Income before income taxes	6	<u>151,024</u>	<u>169,846</u>
Income taxes	15	(40,650)	(49,260)
Net income		<u><u>110,374</u></u>	<u><u>120,586</u></u>
Attributable to:			
Owners of the parent		107,767	120,081
Non-controlling interests		2,607	505
Net income		<u><u>110,374</u></u>	<u><u>120,586</u></u>
Earnings per share			
Basic (Yen)	30	231.94	260.30
Diluted (Yen)	30	—	—

### 3) Consolidated Statement of Comprehensive Income

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 2025

		2024	(Millions of yen) 2025
Net income	Notes	110,374	120,586
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	31, 34	1,334	1,287
Remeasurements of defined benefit plans	31	(936)	(917)
Share of other comprehensive income of investments accounted for using the equity method	31	430	1,322
Total of items that will not be reclassified to profit or loss		828	1,692
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	31	48,601	26,522
Share of other comprehensive income of investments accounted for using the equity method	31	574	(14)
Total of items that may be reclassified subsequently to profit or loss		49,175	26,508
Other comprehensive income, net of taxes		50,003	28,200
Comprehensive income		160,377	148,786
Attributable to:			
Owners of the parent		155,475	147,930
Non-controlling interests		4,902	856
Comprehensive income		160,377	148,786

#### 4) Consolidated Statement of Changes in Equity

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 2024

(Millions of yen)

		Equity attributable to owners of the parent					
		Share capital	Capital surplus	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Notes							
January 1, 2024		85,424	105,780	(3,267)	77,448	10	6,461
Net income		—	—	—	—	—	—
Other comprehensive income		—	—	—	46,873	(4)	1,780
Comprehensive income		—	—	—	46,873	(4)	1,780
Disposal of treasury shares	22	—	(182)	189	—	—	—
Purchase of treasury shares	22	—	—	(2,846)	—	—	—
Share-based payment transactions	33	—	653	—	—	—	—
Dividends	24	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries		—	5	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	—	—	—	(329)
Total transactions with the owners		—	476	(2,657)	—	—	(329)
December 31, 2024		85,424	106,256	(5,924)	124,321	6	7,912

		Equity attributable to owners of the parent				Non-controlling interests	Total equity
		Other components of equity		Retained earnings	Total		
		Remeasurements of defined benefit plans	Total				
Notes							
January 1, 2024		—	83,919	711,802	983,658	28,385	1,012,043
Net income		—	—	107,767	107,767	2,607	110,374
Other comprehensive income		(941)	47,708	—	47,708	2,295	50,003
Comprehensive income		(941)	47,708	107,767	155,475	4,902	160,377
Disposal of treasury shares	22	—	—	(7)	0	—	0
Purchase of treasury shares	22	—	—	—	(2,846)	—	(2,846)
Share-based payment transactions	33	—	—	—	653	—	653
Dividends	24	—	—	(70,169)	(70,169)	(1,207)	(71,376)
Changes in the ownership interest in subsidiaries		—	—	—	5	(21)	(16)
Transfer from other components of equity to retained earnings		941	612	(612)	—	—	—
Total transactions with the owners		941	612	(70,788)	(72,357)	(1,228)	(73,585)
December 31, 2024		—	132,239	748,781	1,066,776	32,059	1,098,835

(Millions of yen)

		Equity attributable to owners of the parent					
		Share capital	Capital surplus	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
	Notes						
January 1, 2025		85,424	106,256	(5,924)	124,321	6	7,912
Net income		—	—	—	—	—	—
Other comprehensive income		—	—	—	26,182	(0)	2,610
Comprehensive income		—	—	—	26,182	(0)	2,610
Disposal of treasury shares	22	—	(319)	80,817	—	—	—
Purchase of treasury shares	22	—	(40)	(80,018)	—	—	—
Share-based payment transactions	33	—	633	—	—	—	—
Dividends	24	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries		—	(132)	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	—	—	—	(272)
Total transactions with the owners		—	142	799	—	—	(272)
December 31, 2025		85,424	106,398	(5,125)	150,503	6	10,250

		Equity attributable to owners of the parent					
		Other components of equity		Retained earnings	Total	Non-controlling interests	Total equity
		Remeasurements of defined benefit plans	Total				
	Notes						
January 1, 2025		—	132,239	748,781	1,066,776	32,059	1,098,835
Net income		—	—	120,081	120,081	505	120,586
Other comprehensive income		(943)	27,849	—	27,849	351	28,200
Comprehensive income		(943)	27,849	120,081	147,930	856	148,786
Disposal of treasury shares	22	—	—	(80,497)	1	—	1
Purchase of treasury shares	22	—	—	—	(80,058)	—	(80,058)
Share-based payment transactions	33	—	—	—	633	—	633
Dividends	24	—	—	(71,073)	(71,073)	(1,663)	(72,736)
Changes in the ownership interest in subsidiaries		—	—	—	(132)	(629)	(761)
Transfer from other components of equity to retained earnings		943	671	(671)	—	—	—
Total transactions with the owners		943	671	(152,241)	(150,629)	(2,292)	(152,921)
December 31, 2025		—	160,759	716,621	1,064,077	30,623	1,094,700

## 5) Consolidated Statement of Cash Flows

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 2025

		(Millions of yen)
	2024	2025
	Notes	
Cash flows from operating activities		
Income before income taxes	151,024	169,846
Depreciation and amortization	88,422	85,841
Gain on transfer of business	(10,590)	—
Interest and dividend income	(4,678)	(3,508)
Interest expense	2,729	2,714
Share of profit in investments accounted for using the equity method	(3,482)	(3,406)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	2,361	3,257
(Increase) decrease in trade and other receivables	1,184	4,009
(Increase) decrease in inventories	(1,414)	(10,084)
Increase (decrease) in trade and other payables	10,991	(1,395)
Increase (decrease) in retirement benefit liabilities	(1,793)	(4,171)
Increase (decrease) in provision	(12,293)	(2,414)
Other	2,603	(14,104)
Subtotal	225,064	226,585
Interest received	4,428	3,286
Dividends received	2,343	3,469
Interest paid	(2,622)	(2,637)
Income taxes paid	(27,628)	(31,023)
Net cash flows from operating activities	201,585	199,680
Cash flows from investing activities		
Payments into time deposits	(16,977)	(13,573)
Proceeds from withdrawal of time deposits	13,554	13,267
Purchase of property, plant and equipment	(57,404)	(61,214)
Proceeds from sale of property, plant and equipment	9,827	1,557
Purchase of intangible assets	(10,072)	(9,631)
Proceeds from transfer of business	11,783	—
Other	3,387	(173)
Net cash flows from investing activities	(45,902)	(69,767)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(14,299)	90
Proceeds from long-term borrowings	10,000	10,562
Repayments of long-term borrowings	(4,375)	(10,023)
Proceeds from issuance of bonds	—	24,939
Redemption of bonds	(12)	(24,951)
Repayments of lease liabilities	32 (21,637)	(22,281)
Purchase of treasury shares	(2,846)	(80,053)
Dividends paid to owners of the parent	(70,246)	(71,149)
Dividends paid to non-controlling interests	(1,227)	(1,676)
Other	64	(592)
Net cash flows from financing activities	(104,578)	(175,134)
Net increase (decrease) in cash and cash equivalents	51,105	(45,221)
Cash and cash equivalents at the beginning of the year	7 291,663	357,713
Effect of exchange rate changes on cash and cash equivalents	14,945	10,790
Cash and cash equivalents at the end of the year	7 357,713	323,282

## Notes to Consolidated Financial Statements

Kao Corporation and Consolidated Subsidiaries  
Fiscal year ended December 31, 2025

### 1. Reporting Entity

The Company is a corporation established pursuant to the Companies Act of Japan (hereinafter the “Companies Act”) with its headquarters located in Chuo-ku, Tokyo.

The consolidated financial statements of the Group have a closing date of December 31 and comprise the financial statements of the Group and the interests in associates of the Company.

The Group manufactures consumer products including fabric care products, home care products, sanitary products, skin care products, hair care products, personal health products, cosmetics, commercial-use hygiene products, life care products and chemical products including oleochemicals and surfactants. The Group delivers its products to customers through its sales companies and distributors in Japan and other countries. Details of these principal business activities of the Group are presented in Note 6 “Segment Information.”

### 2. Basis of Preparation

#### (1) Compliance with International Financial Reporting Standards (hereinafter “IFRS Accounting Standards”)

The Group’s consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board, as permitted by the provision of Article 312 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance of Japan No. 28 of 1976), as they satisfy the requirements for an “IFRS Specified Company” in Article 1-2 of the same ordinance.

#### (2) Functional Currency and Presentation Currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. All financial information presented in Japanese yen is rounded to the nearest million yen.

#### (3) Changes in Presentation

##### (Consolidated Statement of Cash Flows)

“Impairment losses,” which was separately presented as items within “Operating activities” for the fiscal year ended December 31, 2024, is included in “Other” for the fiscal year ended December 31, 2025 as the amounts became immaterial. The consolidated financial statements for the fiscal year ended December 31, 2024 have been reclassified to reflect these changes in presentation. Consequently, “Impairment losses” which was presented as a cash inflow of 1,813 million yen within “Operating activities” of the consolidated statement of cash flows for the fiscal year ended December 31, 2024, is reclassified to “Other.”

“Purchase of treasury shares,” which was included in “Other” within “Financing activities” for the fiscal year ended December 31, 2024, is separately presented from the fiscal year ended December 31, 2025 as the amounts became material. The consolidated financial statements for the fiscal year ended December 31, 2024 have been reclassified to reflect these changes in presentation. Consequently, “Other,” which was presented as a cash outflow of (2,782) million yen within “Financing activities” of the consolidated statement of cash flows for the fiscal year ended December 31, 2024, is reclassified to “Purchase of treasury shares,” which is presented as a cash outflow of (2,846) million yen and “Other,” which is presented as a cash inflow of 64 million yen.

### 3. Material Accounting Policies

#### (1) Basis of Consolidation

##### 1) Subsidiaries

Subsidiaries refer to all business entities controlled by the Company. The Company controls an entity when it has exposure, or rights, to variable returns from involvement with an investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date the Company gains control until the date it loses control of the subsidiary.

All intergroup balances, transactions, income and expenses and unrealized gains and losses arising from intergroup transactions are eliminated in preparing the consolidated financial statements.

A change in the Company’s ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to the Group.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Comprehensive income of subsidiaries is attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All subsidiaries have the same closing date as the Company.

## 2) Associates

An associate is defined as an entity over which the Company has significant influence on financial and operating policy decisions but does not have control over the entity. The Company is presumed to have significant influence over another entity when it directly or indirectly holds at least 20%, but no more than 50% of the voting rights of that entity. Entities over which the Company is able to exercise significant influence on financial and operating policy decisions are also included in associates, even if it holds less than 20% of the voting rights.

Investments in associates are initially recognized at cost, and are accounted for by the equity method from the date the Company gains significant influence until the date it loses that influence.

Goodwill recognized on acquisition of associates (less any accumulated impairment losses) is included in investments in associates.

The closing dates of some associates differ from that of the Company. Associates with different closing dates prepare additional financial closings as of the closing date of the Company.

## (2) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration of an acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, liabilities assumed and equity securities issued by the Company to the former owners of the acquiree in exchange for control of the acquiree.

Identifiable assets and liabilities of the acquiree in business combinations are measured at their acquisition-date fair value, with the following exceptions:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively.
- Non-current assets and disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment transactions of the Company entered into to replace such transactions of the acquiree are measured in accordance with IFRS 2 "Share-based Payment."

Any excess of the consideration over the net fair value of identifiable assets acquired and liabilities assumed at the acquisition date is recognized as goodwill in the consolidated statement of financial position. Conversely, any deficit is immediately recognized as income in the consolidated statement of income.

Costs associated with business combinations, such as advisory fees, attorney fees and due diligence costs, are expensed as incurred.

The additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore no goodwill is recognized with respect to such a transaction.

Business combinations under common control are business combinations in which all of the combining entities or combining businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. These business combinations are accounted for based on the carrying amounts.

## (3) Foreign Currency Translation

### 1) Functional currency and presentation currency

The presentation currency used in the Group's consolidated financial statements is Japanese yen, which is the Company's functional currency. Subsidiaries and associates in the Group determine their own functional currencies and each entity's transactions are measured in its functional currency.

### 2) Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate at the date of the transaction, or an exchange rate that approximates the spot rate.

At the end of each reporting period, foreign currency monetary items are translated into the functional currency using the rates at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the date of acquisition. Non-monetary items that are measured at fair value in foreign currencies are translated into the functional currency using the exchange rates at the date when the fair value was measured. Exchange differences arising from such translations and settlements are recognized in profit or loss. However, exchange differences arising from equity instruments measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

### 3) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated at the rates at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, provided that there were no significant fluctuations in the exchange rates during the period. Exchange differences arising from translation of the financial statements of foreign operations are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

#### (4) Financial Instruments

##### 1) Financial assets

###### (i) Initial recognition and measurement

The Group initially recognizes trade and other receivables at the date they are originated. Other financial assets are initially recognized at the transaction date when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, all financial assets are measured at fair value, but those that are not classified as financial assets measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

###### (ii) Classification and subsequent measurement

The Group classifies the financial assets it holds as (a) financial assets measured at amortized cost; (b) debt instruments measured at fair value through other comprehensive income; (c) equity instruments measured at fair value through other comprehensive income; or (d) financial assets measured at fair value through profit or loss. This classification is determined at initial recognition, and measurement of financial assets after initial recognition is performed according to the classification of the financial asset as follows:

###### (a) Financial assets measured at amortized cost

Financial assets held by the Group are measured at amortized cost if both of the following conditions are met:

- The financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the carrying amounts of financial assets measured at amortized cost are recognized using the effective interest method less impairment loss, if any. Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period.

###### (b) Debt instruments measured at fair value through other comprehensive income

Financial assets held by the Group are classified as debt instruments measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### (c) Equity instruments measured at fair value through other comprehensive income

The Group has made an irrevocable election to present subsequent changes in the fair value of certain equity instruments in other comprehensive income, and classifies them in equity instruments measured at fair value through other comprehensive income.

These financial assets are measured at fair value after initial recognition, and changes in the fair value are included in other comprehensive income. If the Group disposes of an investment, or if the fair value of the investment declines significantly, the cumulative gain or loss recognized in other comprehensive income is reclassified from other components of equity to retained earnings.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized as financial income in profit or loss.

###### (d) Financial assets measured at fair value through profit or loss

Financial assets that are not classified as financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, or equity instruments measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. The Group's financial assets that are measured at fair value through profit or loss include certain short-term investments and derivative assets. The Group has not irrevocably designated any financial assets as measured at fair value through profit or loss.

These financial assets are measured at fair value after initial recognition, and changes in their fair value are recognized in profit or loss. Gains and losses on financial assets measured at fair value through profit or loss are recognized in profit or loss.

###### (iii) Impairment of financial assets

With respect to impairment of financial assets measured at amortized cost, the Group recognizes a loss allowance for expected credit losses on such financial assets.

At each reporting date, the Group assesses whether the credit risks on the financial assets have increased significantly since initial recognition.

If credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to the 12-month expected credit losses. If credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is measured in an amount equal to the lifetime expected credit losses.

However, the loss allowance on trade receivables and others is always measured in an amount equal to the lifetime expected credit losses.

The expected credit losses of financial assets are estimated in a way that reflects the following:

- An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information about past events, current conditions and forecasts of economic conditions that is available without undue cost or effort at the reporting date

The amounts of these measurements are recognized in profit or loss.

If an event that reduces an impairment loss occurs after the impairment loss has been recognized, the impairment loss will be reversed to the extent of the decrease and credited to profit or loss.

(iv) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights to the cash flows from the financial assets expire, or when the Group transfers financial assets and substantially all the risks and rewards of ownership of the financial assets.

2) Financial liabilities

(i) Initial recognition and measurement

The Group initially recognizes bonds and borrowings at the date they are issued, and other financial liabilities at the transaction date.

Upon initial recognition, all financial liabilities are measured at fair value. However, financial liabilities measured at amortized cost are measured in the full amount after deducting directly attributable transaction costs from the fair value.

Transaction costs of financial liabilities measured at fair value through profit or loss are recognized in profit or loss.

(ii) Classification and subsequent measurement

The Group classifies financial liabilities as either financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortized cost. This classification is determined at initial recognition. Measurement of financial liabilities after initial recognition is performed as follows, according to the classification of the financial liability.

The Group's financial liabilities measured at fair value through profit or loss are derivative liabilities. The Group has not irrevocably designated any financial liabilities as measured at fair value through profit or loss at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value after initial recognition, and any changes in their fair value are recognized in profit or loss for the period.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished (i.e., when the obligation specified in the contract is discharged or cancelled or expires).

3) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amount and intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

4) Fair value of financial instruments

The Group recognizes the fair value of financial instruments using various valuation methodologies and inputs. The fair values recognized based on the observability of inputs into the valuation methodologies are grouped into the following three levels:

Level 1: Fair value measured with quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measured with inputs other than quoted prices categorized within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value measured with unobservable inputs for the asset or liability

5) Hedge accounting

The Group uses derivative transactions, such as foreign exchange forward contracts, currency swaps, and interest rate swaps, for the purpose of avoiding or mitigating market risk. At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship and the interest rate risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and the methods of assessing whether the hedging relationship meets the hedge effectiveness requirements. In addition, the Group assesses whether the hedging relationship meets the hedge effectiveness requirements at the inception and on an ongoing basis. Ongoing assessments are conducted either at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first.

The Group does not use cash flow hedges, fair value hedges or net investment hedges in foreign operations.

(5) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are highly liquid and readily convertible to known amounts of cash subject to an insignificant risk of changes in value, and that mature or become due within three months from the date of acquisition.

Cash equivalents include certificates of deposit, time deposits, commercial paper, public and corporate bonds in investment trusts, and money in trust.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and are determined principally by the weighted average method.

## (7) Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises any costs directly attributable to acquisition of the asset and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation of assets other than land and construction in progress is calculated on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of major asset items are as follows:

- Buildings and structures: 10 to 35 years
- Machinery and vehicles: 7 to 14 years
- Tools, furniture and fixtures: 3 to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at each fiscal year end, and any revisions are applied prospectively as changes in accounting estimates.

## (8) Goodwill and Intangible Assets

### 1) Goodwill

Goodwill arising from a business combination is not amortized, and is carried at cost, determined at the acquisition date, less any accumulated impairment losses.

In addition, goodwill is allocated to the cash generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination, and is tested for impairment at least once a year by each fiscal year end or if there are indications of impairment. Impairment loss on goodwill is recognized in profit or loss and is not reversed in subsequent periods.

Goodwill measurements at initial recognition are presented in Note 3 “Material Accounting Policies (2) Business Combinations.”

### 2) Intangible assets

Intangible assets are measured using the cost model and carried at cost less any accumulated amortization and any accumulated impairment losses.

The costs of separately acquired intangible assets comprise any costs directly attributable to acquisition of the assets.

The costs of intangible assets acquired in business combinations are measured at fair value at the acquisition date.

Expenditures related to internally generated intangible assets are recognized as expenses when incurred, with the exception of development expenses that meet the criteria for capitalization. Software development expense only meets the criteria for capitalization.

After initial recognition, with the exception of intangible assets with indefinite useful lives, intangible assets are amortized on a straight-line basis over their estimated useful lives.

The Group has no material intangible assets with indefinite useful lives. The estimated useful lives of major intangible assets are as follows:

- Trademarks: 20 years
- Customer relationships: 15 or 20 years
- Software: 5 or 10 years

The estimated useful lives, residual values and amortization method are reviewed at each fiscal year end, and any revisions are applied prospectively as changes in accounting estimates.

### 3) Research and development expenses

Research expenditures are expensed as incurred. Development expenditures are capitalized only if they can be measured reliably, future economic benefits are probable, and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. If research expenditures and development expenditures cannot be clearly distinguished, they are expensed as incurred as research expenditures.

## (9) Leases

For leases in which the Group acts as the lessee, the lease liability is initially measured at the present value of the accrued lease payments. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any initial direct costs and any prepaid lease payments, plus any costs including restoration obligations and other factors under the lease contracts.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and lease terms. Lease payments are apportioned between the interest expenses and the reduction of the outstanding liability using the interest method. Interest expenses are presented on the consolidated statement of income separately from depreciation expenses of right-of-use assets.

The Group does not recognize right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases for which the underlying asset is of low value. The Group recognizes the lease payments associated with these leases as expenses on either a straight-line basis or another systematic basis over the lease term.

The Group has no significant leases in which it acts as the lessor.

(10) Impairment of Non-financial Assets

Non-financial assets, excluding inventories, deferred tax assets, non-current assets classified as held for sale and assets arising from employee benefits, are assessed at the end of each reporting period to determine whether there is any indication of impairment. If there is an indication of impairment, the recoverable amount of the asset is estimated. For goodwill, the recoverable amount is estimated at least once a year by each fiscal year end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and fair value less cost of disposal. The discount rate used in calculating the asset's value in use is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is measured. Goodwill acquired in business combinations is allocated to each of the cash-generating units or groups of cash-generating units of the Group that is expected to benefit from synergies of the business combinations after the acquisition date, and is tested for impairment.

As corporate assets do not generate separate cash inflows, the recoverable amount of individual corporate assets cannot be measured unless management has decided to dispose of the asset. If there is an indication that a corporate asset may be impaired, the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs is measured and compared with the carrying amount.

Impairment losses are recognized in profit or loss whenever the recoverable amount is less than the carrying amount. Such impairment losses of the cash-generating unit or group of cash-generating units are recognized by first reducing the carrying amount of any goodwill allocated to the cash-generating unit or group of cash-generating units, and then allocating the rest of the losses to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The Group reviews assets other than goodwill at each fiscal year end to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If there are any such indications, the Group estimates the recoverable amount of the asset.

Impairment losses on assets other than goodwill that were recognized in prior fiscal years are reversed only when there have been changes in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased as a reversal of impairment loss to the recoverable amount.

Impairment losses are reversed up to the carrying amount, net of amortization or depreciation, that would have been determined had no impairment loss for the asset been recognized in prior fiscal years.

(11) Employee Benefits

1) Post-employment benefits

The Group sponsors a defined benefit plan and a defined contribution plan as post-employment benefit plans for employees.

(i) Defined benefit plan

For the defined benefit plan, the projected unit credit method is used to individually determine the present value of defined benefit obligations, related current service costs and past service costs of each plan.

The discount rate is determined by referring to market yields at the end of the fiscal year on high quality corporate bonds corresponding to the period until the expected date of future benefit payment.

The net amount of the present value of defined benefit obligations and the fair value of plan assets is accounted for as a liability or asset. However, if the defined benefit plan has surplus, the net defined benefit asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. Net interest on the net defined benefit liability (asset) is recognized in profit or loss as financial expenses (income).

Remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and immediately reclassified to retained earnings in the period in which they occur.

Past service costs are recognized in profit or loss for the period in which they are incurred.

(ii) Defined contribution plan

Payments to the defined contribution plan are recognized as expenses when employees have rendered services entitling them to the contributions.

2) Other employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as an expense when the related services are rendered.

For bonuses, when there is a present legal or constructive obligation to make payments of bonuses, and a reliable estimate of the obligation can be made, the estimated amount to be paid is accounted for as a liability.

For the paid absence expenses, when there is a legal or constructive obligation with respect to accumulating paid absence systems and a reliable estimate of the obligation can be made, the estimated amount to be paid based on those systems is accounted for as a liability.

(12) Share-based Payments

The Company introduced a performance share plan, which is accounted for as an equity-settled share-based payment plan and a cash-settled share-based payment plan.

The equity-settled share-based payment plan measures services received at the fair value of the Company's shares on the date of grant, recognizing them as an expense from the date of grant through the vesting period and recognizing the same amount as an increase in capital surplus. The fair value of the Company's shares on the date of grant is determined by adjusting the market price of the shares taking expected dividends into account.

The cash-settled share-based payment plan is measured at the fair value at the end of each reporting period and at the settlement date, recognizing it as an expense from the date of grant through the vesting period and recognizing the same amount as an increase in liabilities.

(13) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amounts recognized as provisions are the best estimates of necessary expenditures to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties associated with the obligation. When the effect of the time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

(14) Revenue

The Group recognizes revenue based on the following five-step model:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group sells consumer products including fabric care products, home care products, sanitary products, skin care products, hair care products, personal health products, cosmetics, commercial-use hygiene products, life care products, as well as chemical products including oleochemicals and surfactants. For sales of such products, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products because the customer obtains control over the products upon delivery. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items.

(15) Income Taxes

Income taxes consist of current income taxes and deferred income taxes. Income taxes are recognized as income or expenses and included in profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

1) Current income taxes

Current income taxes are recognized in the amount of the expected taxes payable to or receivable from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries where the Group conducts business and earns taxable income.

2) Deferred income taxes

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets or liabilities at the end of the reporting period and its tax base, and for tax loss carryforwards and tax credits.

Deferred tax assets are recognized for deductible temporary differences, the carryforwards of unused tax losses and the carryforwards of unused tax credits to the extent that it is probable that future taxable income will be available against such deferred tax assets. Deferred tax liabilities are recognized, in principle, for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed each period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to realize benefits from all or part of the assets. Unrecognized deferred tax assets are reassessed each period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities in transactions, if the transactions are not business combinations, affect neither accounting profit nor taxable profit, and do not give rise to equal taxable and deductible temporary differences
- Taxable temporary differences on investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deductible temporary differences on investments in subsidiaries and associates, when it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

The Group has applied the temporary exception in the amendments to IAS 12 Income Taxes: International Tax Reform—Pillar Two Model Rules issued in May 2023.

The Company and most of its domestic subsidiaries have adopted the group tax sharing system, and some of its foreign subsidiaries have adopted the consolidated tax system.

(16) Earnings per Share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential ordinary shares.

(17) Non-current Assets Held for Sale

A non-current asset or disposal group whose carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use is classified as a non-current asset or disposal group held for sale if it is highly probable that the asset or disposal group will be sold within one year and is available for immediate sale in its present condition, and the Group's management has committed to a plan to sell. Non-current assets are not depreciated or amortized while they are classified as held for sale or are part of a disposal group classified as held for sale. Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

(18) Equity and Other Capital

1) Ordinary shares

Ordinary shares are recognized in share capital and capital surplus at their issue price. Share issuance costs are deducted from the issue price.

2) Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or retirement of the Company's treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized directly in equity.

(19) Dividends

Dividend distributions to shareholders of the Company are recognized as liabilities in the period in which year-end dividends are resolved upon by the General Meeting of Shareholders and interim dividends are resolved upon by the Board of Directors.

4. Significant Accounting Estimates and Judgments

The Group's consolidated financial statements include estimates and assumptions made by management regarding income and expenses, measurement of the carrying amounts of assets and liabilities, and disclosure of contingencies and others at the end of the reporting period. These estimates and assumptions are based on management's best judgment at the end of the reporting period, and take into account historical experience and various other factors that can be considered as reasonable. However, due to their nature, actual results may differ from these estimates and assumptions.

The estimates and their underlying assumptions are reviewed by management on an ongoing basis. The effects of revisions to accounting estimates and assumptions are recognized in the period when the estimates are revised and in future periods.

Estimates and assumptions that significantly affect the amounts recognized in the Group's consolidated financial statements are as follows:

(1) Impairment of Property, Plant and Equipment, Right-of-use Assets, Goodwill and Intangible Assets

The Group conducts impairment tests for property, plant and equipment, right-of-use assets, goodwill and intangible assets when there is an indication that the recoverable amount of the asset or cash-generating unit is less than the carrying amount. Triggering events for impairment testing include, for example, significant changes with adverse effects on past or projected business performance, significant changes in the use of acquired assets, or changes in overall business strategy. Furthermore, goodwill is tested for impairment at least once a year by each fiscal year end, irrespective of indication of impairment, to verify that the recoverable amount of the cash-generating unit to which goodwill is allocated exceeds the carrying amount.

Impairment tests are performed by comparing the carrying amount and the recoverable amount of the asset or cash-generating unit. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss. The recoverable amount is the higher of the value in use and the fair value less cost of disposal of the asset or cash-generating unit.

In calculating the value in use, the Group makes certain assumptions about the remaining useful life and future cash flows of the asset, discount rate, growth rate and other factors. These assumptions are based on management's best estimates and judgments, but may be affected by changes in future business plans, economic conditions or other factors. If revisions to the assumptions become necessary, such revisions could have a material effect on the amounts recognized in the consolidated financial statements in future periods.

Note 13 "Goodwill and Intangible Assets" presents the method for measuring the recoverable amount and sensitivity associated with goodwill.

(2) Lease Term of Right-of-use Assets

The Group determines the lease term as the non-cancellable period of the lease, together with any periods when it is reasonably certain such lease will be extended or will not be terminated. Specifically, the lease term is estimated in consideration of factors including variation in rent due to extension or termination of the lease, whether there is a penalty for termination, and the period for recovery of investment in improvements of important leaseholds.

Note 3 "Material Accounting Policies (9) Leases" presents details related to lease terms. Note 34 "Financial Instruments" presents amounts.

(3) Post-employment Benefits

The Group provides a variety of post-retirement benefit plans that include a defined benefit plan. The present value of defined benefit obligations and related service costs are determined based on actuarial assumptions.

Actuarial assumptions are based on management's best estimates and judgments, but may be affected by the revision of inputs including the discount rate and mortality rate due to changes in economic conditions. If revisions to the assumptions become necessary, such revisions could have a material effect on the amounts recognized in the consolidated financial statements in future periods.

Note 19 "Employee Benefits" presents actuarial assumptions and related sensitivity.

#### (4) Provisions

The Group has recognized a provision for loss related to cosmetics, a provision for asset retirement obligations, a provision for business transformation at subsidiaries in Europe and the Americas and other provisions in the consolidated statement of financial position.

The amounts recognized are the best estimates of the expenditures required to settle the present obligations taking into account historical experience, expectations and other factors at the end of the reporting period.

The provision for loss related to cosmetics may be affected by changes in compensation-related and other expenses.

The provision for asset retirement obligations and other provisions may be affected by factors such as changes in future business plans.

If the actual amounts paid differ from the estimates, such differences could have a material effect on the amounts recognized in the consolidated financial statements in future periods.

Note 20 "Provisions" presents the nature and amounts of these provisions.

#### (5) Income Taxes

The Group recognizes and measures income tax payables and income taxes based on reasonable estimates of the amounts to be paid to the taxation authorities in each country. Such estimates are made using the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Calculating income tax payables and income taxes requires estimates and judgments of various factors, including interpretations of tax regulations by the Group and the taxation authorities and the experience of past tax audits.

Therefore, if the final tax outcome is different from the amount initially recognized, the difference is recognized in the period when the tax outcome is finalized.

Deferred tax assets are recognized for deductible temporary differences, the carryforwards of unused tax losses and the carryforwards of unused tax credits to the extent that it is probable that future taxable income will be available. The realizability of deferred tax assets is assessed using the tax rates that are expected to apply to the period when the asset is realized based on tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Recognition and measurement of deferred tax assets are based on management's best estimates and judgments, but may be affected by future changes in business plans or other conditions, or by the amendment or promulgation of related laws. Any revisions that become necessary could have a material effect on the amounts recognized in the consolidated financial statements in future periods.

Note 15 "Income Taxes" presents income taxes and amounts.

#### (6) Fair Value

The Group uses various inputs, including unobservable inputs, and valuation methodologies to estimate the fair value of specific assets and liabilities. When measuring fair value, the Group maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs, and management's best estimates and judgments are required in that process.

The fair value of these assets and liabilities is based on management's best estimates and judgments, but could be affected by factors including changes in inputs due to changes in economic conditions. Any revisions that become necessary could have a material effect on the amounts recognized in the consolidated financial statements in future periods.

Note 34 "Financial Instruments" presents fair value measurement methods and amounts for major financial assets and liabilities measured at fair value.

#### (7) Contingencies

Contingencies are disclosed when there are items that could have a material effect on future business after considering the probability of occurrence and the amount of financial impact, taking into account all available evidence at the end of the reporting period.

### 5. New Standards and Interpretations Not Yet Adopted

New or revised major standards and interpretations that were issued by the date of approval presented in Note 38 "Approval of the Consolidated Financial Statements," but were not yet early adopted by the Group as of December 31, 2025 are as follows.

IFRS	Title	Mandatory adoption (From the fiscal year beginning)	Adoption by the Group	Overview of new or revised Standards and Interpretations
IFRS 9 IFRS 7	Contracts Referencing Nature dependent Electricity	January 1, 2026	Fiscal year ending December 31, 2026	Amendments to better reflect contracts referencing nature dependent electricity in the financial statements
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending December 31, 2026	Revised Presentation and Disclosure in Financial Statements

The Group is currently evaluating the possible impacts on the consolidated financial statements resulting from the adoption of "Contracts Referencing Nature-dependent Electricity-Amendment to IFRS 9 and IFRS 7" and the estimates are currently not available.

IFRS 18, "Presentation and Disclosure in Financial Statements," replaces the existing IAS 1, "Presentation of Financial Statements." Upon application of this standard, income and expenses recorded in the consolidated statement of income are required to be classified into five categories, and new subtotals, including operating income, are required to be presented. The main impacts on the Group's consolidated financial statements arising from this change are reclassifications within operating income, income before financing and income taxes, and income before income taxes in the consolidated statement of income; however, there is no impact on net income.

## 6. Segment Information

### (1) Summary of Reportable Segments

The Group's reportable segments are the components of the Group for which discrete financial information is available and are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing their performance. Net sales and operating income are the key measures used by the Board of Directors to evaluate the performance of each segment. The Group is organized on the basis of five businesses: the four business areas that constitute the Global Consumer Care Business (the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, and the Business Connected Business) and the Chemical Business. In each business, the Group plans comprehensive business strategies and carries out business activities on a global basis.

Accordingly, the Group has five reportable segments: the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, the Business Connected Business and the Chemical Business.

Due to a change in organization as of January 1, 2025, the Group reclassified its five former reportable segments (the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, the Cosmetics Business, and the Chemical Business) into the above-noted five reportable segments (the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, the Business Connected Business, and the Chemical Business) from the fiscal year ended December 31, 2025. Segment information for the fiscal year ended December 31, 2024 has been restated to reflect the reclassification.

Information about major customers has been omitted as the revenue from each customer is less than 10% of the Group's net sales.

Major products by reportable segment are as follows:

Reportable segments		Major products	
Global Consumer Care Business	Hygiene Living Care Business	Fabric care products	Laundry detergents, fabric treatments
		Home care products	Kitchen cleaning products, house cleaning products, paper cleaning products
		Sanitary products	Sanitary napkins, baby diapers
	Health Beauty Care Business	Skin care products	Soaps, facial cleansers, body cleansers, UV care products
		Hair care products	Shampoos, conditioners, hair styling agents, hair coloring agents, men's products
		Personal health products	Bath additives, oral care products, thermo products
	Cosmetics Business	Cosmetics	Counseling cosmetics, self-selection cosmetics
	Business Connected Business	Commercial-use hygiene products, life care products	Commercial-use hygiene products, life care products
	Chemical Business	Oleo chemicals	Oleochemicals, fat and oil derivatives, surfactants and blending products, fragrances
Performance chemicals		Water-reducing admixture for concrete, casting sand binders, plastics additives, process chemicals for various industries	
Information materials		Toners/Toner binders, inkjet ink colorants, ink, fine polishing agents and cleaner for hard disk, materials and process chemicals for semiconductor	

(2) Sales and Results of Reportable Segments  
Fiscal year ended December 31, 2024

(Millions of yen)

	Reportable segments							Reconciliation <sup>1</sup>	Consolidated
	Global Consumer Care Business					Chemical Business	Total		
	Hygiene Living Care Business	Health Beauty Care Business	Cosmetics Business	Business Connected Business	Subtotal				
Net sales									
Sales to customers	544,278	423,967	244,102	40,478	1,252,825	375,623	1,628,448	—	1,628,448
Intersegment sales and transfers <sup>2</sup>	—	—	—	—	—	45,678	45,678	(45,678)	—
Total net sales	<u>544,278</u>	<u>423,967</u>	<u>244,102</u>	<u>40,478</u>	<u>1,252,825</u>	<u>421,301</u>	<u>1,674,126</u>	<u>(45,678)</u>	<u>1,628,448</u>
Operating income (loss)	<u>75,771</u>	<u>34,433</u>	<u>(3,664)</u>	<u>5,206</u>	<u>111,746</u>	<u>35,721</u>	<u>147,467</u>	<u>(823)</u>	<u>146,644</u>
Financial income									4,988
Financial expenses									(4,090)
Share of profit in investments accounted for using the equity method									3,482
Income before income taxes									<u>151,024</u>
Other items									
Depreciation and amortization <sup>3</sup>	30,309	19,633	13,297	2,336	65,575	20,774	86,349	2,073	88,422
Impairment losses <sup>3</sup>	726	76	69	3	874	658	1,532	281	1,813
Capital expenditures <sup>4</sup>	28,394	18,632	15,132	1,682	63,840	28,631	92,471	1,059	93,530

Notes:

1. The operating income (loss) reconciliation of (823) million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. Note 12 “Property, Plant and Equipment,” Note 13 “Goodwill and Intangible Assets” and Note 17 “Leases” present the details of depreciation, amortization and impairment losses.
4. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

Fiscal year ended December 31, 2025

(Millions of yen)

	Reportable segments							Reconciliation <sup>1</sup>	Consolidated
	Global Consumer Care Business					Chemical Business	Total		
	Hygiene Living Care Business	Health Beauty Care Business	Cosmetics Business	Business Connected Business	Subtotal				
Net sales									
Sales to customers	549,333	432,882	261,563	39,174	1,282,952	405,681	1,688,633	—	1,688,633
Intersegment sales and transfers <sup>2</sup>	—	—	—	—	—	45,840	45,840	(45,840)	—
Total net sales	<u>549,333</u>	<u>432,882</u>	<u>261,563</u>	<u>39,174</u>	<u>1,282,952</u>	<u>451,521</u>	<u>1,734,473</u>	<u>(45,840)</u>	<u>1,688,633</u>
Operating income (loss)	<u>81,273</u>	<u>39,136</u>	<u>10,411</u>	<u>2,254</u>	<u>133,074</u>	<u>30,188</u>	<u>163,262</u>	<u>807</u>	<u>164,069</u>
Financial income									6,198
Financial expenses									(3,827)
Share of profit in investments accounted for using the equity method									3,406
Income before income taxes									<u>169,846</u>
Other items									
Depreciation and amortization <sup>3</sup>	30,657	19,789	11,546	1,397	63,389	20,477	83,866	1,975	85,841
Impairment losses <sup>3</sup>	126	12	20	0	158	143	301	—	301
Capital expenditures <sup>4</sup>	32,276	17,171	13,409	1,321	64,177	30,496	94,673	6,463	101,136

Notes:

1. The operating income (loss) reconciliation of 807 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. Note 12 “Property, Plant and Equipment,” Note 13 “Goodwill and Intangible Assets” and Note 17 “Leases” present the details of depreciation, amortization and impairment losses.
4. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

(3) Geographical Information

Sales to customers and non-current assets (excluding financial assets, deferred tax assets and retirement benefit assets) by region consist of the following:

Sales to Customers	(Millions of yen)	
	2024	2025
Japan	903,857	945,050
Asia	332,029	349,030
Americas	213,270	212,435
Europe	179,292	182,118
Total	<u>1,628,448</u>	<u>1,688,633</u>

Note: Sales are classified by country or region based on the location of customers.

Non-current Assets (excluding Financial Assets, Deferred Tax Assets and Retirement Benefit Assets)	(Millions of yen)	
	2024	2025
Japan	519,501	522,309
Asia	101,924	101,470
Americas	192,254	204,341
Europe	57,555	62,099
Total	<u>871,234</u>	<u>890,219</u>

## 7. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	(Millions of yen)	
	2024	2025
Cash and deposits	319,704	288,776
Short-term investments	38,009	34,506
Total	<u>357,713</u>	<u>323,282</u>

The balance of cash and cash equivalents presented in the consolidated statement of financial position is equal to the balance of cash and cash equivalents presented in the consolidated statement of cash flows.

## 8. Trade and Other Receivables

Trade and other receivables consist of the following:

	(Millions of yen)	
	2024	2025
Trade receivables	232,755	239,404
Other receivables	7,164	7,855
Allowance for doubtful receivables	(1,842)	(1,973)
Total	<u>238,077</u>	<u>245,286</u>

Trade receivables are recognized when the Group's products are delivered because the Group's right to consideration is unconditional except for the passage of time from that point. Moreover, the Group receives payment within a short period of time after satisfying its performance obligation under separately determined payment terms. As the period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less, as a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component for such receivables.

## 9. Inventories

Inventories consist of the following:

	(Millions of yen)	
	2024	2025
Merchandise and finished goods	209,163	220,991
Work in progress	15,193	18,188
Materials and supplies	50,272	53,187
Total	<u>274,628</u>	<u>292,366</u>

The amount of inventories recognized as expenses and included in cost of sales for the fiscal years ended December 31, 2024 and 2025 were 851,413 million yen and 883,284 million yen, respectively.

Write-downs of inventories recognized as expenses for the fiscal years ended December 31, 2024 and 2025 were 10,945 million yen and 8,981 million yen, respectively.

## 10. Other Assets

Other assets consist of the following:

	(Millions of yen)	
	2024	2025
Other current assets		
Prepaid expenses	13,757	13,812
Other	12,296	13,094
Total	<u>26,053</u>	<u>26,906</u>
Other non-current assets		
Long-term prepaid expenses	3,797	4,375
Retirement benefit assets	4,802	6,001
Other	2,663	3,388
Total	<u>11,262</u>	<u>13,764</u>

## 11. Non-current Assets Held for Sale

Certain assets including the office buildings of a foreign subsidiary were classified as non-current assets held for sale in the fiscal years ended December 31, 2024 and 2025, pursuant to the decision to sell these assets in the fiscal year ended December 31, 2024. These assets were measured at their carrying amount as the fair value less costs to sell (the sales value under the sales agreement) exceeded the carrying amount.

The fair value of these assets was categorized within Level 3 of the fair value hierarchy.

## 12. Property, Plant and Equipment

### (1) Changes in Property, Plant and Equipment

The following tables present changes in acquisition costs, accumulated depreciation and accumulated impairment losses, and carrying amounts of property, plant and equipment.

	Acquisition Cost						(Millions of yen)
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total	
January 1, 2024	511,023	855,387	134,336	94,399	28,166	1,623,311	
Additions	1,600	309	959	351	58,365	61,584	
Sales and disposals	(16,557)	(29,219)	(12,224)	(5,469)	(892)	(64,361)	
Reclassification	9,463	22,894	8,613	—	(40,970)	—	
Reclassification to assets held for sale	(5,267)	—	—	—	—	(5,267)	
Exchange differences on translation of foreign operations	9,404	22,907	2,744	799	1,823	37,677	
Other	(1,156)	944	(899)	—	65	(1,046)	
December 31, 2024	508,510	873,222	133,529	90,080	46,557	1,651,898	
Additions	50	244	434	—	67,969	68,697	
Sales and disposals	(4,582)	(20,714)	(8,108)	(413)	(60)	(33,877)	
Reclassification	20,474	23,271	11,248	1,116	(56,109)	—	
Reclassification to assets held for sale	(493)	—	(3)	(539)	—	(1,035)	
Exchange differences on translation of foreign operations	8,383	13,090	2,518	402	1,513	25,906	
Other	1,009	144	(427)	—	6	732	
December 31, 2025	533,351	889,257	139,191	90,646	59,876	1,712,321	

	Accumulated Depreciation and Accumulated Impairment Losses						(Millions of yen)
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total	
January 1, 2024	365,022	711,819	112,982	10,320	2,605	1,202,748	
Depreciation <sup>1</sup>	14,987	31,459	10,200	—	—	56,646	
Impairment losses <sup>2</sup>	661	244	16	245	622	1,788	
Sales and disposals	(12,456)	(28,706)	(12,011)	(1,155)	(816)	(55,144)	
Reclassification to assets held for sale	(3,725)	—	—	—	—	(3,725)	
Exchange differences on translation of foreign operations	6,003	18,012	2,284	—	68	26,367	
Other	140	314	(45)	—	(442)	(33)	
December 31, 2024	370,632	733,142	113,426	9,410	2,037	1,228,647	
Depreciation <sup>1</sup>	14,975	30,010	9,246	—	—	54,231	
Impairment losses <sup>2</sup>	49	188	—	36	14	287	
Sales and disposals	(4,297)	(19,885)	(7,999)	—	—	(32,181)	
Reclassification to assets held for sale	(442)	—	(3)	(313)	—	(758)	
Exchange differences on translation of foreign operations	5,555	11,038	2,087	—	—	18,680	
Other	658	478	136	—	(937)	335	
December 31, 2025	387,130	754,971	116,893	9,133	1,114	1,269,241	

Notes:

1. Depreciation of property, plant and equipment is included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of income.
2. Impairment losses on property, plant and equipment are included in other operating expenses in the consolidated statement of income.

Carrying Amount	(Millions of yen)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
January 1, 2024	146,001	143,568	21,354	84,079	25,561	420,563
December 31, 2024	137,878	140,080	20,103	80,670	44,520	423,251
December 31, 2025	146,221	134,286	22,298	81,513	58,762	443,080

(2) Impairment Losses

The Group allocates property, plant and equipment into cash-generating units based on the smallest identifiable group of assets that generates cash inflows that are largely independent. For idle assets, the Group evaluates whether to recognize impairment losses for individual properties based on impairment tests performed.

(3) Commitments

Note 37 “Commitments” presents information on commitments to acquire property, plant and equipment.

### 13. Goodwill and Intangible Assets

#### (1) Changes in Goodwill and Intangible Assets

The following tables present changes in acquisition costs, accumulated amortization and accumulated impairment losses, and carrying amounts of goodwill and intangible assets.

	Acquisition Cost					(Millions of yen)
	Goodwill	Intangible assets				Total
		Software	Trademarks	Customer relationships	Other <sup>1</sup>	
January 1, 2024	220,227	51,474	31,576	20,779	8,893	112,722
Additions	—	79	—	—	9,944	10,023
Sales and disposals	—	(7,098)	—	—	(318)	(7,416)
Reclassification	—	13,371	—	—	(13,371)	—
Exchange differences on translation of foreign operations	8,186	182	3,350	2,004	367	5,903
Other	—	488	—	—	20	508
December 31, 2024	228,413	58,496	34,926	22,783	5,535	121,740
Additions	—	54	—	—	9,577	9,631
Sales and disposals	—	(6,462)	—	—	—	(6,462)
Reclassification	—	7,289	—	—	(7,289)	—
Exchange differences on translation of foreign operations	2,658	313	(69)	143	25	412
Other	—	357	—	—	(94)	263
December 31, 2025	231,071	60,047	34,857	22,926	7,754	125,584

Note:

1. Software in progress is included in other in intangible assets.

	Accumulated Amortization and Accumulated Impairment Losses					(Millions of yen)
	Goodwill	Intangible assets				Total
		Software	Trademarks	Customer relationships	Other	
January 1, 2024	—	21,233	5,874	5,570	610	33,287
Amortization <sup>1</sup>	—	9,184	1,694	1,284	27	12,189
Sales and disposals	—	(7,105)	—	—	(318)	(7,423)
Exchange differences on translation of foreign operations	—	115	686	590	348	1,739
Other	—	1	—	—	—	1
December 31, 2024	—	23,428	8,254	7,444	667	39,793
Amortization <sup>1</sup>	—	9,341	1,697	1,276	22	12,336
Sales and disposals	—	(6,459)	—	—	—	(6,459)
Exchange differences on translation of foreign operations	—	251	59	147	11	468
Other	—	(25)	—	—	—	(25)
December 31, 2025	—	26,536	10,010	8,867	700	46,113

Note:

1. Amortization of intangible assets is included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of income.

Carrying Amount

(Millions of yen)

	Goodwill	Intangible assets				Total
		Software	Trademarks	Customer relationships	Other	
January 1, 2024	220,227	30,241	25,702	15,209	8,283	79,435
December 31, 2024	228,413	35,068	26,672	15,339	4,868	81,947
December 31, 2025	231,071	33,511	24,847	14,059	7,054	79,471

## (2) Goodwill

The following table presents the carrying amount of goodwill recognized in the Group's consolidated statement of financial position. Goodwill arising from business combinations is allocated at the acquisition date to cash-generating units benefiting from the business combination, and the goodwill belongs to the Health Beauty Care Business, the Cosmetics Business and the Chemical Business.

	(Millions of yen)	
	2024	2025
Health Beauty Care Business	63,708	65,401
Cosmetics Business	134,952	135,889
Chemical Business	29,753	29,781
Total	228,413	231,071

## (3) Impairment Test for Goodwill

The Group tests goodwill for impairment at least once a year by each fiscal year end or if there are indications of impairment. The recoverable amount on the impairment test is measured based on value in use. Goodwill recognized in the Group's consolidated statement of financial position derives mainly from business combination of Kanebo Cosmetics Inc. in the Cosmetics Business. The carrying amount in the fiscal years ended December 31, 2024 and 2025 was 119,400 million yen. For the goodwill acquired in the business combination of Kanebo Cosmetics Inc., cash flow projections that are the basis for the value in use are estimated using medium-term plans for the Cosmetics Business that reflect past performance and forecasts. These medium-term plans include information on sales by region and brand. The key assumptions used in formulating these estimates include sales growth rates and discount rates and the sales growth rates are consistent with the growth rate projections of the markets in which the cash-generating units operate. Estimated cash flows in years beyond the medium-term plans approved by management were calculated using an annual growth rate of 0% and were discounted to present value using a weighted average cost of capital (WACC) of 7.5% for the fiscal year ended December 31, 2024 and 7.3% for the fiscal year ended December 31, 2025. For the fiscal years ended December 31, 2024 and 2025, management determined that there was a low probability that the recoverable amounts of relevant cash-generating units would be less than their carrying amounts even in cases where key assumptions used in the impairment test changed within a reasonably possible range.

## (4) Intangible Assets with Indefinite Useful Lives

The intangible assets above include no material intangible assets with indefinite useful lives.

## (5) Commitments

Note 37 "Commitments" presents information on commitments associated with the acquisition of intangible assets.

#### 14. Investments Accounted for Using the Equity Method

Investments in associates are accounted for using the equity method in the Group's consolidated financial statements. The carrying amount of investments in associates that are not individually material is as follows:

	(Millions of yen)	
	2024	2025
Investments accounted for using the equity method	14,526	15,616

Changes in the Group's share of net income and other comprehensive income of associates that are not individually material are as follows:

	(Millions of yen)	
	2024	2025
The Group's share of net income	3,482	3,406
The Group's share of other comprehensive income	1,004	1,308
The Group's share of comprehensive income	4,486	4,714

#### 15. Income Taxes

##### (1) Deferred Tax Assets and Liabilities

Details of major causes of occurrence and changes in deferred tax assets and liabilities consist of the following:

Fiscal year ended December 31, 2024					(Millions of yen)
	January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Other	December 31, 2024
Deferred tax assets					
Property, plant and equipment and intangible assets	26,674	(1,020)	—	136	25,790
Lease liabilities	34,698	(2,575)	—	417	32,540
Retirement benefit liabilities	9,921	(1,067)	399	(23)	9,230
Accrued expenses	10,150	(21)	—	125	10,254
Unused tax losses	5,924	285	—	129	6,338
Other	25,593	(4,391)	—	161	21,363
Total deferred tax assets	112,960	(8,789)	399	945	105,515
Deferred tax liabilities					
Property, plant and equipment and intangible assets	13,637	700	—	905	15,242
Right-of-use assets	34,651	(2,745)	—	416	32,322
Financial assets	2,370	—	578	(147)	2,801
Undistributed foreign earnings	12,899	513	—	—	13,412
Other	2,535	33	19	(139)	2,448
Total deferred tax liabilities	66,092	(1,499)	597	1,035	66,225
Deferred tax assets, net	46,868	(7,290)	(198)	(90)	39,290

Fiscal year ended December 31, 2025

(Millions of yen)

	January 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	Other	December 31, 2025
Deferred tax assets					
Property, plant and equipment and intangible assets	25,790	(731)	—	77	25,136
Lease liabilities	32,540	(318)	—	244	32,466
Retirement benefit liabilities	9,230	(1,483)	112	219	8,078
Accrued expenses	10,254	494	—	45	10,793
Unused tax losses	6,338	(1,005)	—	510	5,843
Other	21,363	(1,425)	—	172	20,110
Total deferred tax assets	105,515	(4,468)	112	1,267	102,426
Deferred tax liabilities					
Property, plant and equipment and intangible assets	15,242	1,567	—	36	16,845
Right-of-use assets	32,322	(484)	—	228	32,066
Financial assets	2,801	—	771	(176)	3,396
Undistributed foreign earnings	13,412	1,147	—	—	14,559
Other	2,448	460	(63)	241	3,086
Total deferred tax liabilities	66,225	2,690	708	329	69,952
Deferred tax assets, net	39,290	(7,158)	(596)	938	32,474

Deferred tax assets and liabilities recognized in the consolidated statement of financial position are as follows:

(Millions of yen)

	2024	2025
Deferred tax assets	49,044	43,303
Deferred tax liabilities	9,754	10,829
Deferred tax assets, net	39,290	32,474

Deductible temporary differences and unused tax losses for which no deferred tax asset is recognized are as follows:

(Millions of yen)

	2024	2025
Unused tax losses	16,216	17,897
Deductible temporary differences	11,279	10,292
Total	27,495	28,189

Unused tax losses for which no deferred tax asset is recognized will expire as follows:

	(Millions of yen)	
	2024	2025
Not later than 1 year	—	—
Later than 1 year and not later than 2 years	—	247
Later than 2 years and not later than 3 years	236	475
Later than 3 years and not later than 4 years	458	15,458
Later than 4 years	15,522	1,717
Total	<u>16,216</u>	<u>17,897</u>

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities were not recognized at December 31, 2024 and 2025 were 57,384 million yen and 69,380 million yen, respectively. The Group did not recognize deferred tax liabilities for these temporary differences because it was able to control the timing of the reversal of these temporary differences, and it was probable that the temporary difference will not reverse in the foreseeable future.

(2) Income Taxes

Income taxes consist of the following:

	(Millions of yen)	
	2024	2025
Current taxes	33,360	42,102
Deferred taxes <sup>1</sup>	7,290	7,158
Total	<u>40,650</u>	<u>49,260</u>

Note:

- Deferred taxes include 410 million yen and (243) million yen for the fiscal years ended December 31, 2024 and 2025, respectively, due to tax rate changes. The amount of income taxes expected to be affected by the International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12) is immaterial.

(3) Reconciliation of Effective Tax Rate

The details of difference between the effective statutory tax rate and the Group's average actual tax rate consist of the following:

	2024	2025	(%)
Effective statutory tax rate	30.62	30.62	
Tax credit for experimental research costs and other	(3.54)	(3.23)	
Different tax rates applied to subsidiaries	(0.91)	(1.46)	
Reassessment of recoverability of unused tax losses and deferred tax assets	0.25	0.03	
Change in tax rates	0.27	(0.14)	
Undistributed foreign earnings	0.34	0.68	
Other	(0.11)	2.50	
Average actual tax rate	26.92	29.00	

Note:

- Revisions of amounts of deferred tax assets and deferred tax liabilities due to changes in rates of income taxes  
With the enactment of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 13 of 2025) by the National Diet on March 31, 2025, taxation of the "Special Defense Corporate Tax" will be implemented in Japan for the fiscal years beginning on or after April 1, 2026.  
Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences that are expected to reverse in the fiscal years beginning on or after January 1, 2027 have been calculated by changing the effective statutory tax rate from 30.62% to 31.52%.  
As a result of this change, deferred tax assets for the fiscal year ended December 31, 2025 (net of deferred tax liabilities) increased by 537 million yen, while deferred taxes decreased by 602 million yen and other comprehensive income decreased by 65 million yen.

## 16. Bonds and Borrowings and Other

Bonds and borrowings and lease liabilities consist of the following:

	(Millions of yen)			
	2024	2025	Average interest rate <sup>1</sup> (%)	Maturity
Short-term borrowings	724	823	2.96	—
Current portion of long-term borrowings	10,022	25,024	0.16	—
Long-term borrowings	70,118	55,664	0.50	2027~2032
Current portion of bonds <sup>2</sup>	25,003	212	—	—
Bonds <sup>2</sup>	25,192	49,935	—	—
Lease liabilities (Current)	20,146	20,878	0.87	—
Lease liabilities (Non-current)	94,123	90,606	1.82	2027~2066
Total	<u>245,328</u>	<u>243,142</u>		
Current liabilities				
Bonds and borrowings	35,749	26,059		
Lease liabilities	20,146	20,878		
Subtotal	<u>55,895</u>	<u>46,937</u>		
Non-current liabilities				
Bonds and borrowings	95,310	105,599		
Lease liabilities	94,123	90,606		
Subtotal	<u>189,433</u>	<u>196,205</u>		
Total	<u>245,328</u>	<u>243,142</u>		

Notes:

- The average interest rate is the weighted average interest rate on the balance as of December 31, 2025.
- Details of bonds issued are as follows:

(Millions of yen)							
Issuer	Bond name	Issue date	2024	2025	Interest rate (%)	Collateral	Maturity date
The Company	6th unsecured bonds	September 18, 2020	24,991	—	0.13	None	September 19, 2025
The Company	7th unsecured bonds <sup>3</sup>	June 15, 2023	24,956	24,969	0.35	None	June 20, 2028
The Company	8th unsecured bonds	September 18, 2025	—	24,942	1.33	None	September 20, 2030
Subsidiaries	Other bonds	—	248	236	—	—	—
Total			<u>50,195</u>	<u>50,147</u>			

- The 7th unsecured bond is a sustainability-linked bond and the interest rate may vary from June 20, 2027 onward depending on the achievement of the Sustainability Performance Targets (SPTs).

## 17. Leases

As a lessee, the Group leases assets including buildings, etc. Some lease contracts include extension options and termination options. The Group has no restrictions or covenants imposed by leases.

Income and expenses relating to leases consist of the following:

	(Millions of yen)	
	2024	2025
Depreciation charge for right-of-use assets <sup>1</sup>		
Buildings and structures	17,470	17,004
Other	2,117	2,298
Total	<u>19,587</u>	<u>19,302</u>
Interest expense on lease liabilities <sup>2</sup>	1,771	1,943
Expenses relating to short-term leases <sup>3</sup>	1,748	1,855
Other	1,315	1,322
Total	<u>4,834</u>	<u>5,120</u>

Notes:

1. Depreciation of right-of-use assets is included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of income.
2. Interest expense on lease liabilities is included in financial expenses in the consolidated statement of income.
3. Expenses relating to short-term leases are included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of income.

The total cash outflow for leases for the fiscal years ended December 31, 2024 and 2025 were 26,491 million yen and 27,419 million yen, respectively.

Carrying amount of right-of-use assets consists of the following:

	(Millions of yen)	
	2024	2025
Right-of-use assets		
Buildings and structures	102,881	95,710
Other	13,756	17,508
Total	<u>116,637</u>	<u>113,218</u>

Note 32 "Cash Flow Information" presents additions to right-of-use assets.

Note 34 "Financial Instruments" presents lease liabilities by maturity date.

## 18. Trade and Other Payables

Trade and other payables consist of the following:

	(Millions of yen)	
	2024	2025
Trade payables	172,907	172,998
Non-trade payables	85,128	97,151
Total	<u>258,035</u>	<u>270,149</u>

The Group has entered into supplier finance arrangements with third-party financial institutions. Under these arrangements, the Group makes payments to the third-party financial institutions 120 to 130 days after the invoice date, based on agreements with each supplier. The due dates are similar to those of comparable trade payables that are not part of a supplier finance arrangement. Suppliers may, at their discretion, receive early payment at a discount from a third-party financial institution. The Group has not pledged any assets or provided any third-party guarantees for supplier finance arrangements.

The carrying amounts of financial liabilities related to supplier finance arrangements for the fiscal years ended December 31, 2024 and 2025 were 68,844 million yen and 55,271 million yen, respectively, and are included in trade and other payables above. Of these amounts, 7,715 million yen and 5,784 million yen were paid to suppliers in the fiscal year ended December 31, 2024, and 2025, respectively.

The supplier finance arrangements entered into by the Group are not expected to result in a concentration or significant extension of payment due dates compared to the normal payment terms agreed with other suppliers not participating in the arrangements, and the Group is not exposed to significant liquidity risk arising from these arrangements.

For the fiscal year ended December 31, 2024 and 2025, there were no significant non-cash changes in the carrying amounts of financial liabilities subject to the supplier finance arrangements.

## 19. Employee Benefits

### (1) Post-employment Benefits

The Company and most of its domestic subsidiaries have a cash balance plan as a defined benefit plan and a defined contribution plan as post-employment benefits. The cash balance plan is linked to market interest rates. The defined benefit obligations held in Japan account for a large proportion of the Group's defined benefit obligations.

Cash balance plan benefits are determined using points acquired during the enrollment period and a multiplier based on the enrollment period. The Group may also pay an early retirement bonus allowance to employees who retire earlier than the retirement age.

In accordance with laws and regulations, the defined benefit plan is operated as a pension fund that is legally separated from the Group. The pension fund is managed by a Board of Representatives composed of representatives elected by the participating companies and the representatives of participating employees. Pension fund management institutions manage the pension fund's assets in accordance with management policies specified by the Board of Representatives. The Board of Representatives and the pension fund management institutions are legally required to act in the best interests of plan participants in executing their responsibilities for managing the plan assets.

Certain foreign subsidiaries have defined benefit plans and/or defined contribution plans as post-employment benefits.

The defined benefit plan is exposed to actuarial risk and to the risk of fluctuation in the fair value of plan assets. Actuarial risk primarily involves interest rate risk. Interest rate risk involves the potential for an increase in defined benefit plan obligations if the discount rate used to determine their present value decreases, because this discount rate is based on market yields on instruments including high-quality corporate bonds. The risk of fluctuation in the fair value of plan assets involves underfunding if actual interest rates are lower than the interest rate criteria for managing the performance of the plan assets.

### 1) Defined benefit liabilities recognized in the consolidated statement of financial position

Net defined benefit liabilities and assets recognized in the consolidated statement of financial position, defined benefit obligations and plan assets are as follows:

	2024	2025
		(Millions of yen)
	2024	2025
Present value of defined benefit obligations	278,526	231,281
Fair value of plan assets	(340,169)	(339,273)
Subtotal	(61,643)	(107,992)
Effect of the asset ceiling	96,301	138,677
Net defined benefit liabilities	34,658	30,685
Amounts recognized in the consolidated statement of financial position		
Retirement benefit liabilities	39,460	36,686
Retirement benefit assets	(4,802)	(6,001)
Net defined benefit liabilities	34,658	30,685

## 2) Defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

	(Millions of yen)	
	2024	2025
The present value of the defined benefit obligations at beginning of year	299,825	278,526
Current service cost <sup>1</sup>	7,447	6,406
Interest expense <sup>2</sup>	5,009	5,163
Remeasurements		
Actuarial (gains) losses arising from changes in demographic assumptions	3,059	117
Actuarial (gains) losses arising from changes in financial assumptions	(19,545)	(26,491)
Actuarial (gains) losses arising from experience adjustments	(868)	883
Past service cost <sup>3</sup>	(7)	(1,174)
Benefits paid <sup>4</sup>	(19,292)	(32,935)
Settlement	—	(1,118)
Exchange differences on translation of foreign operations and other	2,898	1,904
The present value of the defined benefit obligations at end of year	278,526	231,281

Notes:

1. Current service cost is recognized in profit or loss and included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of income.
2. Interest expense or interest income associated with the net of the present value of the defined benefit obligations and the fair value of plan assets is recognized in profit or loss and included in financial expenses or financial income in the consolidated statement of income.
3. Past service cost is recognized in profit or loss and included in cost of sales and selling, general and administrative expenses in the consolidated statement of income.
4. The weighted average duration of the defined benefit obligations in Japan was mainly 13.8 years at December 31, 2024 and 12.5 years at December 31, 2025.

## 3) Plan assets

Changes in the fair value of plan assets are as follows:

	(Millions of yen)	
	2024	2025
The fair value of plan assets at beginning of year	326,268	340,169
Interest income	5,052	6,096
Remeasurements		
Return on plan assets (excluding amounts included in interest income)	13,991	14,162
Contributions to the plan by the employer <sup>1</sup>	10,517	10,067
Payments from the plan	(18,010)	(31,678)
Exchange differences on translation of foreign operations and other	2,351	457
The fair value of plan assets at end of year	340,169	339,273

Note:

1. Pursuant to laws and regulations, the Group and the pension fund review the financial condition of the pension plan regularly and recalculate contributions for allocating future benefits and maintaining the balance of pension financing when the plan is underfunded. The Group plans to contribute 10,142 million yen to the defined benefit plan for the fiscal year ending December 31, 2026.

Plan assets consist of the following:

	(Millions of yen)					
	2024			2025		
	Market price in an active market			Market price in an active market		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity securities	2,680	64,828	67,508	3,019	58,419	61,438
Japan	—	31,597	31,597	—	29,223	29,223
Overseas	2,680	33,231	35,911	3,019	29,196	32,215
Debt securities	14,525	232,960	247,485	338	250,864	251,202
Japan	—	151,881	151,881	—	188,772	188,772
Overseas	14,525	81,079	95,604	338	62,092	62,430
Other	5,125	20,051	25,176	3,447	23,186	26,633
Total	<u>22,330</u>	<u>317,839</u>	<u>340,169</u>	<u>6,804</u>	<u>332,469</u>	<u>339,273</u>

Note: Plan assets invested in pooled funds of trust banks are classified without quoted market prices in active markets.

Pension assets in Japan account for a large proportion of the Group's plan assets. The objective in managing the plan assets is to raise total returns to the greatest extent possible in order to ensure stable benefits and lump-sum payments for plan participants in the future and beneficiaries with a long-term view under acceptable risks. Specifically, the Group considers factors including expected rate of return on investments in appropriate assets, risks of each asset, and asset combinations to set an asset mix policy for an appropriate basic portfolio in future years as the basis for maintaining asset allocation. The Group reviews the basic portfolio annually and realigns it as necessary if the asset allocation conditions have changed since the asset mix was set.

#### 4) Effect of the asset ceiling

Changes in the effect of the asset ceiling are as follows:

	(Millions of yen)	
	2024	2025
The effect of the asset ceiling at beginning of year	62,833	96,301
Interest income	807	1,631
Remeasurements		
Changes in the effect of the asset ceiling	32,661	40,745
The effect of the asset ceiling at end of year	<u>96,301</u>	<u>138,677</u>

#### 5) Significant actuarial assumptions and related sensitivity analysis

Significant actuarial assumptions are as follows:

	2024	2025
Discount rate	Mainly 2.3%	Mainly 3.2%

Note: The above table presents the discount rate used by the Company and major domestic subsidiaries.

Sensitivity analysis of the effect of changes in the present value of the defined benefit obligations of the Company and major domestic subsidiaries given changes in the discount rate used as a significant actuarial assumption is as follows:  
(Millions of yen)

	2024	2025
The impact on defined benefit obligations		
0.5% increase in discount rate	(16,049)	(12,441)
0.5% decrease in discount rate	18,049	13,886

Note: This sensitivity analysis estimates the effect on the defined benefit obligations at the end of each reporting period from changes in the discount rate while all of the other assumptions remain constant.

6) Defined contribution plans

Expenses related to the defined contribution plan recognized in profit or loss were 4,911 million yen and 4,918 million yen for the fiscal years ended December 31, 2024 and 2025, respectively and included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of income.

(2) Other Employee Benefit Expenses

Other employee benefit expenses recognized in cost of sales, selling, general and administrative expenses, and other operating expenses in the consolidated statement of income for the fiscal years ended December 31, 2024 and 2025 were 312,169 million yen and 310,339 million yen, respectively.

20. Provisions

Components of and changes in provisions consist of the following:

	(Millions of yen)				
	Provision for loss related to cosmetics	Provision for asset retirement obligations	Provision for business transformation at subsidiaries in Europe and the Americas	Other provisions	Total
January 1, 2025	2,537	5,769	1,945	745	10,996
Increase	—	98	105	1,424	1,627
Interest expense on discounted provision	21	33	—	—	54
Decrease (provision used)	(698)	(512)	(1,909)	(875)	(3,994)
Decrease (provision reversed)	—	(360)	(104)	(54)	(518)
Exchange differences on translation of foreign operations	—	66	15	50	131
December 31, 2025	<u>1,860</u>	<u>5,094</u>	<u>52</u>	<u>1,290</u>	<u>8,296</u>

(1) Provision for Loss Related to Cosmetics

The Group has recognized estimated compensation and other expenses related to cosmetics for brightening products of Kanebo Cosmetics containing the ingredient Rhododenol, for which a voluntary recall was announced on July 4, 2013. The Group expects its insurance policy to cover 400 million yen of the estimated expenses.

(2) Provision for Asset Retirement Obligations

The Group recognizes asset retirement obligations principally based on or pursuant to reasonably estimated future expenditures using historical experience and other factors when the Group has a legal or contractual obligation associated with the retirement of property, plant and equipment and right-of-use assets held for use.

These expenditures are generally expected to take place after a year or more, but are affected by factors including future business plans.

(3) Provision for Business Transformation at Subsidiaries in Europe and the Americas

The Group recognizes estimated expenditures for the business transformation at subsidiaries in Europe and the Americas.

21. Other Current Liabilities

Other current liabilities consist of the following:

	(Millions of yen)	
	2024	2025
Accrued expenses	86,161	85,637
Consumption tax payables	12,280	8,397
Obligation for unused paid absences	8,843	9,227
Other	13,471	13,697
Total	<u>120,755</u>	<u>116,958</u>

## 22. Equity and Other Equity Items

### (1) Share Capital

The numbers of shares authorized and issued are as follows:

	(Shares)	
	2024	2025
Authorized	1,000,000,000	1,000,000,000
Issued <sup>1</sup>		
Beginning balance	465,900,000	465,900,000
Change during the year <sup>2</sup>	—	(12,300,000)
Ending balance	<u>465,900,000</u>	<u>453,600,000</u>

#### Notes:

1. All of the issued shares of the Company are ordinary shares that have no par value and no limitations on rights. Issued shares are fully paid.
2. The number of issued shares during the fiscal year ended December 31, 2025 decreased by 12,300,000 shares due to the retirement of treasury shares pursuant to the resolution of the Board of Directors.

### (2) Capital Surplus

Capital surplus consists of capital reserve and other capital surplus.

The Companies Act stipulates that over half of the capital contributed from the issue of shares must be included in share capital and that the remainder must be included in capital reserve. Moreover, capital reserve may be included in share capital by resolution of the General Meeting of Shareholders.

### (3) Treasury Shares

The changes in treasury shares are as follows:

	(Shares)	
	2024	2025
Beginning balance <sup>1</sup>	1,034,724	1,415,333
Increase <sup>2</sup>	407,766	12,219,612
Decrease <sup>3</sup>	(27,157)	(12,353,501)
Ending balance <sup>4</sup>	<u>1,415,333</u>	<u>1,281,444</u>

#### Notes:

- 572,796 treasury shares held by associates were included at December 31, 2024 and 2025, respectively. In addition, 375,673 shares and 753,269 shares held by the Board Incentive Plan Trust (hereinafter "BIP Trust") were included at December 31, 2024 and 2025, respectively.
- The increase of 407,766 shares of treasury shares during the fiscal year ended December 31, 2024 resulted from the acquisition of 404,700 shares by the BIP Trust and the purchase of 3,066 fractional shares. The increase of 12,219,612 shares of treasury shares during the fiscal year ended December 31, 2025 resulted from the acquisition of 12,217,500 shares by resolution of the Board of Directors and the purchase of 2,112 fractional shares.
- The decrease of 27,157 shares of treasury shares during the fiscal year ended December 31, 2024 resulted from a decrease of 27,104 shares due to the grant to the Board of Directors by the BIP Trust and the sale of 53 fractional shares. The decrease of 12,353,501 shares of treasury shares during the fiscal year ended December 31, 2025 resulted from the retirement of 12,300,000 shares by resolution of the Board of Directors, a decrease of 51,964 shares due to the grant to the Board of Directors by the BIP Trust, a decrease of 1,336 shares due to the change of treasury shares held by associates accounted for using the equity method and the sale of 201 fractional shares.
- 572,796 shares and 571,460 shares of treasury shares held by associates were included at December 31, 2024 and 2025, respectively. In addition, 753,269 shares and 701,305 shares held by the BIP Trust were included at December 31, 2024 and 2025, respectively.

### (4) Other Components of Equity

- Exchange differences on translation of foreign operations  
Foreign currency translation differences arise from the translation of financial statements of foreign operations prepared in foreign currencies.
- Net gain (loss) on derivatives designated as cash flow hedges  
Associates hedge their exposure to the risk of variability in future cash flows. Net gain (loss) on derivatives designated as cash flow hedges is the portion of the change in the fair value of the hedging instrument that meets the hedge effectiveness requirements under hedge accounting.
- Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income  
This is the accumulated amount of changes in the fair value of financial assets measured at fair value through other comprehensive income. The Group reclassifies net gain (loss) on revaluation of financial assets from other components of equity to retained earnings when it disposes of an investment or when fair value declines significantly.
- Remeasurements of defined benefit plans  
Remeasurements of defined benefit plans include the effect of any variances between actuarial assumptions at the beginning of the year and actual results, the effects of changes in actuarial assumptions, actual return on plan assets and interest income on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)), and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)). Remeasurements of defined benefit plans are recognized in other comprehensive income and immediately reclassified from other components of equity to retained earnings in the period when they occur.

### (5) Retained Earnings

Retained earnings consist of legal reserve and other retained earnings.

The Companies Act requires that an amount equal to one-tenth of dividends must be appropriated as capital reserve or as legal reserve until the total of the aggregate amount of capital reserve and legal reserve equals a quarter of share capital. Legal reserve may be appropriated to reduce a deficit, and also may be reversed by resolution of the General Meeting of Shareholders.

### 23. Basic Strategy for Capital Policy

The Group'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 Group uses Economic Value Added (hereinafter "EVA<sup>®1)</sup>") and Return on Invested Capital (hereinafter ROIC<sup>1)</sup>), management indicators that take capital cost and capital efficiency into account, as its main indicators and work to enhance its corporate value by improving EVA and ROIC. Guided by EVA and ROIC management, which place importance on both continuous enhancements in corporate value and long-term profits for all stakeholders, the Group develops its business strategy and business plan.

The Group manages all equity and interest-bearing liabilities as capital cost and intends to optimize capital cost from the viewpoint of safety and capital efficiency. For equity, the Group 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. The Group is not subject to significant capital regulations except for general requirements under the Companies Act and others.

Although the Group emphasizes shareholder returns, it realizes that investments for growth will meet the expectations of its stakeholders, and therefore prioritizes such investments. In addition to providing stable dividends, the Group uses surplus funds to flexibly conduct share repurchases, aiming to continuously increase dividends to reflect improvements in business results.

While making returns to shareholders and improving EVA and ROIC, the Group retains the capital necessary to make timely investments for growth and to ensure the appropriate resources to deal with unexpected situations.

For the fiscal year ended December 31, 2025, ROIC was 9.7% and EVA increased 7.9 billion yen compared with the fiscal year ended December 31, 2024 to 41.1 billion yen as net operating profit after tax (adjusted NOPAT<sup>2)</sup>) increased substantially.

#### Notes:

1. EVA is a monetary metric obtained by deducting capital costs from NOPAT, while ROIC is a ratio metric obtained by dividing NOPAT by invested capital. EVA is a registered trademark of Stern Stewart & Co.  
The Group defines NOPAT as net income which the interest expenses with tax adjustments and one-time expenses such as restructuring costs are added back; capital costs as invested capital multiplied by the group's WACC; and invested capital as the average of the beginning and ending balances of total capital which a part of corporate bonds, borrowings, other financial liabilities, and amortized goodwill are added.
2. The group may capitalize and add one-time expenses such as restructuring costs to NOPAT to promote sustainable corporate value growth. If one-time expenses are added, it will be labeled as "adjusted NOPAT".

## 24. Dividends

Dividends paid are as follows:

Fiscal year ended December 31, 2024

Date of resolution	Total dividends <sup>1,2</sup> (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
118th Annual General Meeting of Shareholders held on March 22, 2024	34,865	75	December 31, 2023	March 25, 2024
Board of Directors meeting held on August 8, 2024	35,301	76	June 30, 2024	September 2, 2024

Notes:

- Total dividends are reduced by dividends on treasury shares held by associates accounted for using the equity method and dividends on shares of the Company held by the BIP Trust.  
The dividend resolved at the 118th Annual General Meeting of Shareholders held on March 22, 2024 was 34,936 million yen before the deduction. The dividend resolved at the meeting of the Board of Directors held on August 8, 2024 was 35,402 million yen before the deduction.
- In addition to the above, dividends are paid to beneficiaries (directors, etc.) of the BIP Trust.

Fiscal year ended December 31, 2025

Date of resolution	Total dividends <sup>1,2</sup> (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
119th Annual General Meeting of Shareholders held on March 21, 2025	35,301	76	December 31, 2024	March 24, 2025
Board of Directors meeting held on August 6, 2025	35,769	77	June 30, 2025	September 1, 2025

Notes:

- Total dividends are reduced by dividends on treasury shares held by associates accounted for using the equity method and dividends on shares of the Company held by the BIP Trust.  
The dividend resolved at the 119th Annual General Meeting of Shareholders held on March 21, 2025 was 35,402 million yen before the deduction. The dividend resolved at the meeting of the Board of Directors held on August 6, 2025 was 35,867 million yen before the deduction.
- In addition to the above, dividends are paid to beneficiaries (directors, etc.) of the BIP Trust.

Dividends with an effective date after the fiscal year end are as follows:

Fiscal year ended December 31, 2024

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
119th Annual General Meeting of Shareholders held on March 21, 2025	35,402	76	December 31, 2024	March 24, 2025

Fiscal year ended December 31, 2025

The following proposal will be submitted at the 120th Annual General Meeting of Shareholders scheduled for March 26, 2026.

Date of scheduled resolution	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
120th Annual General Meeting of Shareholders held on March 26, 2026	34,927	77	December 31, 2025	March 27, 2026

## 25. Revenue

### (1) Disaggregation of Revenue

The Group is organized on the basis of five businesses: the four business areas that constitute the Global Consumer Care Business (the Hygiene Living Care Business, the Health Beauty Care Business, the Life Care Business, and the Cosmetics Business), and the Chemical Business. Revenues of these five businesses are presented as net sales. The Board of Directors of the Company reviews them regularly to determine allocation of resources and to assess their performance. Revenue of logistics services to third parties is included in other operating income because it is not a part of the abovementioned five main businesses.

The Group disaggregates revenue from contracts with customers by separating the Global Consumer Care Business into the Cosmetics Business and non-Cosmetics Businesses based on contracts with customers, with the Chemical Business as a separate division. Revenue by geographic region is disaggregated based on the location of revenue recognized. The relationship between disaggregated revenue and net sales by segment is as follows:

Due to a change in organization as of January 1, 2025, the Group reclassified its reportable segments from the fiscal year ended December 31, 2025. Disaggregation of revenue for the fiscal year ended December 31, 2024 has been restated to reflect the reclassification. Changes in segment classification are presented in Note 6 “Segment Information (1) Summary of Reportable Segments.”

Fiscal year ended December 31, 2024

(Millions of yen)

	Japan	Asia	Americas	Europe	Total
Fabric and Home Care Products	327,934	44,292	3,476	—	375,702
Sanitary Products	76,469	92,107	—	—	168,576
Hygiene Living Care Business	404,403	136,399	3,476	—	544,278
Health Beauty Care Business	212,083	36,703	112,502	62,679	423,967
Cosmetics Business	166,487	39,129	7,892	30,594	244,102
Business Connected Business	40,231	247	—	—	40,478
Global Consumer Care Business	823,204	212,478	123,870	93,273	1,252,825
Chemical Business	138,362	104,950	83,559	94,430	421,301
Elimination of intersegment transactions	(38,597)	(3,732)	(107)	(3,242)	(45,678)
Consolidated	922,969	313,696	207,322	184,461	1,628,448
Revenue of logistics services to third parties included in other operating income	12,467	—	—	—	12,467
Total revenue from contracts with customers	935,436	313,696	207,322	184,461	1,640,915

Note:

Figures for the Global Consumer Care Business present sales to external customers and figures for the Chemical Business include sales to the Global Consumer Care Business in addition to external customers.

Fiscal year ended December 31, 2025

(Millions of yen)

	Japan	Asia	Americas	Europe	Total
Fabric and Home Care Products	346,018	40,083	3,046	—	389,147
Sanitary Products	71,624	88,562	—	—	160,186
Hygiene Living Care Business	417,642	128,645	3,046	—	549,333
Health Beauty Care Business	225,029	36,482	109,066	62,305	432,882
Cosmetics Business	177,047	45,296	7,738	31,482	261,563
Business Connected Business	38,810	364	—	—	39,174
Global Consumer Care Business	858,528	210,787	119,850	93,787	1,282,952
Chemical Business	144,569	120,760	86,856	99,336	451,521
Elimination of intersegment transactions	(39,657)	(3,218)	(231)	(2,734)	(45,840)
Consolidated	963,440	328,329	206,475	190,389	1,688,633
Revenue of logistics services to third parties included in other operating income	12,277	—	—	—	12,277
Total revenue from contracts with customers	975,717	328,329	206,475	190,389	1,700,910

Note:

Figures for the Global Consumer Care Business present sales to external customers and figures for the Chemical Business include sales to the Global Consumer Care Business in addition to external customers.

1) Global Consumer Care Business

The Global Consumer Care Business sells consumer products including fabric care products, home care products, sanitary products, skin care products, hair care products, personal health products, cosmetics, commercial-use hygiene products and life care products. Its customers are mainly retailers in Japan and retailers and wholesalers outside Japan. Revenue from such sales is recognized when control of a product is transferred to a customer, i.e., at the point in time a product is delivered and handed over at the place designated by a customer because legal title to the product, physical possession and the significant risks and rewards of ownership of the product are transferred to the customer and the customer has the right to decide the method of sale and selling price of the product.

In the Global Consumer Care Business, products may be sold with a rebate conditional upon achievement of certain targets such as the quantity or amount of sales (hereinafter “Achievement Rebate”) or other payments. In such cases, the transaction price is determined in an amount deducting the estimated amount of the Achievement Rebate or other payments from the consideration promised in the contract with the customer. Estimates of Achievement Rebate or other payment amounts use the most likely outcome method based on historical experience and other factors, and revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur.

In addition, in the event that the Group makes payments to customers such as funding for sales promotions, if the consideration paid to customers is payment for separate goods or services from the customer and fair value cannot be reasonably estimated, revenue is measured by deducting the consideration from the transaction price.

Among the products in the Global Consumer Care Business, cosmetics are composed of counseling cosmetics and self-selection cosmetics. The Group may provide support to customers when they sell counseling cosmetics through counseling to final consumers.

In addition, when selling cosmetics, a certain level of product returns from customers associated with the termination of products is expected to occur. As the Group has an obligation to refund the consideration for a product if a customer returns it, the Group recognizes a liability for sales returns as a deduction from revenue for projected refunds to customers. To estimate liabilities related to such sales returns, the Group uses the most likely outcome method based on historical experience and other factors, and revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur. When customers return products, the Group has the right to collect the products from the customers, but because returned goods are primarily the result of a product termination, the products returned have no asset value and therefore such assets are not recognized.

2) Chemical Business

The Chemical Business sells chemical products such as oleochemicals and surfactants. Its customers are mainly the users and distributors of the products. Revenue from such sales is recognized when control of a product is transferred to a customer, i.e., at the point in time a product is delivered and handed over at the place designated by a customer because legal title to the product, physical possession and the significant risks and rewards of ownership of the product are transferred to the customer and the customer has the right to decide the method of sale and selling price of the product. Revenue from sales of products in the Chemical Business is measured at transaction prices for contracts with customers.

(2) Liabilities from Contracts with Customers

Liabilities from contracts with customers are as follows:

Fiscal year ended December 31, 2024

	(Millions of yen)	
	January 1, 2024	December 31, 2024
Contract liabilities		
Advances	1,934	1,862
Refund liabilities	43,330	42,016
Total	45,264	43,878

Fiscal year ended December 31, 2025

	(Millions of yen)	
	January 1, 2025	December 31, 2025
Contract liabilities		
Advances	1,862	1,903
Refund liabilities	42,016	41,439
Total	43,878	43,342

Among liabilities from contracts with customers, estimates of achievement rebates or other payment amounts expected to be paid to customers related to sales by the end of the reporting period and liabilities for returned products are recognized as refund liabilities.

Among the balances of advances as of January 1, 2024 and 2025, the amounts recognized as revenue during the fiscal years ended December 31, 2024 and 2025, were not material. The amount of revenue recognized during the fiscal year ended December 31, 2025 from performance obligations satisfied in previous periods was not material.

(3) Transaction Price Allocated to the Remaining Performance Obligations

The Group uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with individual expected contractual terms exceeding one year. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

(4) Assets Recognized from the Costs of Obtaining or Fulfilling Contracts with Customers

The amount of assets recognized from the costs of obtaining or fulfilling contracts with customers during the fiscal year ended December 31, 2025 was not material. In addition, if the amortization period of the assets that the Group otherwise would have recognized is one year or less, the Group uses the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

26. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

	(Millions of yen)	
	2024	2025
Advertising	88,270	92,346
Sales promotion	54,327	58,905
Employee benefits	176,955	175,751
Depreciation	16,696	15,451
Amortization	11,637	11,737
Research and development	62,092	61,127
Other	88,163	89,816
Total	<u>498,140</u>	<u>505,133</u>

27. Other Operating Income

Other operating income consists of the following:

	(Millions of yen)	
	2024	2025
Revenue of logistics services to third parties	12,467	12,277
Royalty income	1,155	1,120
Gain on sale of businesses	10,590	—
Other	6,142	5,473
Total	<u>30,354</u>	<u>18,870</u>

## 28. Other Operating Expenses

Other operating expenses consist of the following:

	(Millions of yen)	
	2024	2025
Expenses of logistics services to third parties	11,169	10,975
Losses on sale and disposal of property, plant and equipment	3,788	4,121
Expenses for business transformation at subsidiaries in Europe and the Americas	3,359	7
Impairment losses <sup>1</sup>	1,813	301
Cancellation penalty	1,615	—
Other	2,230	2,433
Total	23,974	17,837

Note:

- Note 12 “Property, Plant and Equipment” presents impairment losses.

## 29. Financial Income and Financial Expenses

Financial income consists of the following:

	(Millions of yen)	
	2024	2025
Foreign exchange gain <sup>1</sup>	—	2,023
Interest income		
Financial assets measured at amortized cost	4,518	3,209
Retirement benefit assets	122	277
Dividend income		
Financial assets measured at fair value through other comprehensive income		
Financial assets derecognized during the year	0	4
Financial assets held at year end	125	123
Financial assets measured at fair value through profit or loss	34	172
Other	189	390
Total	4,988	6,198

Financial expenses consist of the following:

	(Millions of yen)	
	2024	2025
Foreign exchange loss <sup>1</sup>	427	—
Interest expenses <sup>2</sup>		
Financial liabilities measured at amortized cost	958	771
Lease liabilities	1,771	1,943
Retirement benefit liabilities	886	975
Other	48	138
Total	4,090	3,827

Notes:

- Valuation gains or losses on currency derivatives that are not designated as hedges are included in foreign exchange gain or loss.
- Valuation gains or losses on interest rate derivatives that are not designated as hedges are included in interest expenses.

### 30. Earnings per Share

The Basis for Calculating Basic Earnings per Share is as follows:

(Millions of yen, unless otherwise noted)

	2024	2025
Net income attributable to owners of the parent	107,767	120,081
Amounts not attributable to ordinary shareholders of the parent	—	—
Net income used to calculate basic earnings per share	<u>107,767</u>	<u>120,081</u>
Weighted average number of ordinary shares (Thousands of shares)	464,625	461,315
Basic earnings per share (Yen)	231.94	260.30

Note: Diluted earnings per share are not presented because there were no potential ordinary shares.

### 31. Other Comprehensive Income

Amount arising during the fiscal year, reclassification adjustments to profit or loss and tax effects for each component of other comprehensive income are as follows:

Fiscal year ended December 31, 2024

	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
(Millions of yen)					
Items that will not be reclassified to profit or loss					
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,912	—	1,912	(578)	1,334
Remeasurements of defined benefit plans	(1,316)	—	(1,316)	380	(936)
Share of other comprehensive income of investments accounted for using the equity method	620	—	620	(190)	430
Total of items that will not be reclassified to profit or loss	<u>1,216</u>	<u>—</u>	<u>1,216</u>	<u>(388)</u>	<u>828</u>
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	48,878	(277)	48,601	—	48,601
Share of other comprehensive income of investments accounted for using the equity method	574	—	574	(0)	574
Total of items that may be reclassified subsequently to profit or loss	<u>49,452</u>	<u>(277)</u>	<u>49,175</u>	<u>(0)</u>	<u>49,175</u>
Total	<u>50,668</u>	<u>(277)</u>	<u>50,391</u>	<u>(388)</u>	<u>50,003</u>

Fiscal year ended December 31, 2025

	(Millions of yen)				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	2,058	—	2,058	(771)	1,287
Remeasurements of defined benefit plans	(1,092)	—	(1,092)	175	(917)
Share of other comprehensive income of investments accounted for using the equity method	1,905	—	1,905	(583)	1,322
Total of items that will not be reclassified to profit or loss	2,871	—	2,871	(1,179)	1,692
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	26,522	—	26,522	—	26,522
Share of other comprehensive income of investments accounted for using the equity method	(14)	—	(14)	(0)	(14)
Total of items that may be reclassified subsequently to profit or loss	26,508	—	26,508	(0)	26,508
<b>Total</b>	<b>29,379</b>	<b>—</b>	<b>29,379</b>	<b>(1,179)</b>	<b>28,200</b>

## 32. Cash Flow Information

### (1) Changes in Liabilities Arising from Financing Activities

Fiscal year ended December 31, 2024

The following table presents the changes in liabilities arising from financing activities for lease liabilities.

(Millions of yen)

	January 1, 2024	Changes from financing cash flows	Non-cash changes		December 31, 2024
			New leases	Other	
Lease liabilities	122,592	(21,637)	21,395	(8,081)	114,269

Except for lease liabilities, the major changes in liabilities arising from financing activities were changes from financing cash flows and there were no significant non-cash changes for the fiscal year ended December 31, 2024.

Fiscal year ended December 31, 2025

The following table presents the changes in liabilities arising from financing activities for lease liabilities.

(Millions of yen)

	January 1, 2025	Changes from financing cash flows	Non-cash changes		December 31, 2025
			New leases	Other	
Lease liabilities	114,269	(22,281)	22,667	(3,171)	111,484

Except for lease liabilities, the major changes in liabilities arising from financing activities were changes from financing cash flows and there were no significant non-cash changes for the fiscal year ended December 31, 2025.

### (2) Non-cash Transactions

For the fiscal years ended December 31, 2024 and 2025, the non-cash transactions comprised the acquisition of right-of-use assets resulted from leases of 21,922 million yen and 22,808 million yen, respectively.

### 33. Share-based Payments

#### (1) Performance Share Plan

##### 1) Outline of performance share plan

The Company introduced a performance share plan (hereinafter the “Plan”) for the members of the Board of Directors (excluding Outside Directors) and Executive Officers (collectively, “Directors, etc.”) as a highly transparent and objective compensation system that is closely linked to company performance. The purpose of the Plan is to improve the Company’s mid- and long-term performance as well as increase the awareness of contributions to increasing corporate value.

The Company has introduced the Plan using a structure called a BIP Trust. A BIP Trust is designed as an executive incentive plan based on the performance share plans and restricted stock plans in the U.S. wherein the Company’s shares that are acquired through the BIP Trust and the amount equivalent to the converted value of such shares will be vested or paid to Directors, etc. depending on their executive positions and level of achievement of performance targets in the mid-term plan and other factors. The shares held by the BIP Trust are accounted for as treasury shares.

The Plan grants specified points (1 point = 1 share) to Directors, etc. each year depending on their executive positions and other factors on the condition that the requirements of a designated beneficiary, such as holding the office of Director, etc. on the last day of each fiscal year during the eligibility period, have been satisfied. The Company’s shares or cash in the amount of the converted value of such Company’s shares equivalent to the number of such points may be granted or paid following completion of settlement procedures by the designated beneficiary, after the Director, etc.’s resignation in the case of variable points, or after the end of each fiscal year during the eligibility period in the case of fixed points.

In addition, if it is inappropriate to grant shares to Directors, etc. with a foreign nationality due to laws and regulations of the country where they reside, cash in an amount equivalent to the performance-based share incentives may be granted to those Directors, etc.

The Plan is accounted for as an equity-settled share-based payment plan and a cash-settled share-based payment plan.

##### 2) Number of points granted during the period and weighted average fair value of points

The fair value of the points under the equity-settled share-based payment plan on the date of grant is determined by adjusting the market price of the Company’s shares taking expected dividends into account.

The number of points granted during the period and the weighted average fair value of the points are as follows:

	2024		2025	
	Variable points	Fixed points	Variable points	Fixed points
Number of points granted during the period	66,885	28,665	66,815	26,325
Weighted average fair value (Yen)	6,863	6,787	6,863	6,636

#### (2) Share-based Payment Expenses

The amount of equity-settled share-based payment expenses recognized in the consolidated statement of income for the fiscal years ended December 31, 2024 and 2025 were 653 million yen and 633 million yen, respectively.

The amount of cash-settled share-based payment expenses recognized in the consolidated statement of income for the fiscal year ended December 31, 2025 was 8 million yen. In addition, the carrying amount of the liability arising from cash-settled share-based payment expenses was 8 million yen in the fiscal year ended December 31, 2025.

### 34. Financial Instruments

#### (1) Classification of Financial Instruments

The amounts of each classification of financial assets are as follows:

Financial assets	(Millions of yen)	
	2024	2025
Financial assets measured at amortized cost		
Cash and cash equivalents (Note 7)	338,713	298,282
Trade and other receivables (Note 8)	238,077	245,286
Other	19,129	19,643
Financial assets measured at fair value through profit or loss		
Cash and cash equivalents (Note 7)	19,000	25,000
Derivatives	78	41
Other	5,356	5,363
Financial assets measured at fair value through other comprehensive income		
Equity securities	14,094	15,517
Total	634,447	609,132
Current assets		
Cash and cash equivalents	357,713	323,282
Trade and other receivables	238,077	245,286
Other financial assets	10,525	10,925
Subtotal	606,315	579,493
Non-current assets		
Other financial assets	28,132	29,639
Total	634,447	609,132

Equity securities held by the Group are mainly issued by the entities that maintain business relationships with the Group and held for the long-term without speculative purposes. The Group has designated such equity securities as financial assets measured at fair value through other comprehensive income. Names of major equity securities and their fair values are as follows:

As of December 31, 2024

Company name	(Millions of yen)	
	Fair value	
Future Origins, Inc.	3,134	
Livedo Corporation	1,656	
Aeon Co., Ltd.	1,580	
Tokio Marine Holdings, Inc.	1,521	
Saiwai Trading Co., Ltd.	1,501	
Japan Alcohol Trading Co., Ltd.	1,116	
Keytrading Co., Ltd.	527	
Kawaken Fine Chemicals Co., Ltd.	346	
Izumi Co., Ltd.	325	
Yamato-Esulon Co., Ltd.	314	

As of December 31, 2025

Company name	(Millions of yen) Fair value
Aeon Co., Ltd.	3,182
Future Origins, Inc.	3,128
Livedo Corporation	1,835
Saiwai Trading Co., Ltd.	1,519
Tokio Marine Holdings, Inc.	1,236
Japan Alcohol Trading Co., Ltd.	1,216
Keytrading Co., Ltd.	552
Kawaken Fine Chemicals Co., Ltd	356
Yamato-Esulon Co., Ltd.	350
Kyoto Seisakusho Co., Ltd.	325

The Group derecognizes some financial assets measured at fair value through other comprehensive income by sale for reasons including asset efficiency and changes in business relationships. The total amounts of the fair values of such financial assets at the time of sale and the cumulative gains or losses on sales are as follows:

	(Millions of yen)	
	2024	2025
Fair value	682	641
Cumulative gains (losses)	480	549

The Group transfers to retained earnings the cumulative gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income recognized as other components of equity when it disposes of an investment or when fair value declines significantly. Cumulative gains or losses of other comprehensive income, net of taxes, that were transferred to retained earnings for the fiscal years ended December 31, 2024 and 2025, were 329 million yen and 272 million yen, respectively.

The amounts of each classification of financial liabilities are as follows:

Financial liabilities	(Millions of yen)	
	2024	2025
Financial liabilities measured at amortized cost		
Trade and other payables (Note 18)	258,035	270,149
Bonds and borrowings (Note 16)	131,059	131,658
Lease liabilities (Note 17)	114,269	111,484
Other	13,565	14,081
Financial liabilities measured at fair value through profit or loss		
Derivatives	85	85
Total	517,013	527,457
Current liabilities		
Trade and other payables	258,035	270,149
Bonds and borrowings	35,749	26,059
Lease liabilities	20,146	20,878
Other financial liabilities	7,280	7,623
Subtotal	321,210	324,709
Non-current liabilities		
Bonds and borrowings	95,310	105,599
Lease liabilities	94,123	90,606
Other financial liabilities	6,370	6,543
Subtotal	195,803	202,748
Total	517,013	527,457

There are no significant assets pledged for the above financial liabilities. The Group held deposits received, which are interest-bearing liabilities in other financial liabilities, totaling 13,038 million yen and 12,967 million yen at December 31, 2024 and 2025, respectively. The average interest rate on deposits received as of December 31, 2025 was 0.64%.

## (2) Risk Management on Financial Instruments

The Group manages financial instrument risk based on the following policies to avoid and mitigate market risk, credit risk and liquidity risk.

### 1) Market risk management

The Group is exposed to the risk of market variability such as fluctuations in exchange rates, interest rates and share prices. The Group appropriately manages market risk to mitigate risk. In addition, the Group uses derivatives mainly consisting of foreign exchange forward contracts, currency swaps and interest rate swaps with the objective of appropriately managing market risk. The Group executes and manages derivatives in accordance with the internal policies that define the objectives, position limit, scope, organizational structure and others. The Group limits the use of derivatives to actual risk mitigation needs, and does not use derivatives for trading or speculative purposes. Therefore, as a rule, changes in the fair value of derivative instruments that the Group holds effectively offset changes in the fair value or cash flows.

(i) Exchange rate risk

The Group also operates outside Japan, and therefore is exposed to the risks of exchange rate fluctuations associated with transactions conducted in foreign currencies and with net investments in foreign operations. The Group minimizes the effect of exchange rate fluctuations on operating results by settling transactions denominated in foreign currencies through foreign currency accounts, and by hedging the risk of exchange rate fluctuations using derivative instruments such as foreign exchange forward and currency swaps.

Details of foreign exchange forward contracts between the Japanese yen, which is the Group's functional currency, and its main foreign currencies including the U.S. dollar, the euro and the Chinese yuan are as follows:

The Group did not apply hedge accounting for these derivative transactions, but determined that these transactions effectively offset the impact of fluctuations in exchange rates.

(Millions of yen)

Derivative transactions	2024			2025		
	Contract amount	Contract amount over 1 year	Carrying amount (fair value) <sup>1</sup>	Contract amount	Contract amount over 1 year	Carrying amount (fair value) <sup>1</sup>
Foreign exchange forward contracts:						
Selling						
Euro	—	—	—	67	—	2
Buying						
Euro	—	—	—	29	—	(1)

Note:

Note 34 "Financial Instruments (3) Fair Value of Financial Instruments" presents the method of measuring the fair value of the above derivatives.

The above assets or liabilities related to derivative transactions are included in other financial assets or other financial liabilities in the consolidated statement of financial position.

Net exposure to exchange rate risk consists of the following. Amounts hedged against exchange rate fluctuation risk with derivatives are excluded.

As of December 31, 2024	(Millions of yen)		
	U.S. dollar	Euro	Chinese yuan
Net exposure	(3,439)	4,116	2,419
As of December 31, 2025	(Millions of yen)		
	U.S. dollar	Euro	Chinese yuan
Net exposure	8,821	7,742	6,329

The following table illustrates the impact on income before income taxes in the consolidated statement of income from foreign currency-denominated financial instruments held by the Group at the end of each fiscal year if the Japanese yen appreciated by 10% against the U.S. dollar, the euro and the Chinese yuan.

The effects of translating financial instruments denominated in the Group's functional currency, and the assets, liabilities, income and expenses of foreign operations are not included in the analysis. The analysis also assumes that currencies other than those used in the calculation remain constant.

	(Millions of yen)	
	2024	2025
U.S. dollar	344	(882)
Euro	(412)	(774)
Chinese yuan	(242)	(633)

(ii) Interest rate fluctuation risk

The Group obtains finances through long-term borrowings and bonds for maintaining an appropriate cost of capital and strengthening its financial base for investment for growth. The Group considers interest rate market movements and the balance between floating and fixed interest rates in making decisions about long-term funding. The Group's short-term borrowings generally have floating interest rates. The Group hedges interest rate risk as necessary using derivative instruments such as interest rate swaps, and therefore estimates that its exposure to interest rate fluctuation risk is limited.

(iii) Share price fluctuation risk

The Group held marketable equity securities, primarily those of companies with which the Group has business relationships, totaling 4,148 million yen and 5,251 million yen at December 31, 2024 and 2025, respectively. These equity securities are exposed to share price fluctuation risk. However, the Group annually evaluates the rationale and reviews ongoing advisability and position size of these holdings. Fluctuations in their prices do not affect net profit or loss because all of these equity securities are designated as financial assets measured at fair value through other comprehensive income.

2) Credit risk management

The Group is exposed to credit risk such as a counterparty's default on contractual obligations resulting in financial losses to the Group.

(i) Trade and other receivables

Notes and accounts receivable are trade receivables that expose the Group to customer credit risk. The Group manages that risk with an internal process for investigating and approving customer credit on initial transactions, and by obtaining deposits, collateral or other guaranties as necessary. The Group also manages due dates and outstanding balances by customer, and periodically reconfirms the creditworthiness of major customers. Non-trade receivables expose the Group to business partner credit risk, but these receivables are almost entirely settled in the short term.

(ii) Short-term investments

Short-term investments are recognized in cash and cash equivalents and other financial assets. They are highly safe and liquid financial instruments that include commercial paper issued by entities with high bond ratings, bond investment trusts, and money held in trust.

(iii) Loan receivables

Loan receivables expose the Group to borrower credit risk. The Group manages this risk with an internal process for investigating and approving borrower credit on initial lending transactions, and by obtaining deposits, collateral or other guaranties as necessary. The Group also periodically reconfirms the creditworthiness of borrowers.

(iv) Derivatives

The Group executes and manages derivatives in accordance with the internal policies that define the objectives, position limit, scope and organizational structure. The Group limits the use of derivatives to actual risk mitigation needs, and does not use derivatives for trading or speculative purposes, and reduces credit risk by limiting transactions to highly creditworthy financial institutions.

The carrying amount after impairment of financial assets in the consolidated statement of financial position represents the Group's maximum exposure to the credit risk of financial assets. The Group is not exposed to excessive credit risk associated with a particular customer that requires exceptional management.

The Group recognizes an allowance for doubtful receivables for trade receivables and other financial assets measured at amortized cost by estimating future credit losses in consideration of recoverability and significant increases in credit risk. The Group determines if credit risk has increased significantly by evaluating changes in default risk with reference to factors including downgrading of internal credit ratings, the decline of counterparty results, and delinquency information. Trade receivables are particularly important financial assets for the Group. The Group collectively measures expected credit losses of the financial assets for the entire period to recognize the allowance for doubtful receivables. In the following situations that would adversely affect future cash flows, however, the Group measures expected credit losses individually by treating each receivable as a credit-impaired financial asset:

- Where the customer has serious financial difficulties
- Where the customer defaults or becomes delinquent in accounts receivable payments despite repeated demands for payment
- Where it is more likely that the customer will go into bankruptcy or face a situation that forces it to reconstruct its business

The Group directly writes down the carrying amount if it does not reasonably expect to recover all or part of the trade receivables, following an internal process of investigation and approval.

The Group held security deposits for credit enhancement totaling 6,355 million yen and 5,973 million yen at December 31, 2024 and 2025, respectively.

The carrying amount of trade receivables and changes in the related allowance for doubtful receivables are as follows:

Fiscal year ended December 31, 2024

	(Millions of yen)		
Trade receivables	Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period	Credit-impaired financial assets	Total
January 1, 2024	217,514	761	218,275
Change during the year (Recognition and derecognition)	7,529	(64)	7,465
Transfer to credit-impaired financial assets	(25)	25	—
Other changes	6,977	38	7,015
December 31, 2024	<u>231,995</u>	<u>760</u>	<u>232,755</u>

	(Millions of yen)		
Allowance for doubtful receivables	Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period	Credit-impaired financial assets	Total
January 1, 2024	1,409	644	2,053
Increase during the year	164	23	187
Decrease during the year (charge- offs)	(206)	(231)	(437)
Decrease during the year (other)	(51)	(36)	(87)
Other changes	73	32	105
December 31, 2024	<u>1,389</u>	<u>432</u>	<u>1,821</u>

Fiscal year ended December 31, 2025

	(Millions of yen)		
Trade receivables	Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period	Credit-impaired financial assets	Total
January 1, 2025	231,995	760	232,755
Change during the year (Recognition and derecognition)	1,212	(90)	1,122
Transfer to credit-impaired financial assets	(24)	24	—
Other changes	5,445	82	5,527
December 31, 2025	<u>238,628</u>	<u>776</u>	<u>239,404</u>

Allowance for doubtful receivables	(Millions of yen)		
	Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period	Credit-impaired financial assets	Total
January 1, 2025	1,389	432	1,821
Increase during the year	247	52	299
Decrease during the year (charge-offs)	(190)	(30)	(220)
Decrease during the year (other)	(82)	(10)	(92)
Other changes	87	54	141
December 31, 2025	1,451	498	1,949

The following tables present an analysis of the carrying amount of trade receivables and the allowance for doubtful receivables by days past due.

As of December 31, 2024

	(Millions of yen unless otherwise noted)					
	Not due	Days past due				Total
		Less than 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	218,832	9,009	1,870	686	2,358	232,755
Allowance for doubtful receivables	614	188	36	68	915	1,821
Expected credit loss (%)	0.3	2.1	1.9	9.9	38.8	0.8

As of December 31, 2025

	(Millions of yen unless otherwise noted)					
	Not due	Days past due				Total
		Less than 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	226,289	8,055	1,613	722	2,725	239,404
Allowance for doubtful receivables	814	150	37	61	887	1,949
Expected credit loss (%)	0.4	1.9	2.3	8.4	32.6	0.8

### 3) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to fulfill its obligation to pay financial liabilities that come due. The Group uses methods such as scheduled medium- and long-term financing plans to understand its liquidity and consistently ensure the availability of sufficient funding.

The Group has also implemented the Global Cash Management System to reduce liquidity risk through the focused and efficient management of the Group's capital in Japan and overseas.

Financial liabilities including derivative instruments by maturity date consist of the following:

As of December 31, 2024

	(Millions of yen)							
	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities								
Trade and other payables	258,035	258,035	258,035	—	—	—	—	—
Bonds and borrowings	131,059	131,111	35,758	25,234	25,033	45,033	11	42
Lease liabilities <sup>1</sup>	114,269	126,471	21,875	17,904	12,988	9,411	7,496	56,797
Long-term deposits payable	6,370	6,370	—	—	—	—	—	6,370
Derivative financial liabilities								
Currency related	85	85	85	—	—	—	—	—
Total	<u>509,818</u>	<u>522,072</u>	<u>315,753</u>	<u>43,138</u>	<u>38,021</u>	<u>54,444</u>	<u>7,507</u>	<u>63,209</u>

Note:

1. Lease liabilities by maturity date consist of the following:

	(Millions of yen)							
	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years but not later than 10 years	Later than 10 years but not later than 15 years	Later than 15 years but not later than 20 years	Later than 20 years
Lease liabilities	114,269	126,471	21,875	47,799	27,822	16,468	10,051	2,456

As of December 31, 2025

	(Millions of yen)							
	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities								
Trade and other payables	270,149	270,149	270,149	—	—	—	—	—
Bonds and borrowings	131,658	131,746	26,059	25,035	45,608	14	35,012	18
Lease liabilities <sup>1</sup>	111,484	123,693	22,689	17,275	11,677	8,770	7,989	55,293
Long-term deposits payable	5,988	5,988	—	—	—	—	—	5,988
Derivative financial liabilities								
Currency related	85	85	85	—	—	—	—	—
Total	<u>519,364</u>	<u>531,661</u>	<u>318,982</u>	<u>42,310</u>	<u>57,285</u>	<u>8,784</u>	<u>43,001</u>	<u>61,299</u>

Note:

1. Lease liabilities by maturity date consist of the following:

	(Millions of yen)							
	Carrying amount	Contract amount	Not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years but not later than 10 years	Later than 10 years but not later than 15 years	Later than 15 years but not later than 20 years	Later than 20 years
Lease liabilities	111,484	123,693	22,689	45,711	28,244	17,115	7,666	2,268

### (3) Fair Value of Financial Instruments

#### 1) Fair value hierarchy levels

For financial instruments measured at fair value, the fair values developed based on the observability of inputs into the valuation techniques used in measurement are categorized within the following three levels:

Level 1: Fair value measured with quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measured with inputs other than quoted prices categorized within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value measured with inputs not based on observable market data for the asset or liability

#### 2) Financial instruments measured at fair value

The measurement methods for the main financial instruments measured at fair value are as follows:

##### (i) Short-term investments (excluding short-term investments measured at amortized cost)

Short-term investments are included in cash and cash equivalents and are designated as financial assets measured at fair value through profit or loss. Short-term investments primarily consist of bond investment trusts and money held in trust, and are measured with a financial model using observable inputs such as interest rates.

##### (ii) Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are included in other financial assets and other financial liabilities and are designated as financial assets and financial liabilities measured at fair value through profit or loss. Consisting of instruments including foreign exchange forward contracts, currency swaps and interest rate swaps, derivative assets and derivative liabilities are primarily measured with a financial model using observable inputs such as exchange rates and interest rates.

##### (iii) Equity securities

Equity securities are included in other financial assets and are designated as financial assets measured at fair value through other comprehensive income. Equity securities that are categorized within Level 1 are publicly listed and traded in active markets and are measured using market prices on exchanges. Equity securities that are categorized within Level 3 are unlisted and are primarily measured using a net asset valuation model, which measures corporate value based on the net asset of the issuing company with adjustments based on fair value.

The fair value hierarchy of financial instruments measured at fair value is shown below.

The Group recognizes transfers of financial instruments between levels of the fair value hierarchy at the end of each fiscal year. There were no transfers between Level 1 and Level 2 during the fiscal years ended December 31, 2024 and 2025.

As of December 31, 2024

	Level 1	Level 2	Level 3	Total
(Millions of yen)				
Financial assets				
Financial assets measured at fair value through profit or loss				
Short-term investments	—	19,000	—	19,000
Derivative assets	—	78	—	78
Other	—	5,356	—	5,356
Financial assets measured at fair value through other comprehensive income				
Equity securities	4,148	—	9,946	14,094
Total	4,148	24,434	9,946	38,528
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	85	—	85
Total	—	85	—	85

As of December 31, 2025

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss				
Short-term investments	—	25,000	—	25,000
Derivative assets	—	41	—	41
Other	—	5,363	—	5,363
Financial assets measured at fair value through other comprehensive income				
Equity securities	5,251	—	10,266	15,517
Total	<u>5,251</u>	<u>30,404</u>	<u>10,266</u>	<u>45,921</u>
<b>Financial liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	85	—	85
Total	<u>—</u>	<u>85</u>	<u>—</u>	<u>85</u>

Changes in financial instruments categorized within Level 3 are as follows:

	(Millions of yen)	
	2024	2025
Beginning balance	9,044	9,946
Gains (losses) <sup>1</sup>	879	327
Purchases	79	—
Sales	(60)	(0)
Transfer from Level 3 <sup>2</sup>	—	(10)
Other changes	4	3
Ending balance	<u>9,946</u>	<u>10,266</u>

Notes:

- All gains and losses are associated with financial assets measured at fair value through other comprehensive income at the end of each reporting period. These gains and losses are recognized in net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.
- The transfer from Level 3 recognized in the fiscal year ended December 31, 2025 was due to the investee becoming listed on an exchange.

Financial instruments categorized within Level 3 are primarily unlisted equity securities. Each responsible department of the Group refers to the Group accounting policies in measuring the fair value of unlisted equity securities each quarter using recently available data, and reports any changes in fair value and the reasons to the department manager, and to senior management as necessary.

3) Financial instruments measured at amortized cost

The following tables present the measurement techniques for measuring the fair value of major financial instruments measured at amortized cost. Financial instruments for which carrying amounts are a reasonable approximation of fair value or financial instruments that are not material are not included in the tables.

- Cash and cash equivalents (excluding short-term investments measured at fair value), trade and other receivables, and trade and other payables

Carrying amounts approximate fair value because these are settled in the short term.

- Bonds and borrowings

The fair value of bonds is based on market prices. The fair value of borrowings is the present value of remaining principal and interest discounted using a deemed interest rate on equivalent new borrowings.

The carrying amount and fair value hierarchy of financial instruments measured at amortized cost are as follows:

As of December 31, 2024

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
(Millions of yen)					
Financial liabilities					
Financial liabilities measured at amortized cost					
Bonds	50,195	—	49,681	—	49,681
Borrowings	80,864	—	80,363	—	80,363

As of December 31, 2025

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
(Millions of yen)					
Financial liabilities					
Financial liabilities measured at amortized cost					
Bonds	50,147	—	49,091	—	49,091
Borrowings	81,511	—	80,732	—	80,732

### 35. Principal Subsidiaries

Principal subsidiaries consist of the following.

Voting rights at December 31, 2025 did not significantly change from December 31, 2024.

Company name	Principal businesses	Voting rights (%)
Kao Group Customer Marketing Co., Ltd.	Hygiene Living Care Health Beauty Care Cosmetics Business Connected Control of a counseling service company in the Cosmetics Business in Japan	100.0
Kao Professional Services Company, Limited	Business Connected	100.0
Kanebo Cosmetics Inc.	Cosmetics	100.0
Kao Transport & Logistics Company Limited	Logistics and related services in Japan	100.0
Kao (China) Holding Co., Ltd.	Control of subsidiaries in China Cosmetics	100.0
Kao Corporation Shanghai	Hygiene Living Care Health Beauty Care Cosmetics Business Connected	100.0
Kao Commercial (Shanghai) Co., Ltd.	Hygiene Living Care Health Beauty Care Cosmetics	100.0
Kanebo Cosmetics (China) Co., Ltd.	Cosmetics	100.0
Kao (Shanghai) Chemical Industries Co., Ltd.	Chemical	100.0
Kao (Taiwan) Corporation	Hygiene Living Care Health Beauty Care Cosmetics Business Connected Chemical	92.2
Pilipinas Kao, Inc.	Chemical	100.0
Kao Industrial (Thailand) Co., Ltd.	Hygiene Living Care Health Beauty Care Cosmetics Chemical	100.0
Fatty Chemical (Malaysia) Sdn. Bhd.	Chemical	70.0
PT Kao Indonesia	Hygiene Living Care Health Beauty Care	50.01
Kao USA Inc.	Health Beauty Care Cosmetics	100.0
Oribe Hair Care, LLC	Health Beauty Care	100.0
Kao America Inc.	Corporate service to subsidiaries in the U.S. Holding company for Chemical Business in the U.S.	100.0
Kao Specialties Americas LLC	Chemical	100.0
Washing Systems, LLC	Chemical	100.0
Kao Australia Pty. Limited	Hygiene Living Care Health Beauty Care	100.0
Kao Germany GmbH	Health Beauty Care	100.0
Kao Manufacturing Germany GmbH	Health Beauty Care	100.0
Kao Chemicals GmbH	Chemical	100.0
Molton Brown Limited	Cosmetics	100.0
Kao Chemicals Europe, S.L.	Control of subsidiaries in Chemical Business in Europe, etc.	100.0
Kao Corporation, S.A.	Chemical	100.0

### 36. Related Parties

#### (1) Transactions with Related Parties

Disclosure is omitted because there are no material related party transactions.

#### (2) Primary Executive Management Compensation

Primary executive management compensation consists of the following. The Group's primary executive management includes members of the Board of Directors and executive officers of the Company for each fiscal year.

	(Millions of yen)	
	2024	2025
Short-term benefits	2,028	1,937
Post-retirement benefits	37	39
Share-based payments	653	641
Total	2,718	2,617

### 37. Commitments

Commitments to acquire property, plant and equipment and intangible assets after the end of each reporting period are as follows:

	(Millions of yen)	
	2024	2025
Acquisition of property, plant and equipment	30,159	18,000
Acquisition of intangible assets	4,932	2,026
Total	35,091	20,026

### 38. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by Yoshihiro Hasebe, Representative Director, President and Chief Executive Officer, and by Hideo Makino, Executive Officer, Senior Vice President, Accounting and Finance, on March 24, 2026.

### 39. Significant Subsequent Events

#### (Share split and Partial Amendment to the Articles of Incorporation in Connection with the Share split)

At a meeting of the Board of Directors held on February 5, 2026, the Company resolved to conduct a share split and to partially amend its Articles of Incorporation in connection with the share split, as follows.

#### (1) Purpose of the Share split

The share split is intended to reduce the price per investment unit, making Kao shares more accessible to a wider range of investors — including individual investors who share our purpose, "To realize a *Kirei* World in which all life lives in harmony" — and thereby expand our investor base.

#### (2) Overview of the Share split

##### 1) Method of the share split

Each share of the Company's ordinary share held by shareholders listed or recorded on the final shareholder register as of the record date of Tuesday, June 30, 2026, will be split into two shares.

##### 2) Number of shares to be increased by the share split

Total number of issued shares before the share split	453,600,000 shares
Number of shares to be increased as a result of the share split	453,600,000 shares
Total number of issued shares after the share split	907,200,000 shares
Total number of authorized shares after the share split	2,000,000,000 shares

3) Schedule for the share split

Public notice of record date (scheduled)	Monday, June 15, 2026
Record date	Tuesday, June 30, 2026
Effective date	Wednesday, July 1, 2026

4) Impact on Per-Share Information

Per-share information, assuming that the share split had been implemented at the beginning of the previous fiscal year, is as follows.

	2024	2025
Equity attributable to owners of the parent per share (Yen)	1,148.34	1,176.25

	2024	2025
Basic earnings per share (Yen)	115.97	130.15
Diluted earnings per share (Yen)	—	—

5) Others

(i) Dividends

As the effective date of the share split is July 1, 2026, the 2nd quarter-end dividend for the fiscal year ending December 31, 2026, with a record date of June 30, 2026, will be based on the number of shares held prior to the share split.

(ii) Change in the amount of stated capital

There will be no change in the amount of share capital as a result of this share split.

(3) Partial Amendment to the Articles of Incorporation

1) Reason for the amendment

Due to the share split described above, the Company will partially amend its Articles of Incorporation, the total number of authorized shares stipulated in Article 6, effective as of July 1, 2026, pursuant to Article 184, Paragraph 2 of the Companies Act.

2) Details of the amendment

The details of the amendment are as follows:

(Amended parts are underlined)

Before the change	After the change
(Total Number of Shares Authorized To Be Issued by the Company)	(Total Number of Shares Authorized To Be Issued by the Company)
Article 6 The total number of Shares authorized to be issued by the Company shall be <u>one (1)</u> billion shares.	Article 6 The total number of Shares authorized to be issued by the Company shall be <u>two (2)</u> billion shares.

(2) Other Information

1) Semi-annual information for the fiscal year ended December 31, 2025

	For the six months ended June 30, 2025	Fiscal year ended December 31, 2025
Net sales (millions of yen)	809,022	1,688,633
Income before income taxes (millions of yen)	71,766	169,846
Net income attributable to owners of the parent (millions of yen)	49,631	120,081
Basic earnings per share (yen)	106.85	260.30

2) Information after the fiscal year-end

Not applicable

3) Litigation

Although there are some pending lawsuits that the Kao Group is involved in, the Company believes they will not have any material impact on the Group's financial position, operating results or cash flows.

## VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	In March
Record date	December 31
Record date for distribution of retained earnings	June 30 (interim dividends), December 31 (year-end dividends)
Number of shares constituting one unit	100 shares
Purchase or additional purchase of shares of less than one unit	
Handling office	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited (Special account management institution) 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	Sumitomo Mitsui Trust Bank, Limited (Special account management institution) 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Purchase or additional purchase fee	Free of charge
Method of public notice	Public notice of the Company shall be given by means of electronic notification. However, in case electronic notification is not available due to an accident or any other unavoidable reason, notices shall be given in the Nihon Keizai Shimbun. (URL for public notice: <a href="http://www.kao.com/global/en/investor-relations/notice/">www.kao.com/global/en/investor-relations/notice/</a> )
Special benefits for shareholders	Not applicable

Notes: 1. Purchases and additional purchases of shares of less than one unit recorded in transfer accounts other than the special account are handled through financial service providers with which the transfer accounts were opened and other account management institutions.

2. The Company's Articles of Incorporation stipulate that the Company's shareholders holding shares of less than one unit may not exercise their rights except the followings:

- (1) Rights provided in Article 189, Paragraph 2 of the Companies Act;
- (2) Right to demand according to Article 166, Paragraph 1 of the Companies Act;
- (3) Right to receive the allotment of offered shares or offered subscription rights to shares per number of holding shares;
- (4) Right to request for sale in relation to any shares that are less than one unit.

## VII. Reference Information of Reporting Company

### 1. Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents:

(1) Annual Securities Report, attached documents and Confirmation Letter	For the 119th term	From January 1, 2024 to December 31, 2024	Filed with the Director-General of the Kanto Local Finance Bureau on March 21, 2025
(2) Internal Control Report and attached documents			Filed with the Director-General of the Kanto Local Finance Bureau on March 21, 2025
(3) Semi-annual Securities Report and Confirmation Letter	For the first half of the 120th term	From January 1, 2025 to June 30, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on August 12, 2025
(4) Extraordinary Report	Extraordinary Report prepared pursuant to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 (Change in the specified subsidiary company of a reporting company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs		Filed with the Director-General of the Kanto Local Finance Bureau on January 8, 2025
	Extraordinary Report prepared pursuant to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs		on March 24, 2025
(5) Share Buyback Report		Reporting period	
		From August 1, 2025 to August 31, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on September 10, 2025
		From September 1, 2025 to September 30, 2025	on October 8, 2025
		From October 1, 2025 to October 31, 2025	on November 12, 2025
		From November 1, 2025 to November 30, 2025	on December 12, 2025
		From December 1, 2025 to December 31, 2025	on January 14, 2026
		From January 1, 2026 to January 31, 2026	on February 13, 2026
(6) Amended Share Buyback Report		Reporting period	
		From September 1, 2025 to September 30, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on November 12, 2025
(7) Shelf Registration Statement (Share Certificates, Corporate Bond Certificates, Etc.) and Accompanying Documents			Filed with the Director-General of the Kanto Local Finance Bureau on May 16, 2025
(8) Shelf Registration Supplements (Share Certificates, Corporate Bond Certificates, Etc.) and Accompanying Documents			Filed with the Director-General of the Kanto Local Finance Bureau on September 11, 2025

**Part Two: Information about Reporting Company's Guarantor, etc.**

Not applicable

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

March 24, 2026

To the Board of Directors of  
Kao Corporation:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

Junichi Yamanobe

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Designated Engagement Partner,  
Certified Public Accountant:

Yoshiki Okutsu

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Designated Engagement Partner,  
Certified Public Accountant:

Yuichiro Nakashima

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### <Audit of Consolidated Financial Statements>

#### Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Kao Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2025 to December 31, 2025, and material accounting policy information and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(TRANSLATION)

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of goodwill related to the business combination of Kanebo Cosmetics Inc.	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>Kao Corporation (hereinafter the "Company") recognized goodwill of ¥231,071 million in the consolidated statement of financial position as of December 31, 2025. As described in Note 13 to the consolidated financial statements, goodwill of ¥119,400 million was allocated to Kanebo Cosmetics Inc., which accounted for 6.4% of the total assets. The assumptions used for the impairment test for goodwill were described in Note 13.</p> <p>The Company measured the recoverable amounts based on value in use calculated by the discounted present value of future cash flows, and the cash flow projections that are the basis for the value in use are estimated using medium-term plans for the Cosmetics Business (hereinafter "medium-term plans") that reflect past performance and forecasts.</p> <p>These medium-term plans include a forecast of sales growth by region and by brand, which considers changes in the cosmetics market environment in each country. This includes growth forecasts from further focused investment in high value-added brands and growth forecasts from strengthening global expansion. The sales growth rates are consistent with the growth rate projections of the markets in which the cash-generating units operate. Estimated cash flows in years beyond the medium-term plans approved by management were calculated using an annual growth rate of 0% and were discounted to present value using a weighted average cost of capital ("WACC") of 7.3%.</p> <p>The growth rate of sales and discount rate involve uncertainties, such as future forecasts of the cosmetics markets in each country, and require management judgment. As such, we have determined the valuation of goodwill related to the business combination of Kanebo Cosmetics Inc. as a key audit matter.</p>	<p>Our audit procedures to assess the reasonableness of the estimates of value in use for addressing the valuation of goodwill related to the business combination of Kanebo Cosmetics Inc. included the following, among others:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain internal controls over the determination of whether an impairment loss on the groups of cash-generating units that include goodwill should be recognized.</p> <p>(2) Assessment of the reasonableness of the estimate of value-in-use</p> <ul style="list-style-type: none"><li>Concerning estimated cash flows, we compared the sales forecast by region and by brand included in the medium-term plans for previous year's impairment test with actual results and evaluated the achievement of those results in the medium-term plans retrospectively, considering the impact of changes in the cosmetics market environment and the impact of the optimization of distribution inventory implemented in the China Business in the previous year.</li><li>We made inquiries of the person responsible for the Cosmetics Business regarding the sales strategy, which supports sales forecast by region and brand in the medium-term plans utilized in the impairment test.</li><li>Concerning the forecasted market growth rate, which is one of the significant assumptions for estimating value in use, and was included in the medium-term plans, we performed trend analysis using actual results and the data of cosmetics market inspection reports published by an external specialist agency.</li><li>We involved valuation specialists from our member firm to assist us in assessing the appropriateness of the discount rate by comparing our estimate of WACC to the one made by management.</li></ul>

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	<ul style="list-style-type: none"><li>• We compared the value in use that would result from changes, within a reasonable range, in the significant assumptions used for the impairment test, to the carrying amount of the cash-generating units that include goodwill.</li></ul>
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### **Other Information**

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### <Audit of Internal Control>

##### **Opinion**

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of December 31, 2025.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the Company as of December 31, 2025, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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### **Basis for Opinion**

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control**

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

### **Auditor's Responsibilities for the Internal Control Audit**

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Plan and perform the internal control audit to obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and review of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

### **<Fee-Related Information>**

Fees for audit and other services for the year ended December 31, 2025, which were charged by us and our network firms to the Company and its subsidiaries are disclosed in (3) Status of Auditing, Corporate Governance, Information about reporting company of the Annual Securities Report.

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**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.