February 14, 2025

To Whom It May Concern,

Company Name: Kao Corporation
Representative: Yoshihiro Hasebe, President and CEO
(Ticker Code: 4452, Tokyo Stock Exchange Prime Market)

Notice Regarding the Board of Directors' Opinion on Shareholder Proposal

We hereby inform you that our Board of Directors resolved to oppose the agenda and the Shareholder Proposal (hereinafter referred to as the "Shareholder Proposal") with stated reasons on February 6, 2025, and February 14, 2025, in connection with the matters to be addressed at the 119th Annual General Meeting of Shareholders, scheduled to be held on March 21, 2025. This resolution follows the receipt of a written document exercising the right to submit a shareholder proposal. The details are as follows:

1. Proposing Shareholder

Oasis Japan Strategic Fund Ltd. (hereinafter referred to as "Oasis")

2. Contents of the Shareholder Proposal

(1) Proposed Agenda Items:

Proposal 4: Appointment of five Outside Directors
Proposal 5: Revision of Compensation for Outside Directors
Proposal 6: Grant of Restricted Stock Units (RSU) for Outside Directors
Proposal 7: Approval of the Equity Compensation Plan for Directors (Excluding Outside Directors)

(2) Details of the Agenda Items:

The details are as described in the attached document, "Contents of the Shareholder Proposal." The relevant portions of the Shareholder Proposal document are included verbatim from the original text.

3. Opinion of the Company's Board of Directors on the Shareholder Proposal

The opinion of the Company's Board of Directors regarding the Shareholder Proposal has been resolved based on the recommendations of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members (hereinafter referred to as the "Committee for the Examination of the Nominees") and the Compensation Advisory Committee for Directors and Executive Officers (hereinafter referred to as the "Compensation Advisory Committee"), both of these Committees are established as advisory bodies to the Board of Directors.

- The Committee for the Examination of the Nominees is composed of all Outside Directors and one Outside Audit & Supervisory Board Member, with a chairperson selected from among the Outside Directors.
- The Compensation Advisory Committee is composed of all Outside Directors and the President and CEO, with a chairperson selected from among the Outside Directors.

Based on the recommendations from these committees, the Company's Board of Directors has made its resolution.

The Company's Board of Directors Opposes All of the Agenda Items in No. 4 through 7 of the Shareholder Proposal.

The following is a summary of the opinions of the Company's Board of Directors.

- With respect to Proposal 4, each of the Outside Director candidates from the Shareholder Proposal was reviewed by the Board of Directors following a rigorous examination, including interviews with the Committee for the Examination of the Nominees. The Board of Directors concluded that none of these candidates possess the relevant board and management experience, expertise and engagement expected of the Company's Outside Directors, and that these candidates would not contribute to the effectiveness of the Board of Directors and the enhancement of the corporate value.
- With respect to Proposals 5 to 7, after discussions by the Compensation Advisory Committee and the Board of Directors, it was decided that there is no reason to introduce any of the proposals at this time.
- In particular, with respect to Proposal 7, the Company's compensation system for executives was proposed at the 118th Annual General Meeting of Shareholders in March 2024 as incentive compensation for the Kao Group Mid-term Management Plan K27 announced in August 2023 and received strong support from shareholders. Since this Shareholder Proposal would freeze the K27 stock compensation system and introduce a new compensation system with a target period from 2025 to 2028, the Company's Board of Directors has determined that it is not appropriate to introduce the measures sought by the Shareholder Proposal at this point, during the target period of K27.

Below is the opinion of the Company's Board of Directors on each proposal of the Shareholder Proposal on an individual basis.

Proposal 4: Appointment of five Outside Directors

(1) Opinion of the Company's Board of Directors

As a result of deliberations based on the recommendations of the Committee for the Examination of the Nominees, the Board of Directors opposes this Shareholder Proposal.

(2) Reasons for opposition

Firstly, the election of the Company's Directors is carried out in accordance with a rigorous process that complies with Japan's Corporate Governance Code and the Company's Corporate Governance Policy. Regarding candidates for Outside Directors, the Committee for the Examination of the Nominees, upon inquiry from the Board of Directors, conducts thorough deliberations after document review and screening, and subsequent interviews. Based on these deliberations, the committee makes its recommendations to the Board of Directors, which then deliberates and makes a final decision. In screening and deliberation, the suitability of candidates is examined based on requirements such as independence and the number of concurrent positions held by the individuals concerned, as well as the Company's approach on the composition of the Board of Directors, including diversity, roles expected of Outside Directors and the key criteria and prioritized qualities for candidates. In accordance with these processes, the Company selects the candidate(s) that will best contribute to enhancing the corporate value.

Furthermore, the Company's Corporate Governance Policy includes the following guidelines:

• While considering a balance of diverse human resources necessary for appropriate deliberations and supervision of execution, the Company aims for a small Board of Directors to accelerate

decision-making.
• Set a target of achieving 30% female representation on the Board of Directors by 2025.
• To strengthen oversight, consider making the ratio of Outside Directors a majority.
Additionally, Outside Directors are primarily expected to fulfill the roles of "oversight," "advice," and "reflecting stakeholder opinions," with particular emphasis placed on the role of "oversight." To fulfill these roles, the Board requires Outside Directors to have competencies in three key areas such as "management and supervisory experience" and "expertise" and to demonstrate high levels of "engagement".

As for "management and supervisory experience," it is considered important for candidates to have experience as a CEO or senior executives or a director at a global company, particularly publicly listed companies, to fulfill the role of overseeing the Company's management. Regarding "expertise," the Board identifies priority areas based on the Company's strategy and the existing composition of the Board of Directors. For the current fiscal year, the Board placed special emphasis on strengthening brand strategies, including corporate branding and marketing, and deliberated accordingly. Additionally, in order to engage in constructive dialogue with the management team and stakeholders, the Board prioritizes candidates' ability to be "highly engaged" and demonstrate strong communication skills, insight, initiative, and independence.

Under the strong leadership of President and CEO Yoshihiro Hasebe, and with the appropriate oversight and advice from the current Outside Directors, the Company formulated K27 in 2023, aiming for global expansion and improved capital efficiency with 2027 as the final year of the plan. As part of K27, the Company conducted an analysis of its business operations and categorized them into three segments: Stable Earnings, Growth Drivers, and Business Transformation. Based on this classification, the Company introduced and promoted management strategies aligned with a business portfolio centered on ROIC (Return on Invested Capital). In terms of quantitative targets, for the final fiscal year of the plan, 2027, the Company aims to achieve a ROIC of 11% or more, EVA of ¥70 billion or more, operating profit surpassing the previous record high of ¥211.7 billion achieved in fiscal year 2019, and overseas sales exceeding ¥800 billion. Since the formulation of the K27 mid-term plan and the subsequent implementation of these initiatives, the indicators have shown remarkable improvement. For fiscal year 2023, the Company achieved an ROIC of 4.1%, EVA of ¥14.9 billion, operating profit of ¥114.7 billion (core operating income), and overseas sales of ¥655.8 billion. By fiscal year 2024, these figures improved significantly to an ROIC of 9.2%, EVA of ¥33.2 billion, operating profit of ¥146.6 billion, and overseas sales of ¥705.5 billion. Looking ahead to fiscal year 2025, the Company aims to achieve a ROIC of 9.4%, EVA of ¥37.0 billion, operating profit of ¥160.0 billion, and overseas sales of ¥730.0 billion. The Company is showing remarkable progress toward achieving the goals set for the final fiscal year of K27 in 2027, with a robust framework to enhance these metrics further.

The steady progress of K27 can largely be attributed to the contribution of oversight and advice made by the current Outside Directors. They possess a broad and well-balanced set of skills, including risk management, a global perspective, expertise in the industry to which the Company belongs, human capital strategies, governance reforms, and responsiveness to capital markets.

Furthermore, following the appropriate processes mentioned above, the Company's Board of Directors has decided to nominate **Sarah Casanova**, given her extensive management experience and proven track record at companies including McDonald's Holdings Company (Japan), Ltd. As a candidate for Outside Director. Ms. Casanova is highly regarded for her leadership skills, particularly for successfully leading the recovery of business performance and rebuilding the brand during her tenure as Representative Director, President, and CEO of McDonald's Holdings Company (Japan), Ltd. Her leadership and management expertise are expected to contribute greatly to Kao's Board of Directors. Specifically, her knowledge of consumer-oriented business models and brand revitalization is anticipated to provide new perspectives for Kao's marketing strategies and product development. Additionally, her management experience in multicultural environments is expected to contribute to formulating strategies for Kao's global expansion. Furthermore, Ms. Casanova currently serves as an outside director and a member of the governance committee at MITSUI & CO., LTD., and her participation on Kao's Board of Directors is expected to enhance the independence and objectivity of the Board of Directors, thereby contributing to further strengthening Kao's governance structure.

The Company has also decided to nominate **Lisa MacCallum** as an Inside Director candidate. Ms. MacCallum has extensive experience in the consumer goods market and a wealth of expertise in marketing, corporate branding, and ESG communications. As a member of the ESG External Advisory Board of the Company since July 2019 and a Corporate Executive Fellow (a position given to those who have built extensive experience outside the company and developed excellent knowledge and skills in a particular area of expertise) of the Company since September 2021, she has been providing advice on the Group's ESG activities and communication strategies from the stakeholders' perspective. Once Ms. MacCallum, who has the knowledge to integrate an advanced ESG strategy and corporate branding as described above, joins the Board, she will play a role that further complements Kao's expertise in global brand strategies, including marketing, and contribute to the oversight of the Company's global growth strategy and sustainability initiatives.

Based on the above, the Company's Board of Directors has determined that the Board of Directors, including the Company's proposed Director candidates, has the appropriate number of directors and mix of skills.

In addition to the Board's own selection criteria for new Directors detailed above, in the Company's Mid-term Plan K27, the global growth strategy is undoubtedly one of the key elements. For the Company to grow its global business faster, it is important to seek advice supported by deep understanding of what leads Japanese companies to global success. The Company's business is fundamentally based on the Japanese market, and it is necessary to advance global expansion while deepening its understanding of the needs of Japanese consumers and building strong relationships with business partners in Japan. From this perspective, it is desirable for Directors to possess knowledge and experience related to Japanese companies and the Japanese market. With regard to the candidates proposed by the Shareholder Proposal, the Board of Directors concluded that they generally lacked direct experience with Japan's business culture and consumer needs.

The Committee for the Examination of the Nominees carried out rigorous evaluations per the appropriate processes described above regarding the Outside Director candidates proposed under the Shareholder Proposal. After this evaluation process it was determined that they lacked certain abilities and qualities expected of and required for Outside Directors of the Company. Based on the above recommendations from the Committee for the Examination of the Nominees, the Board of Directors deliberated on each of the proposed Outside Director candidates in this Shareholder Proposal and decided to oppose all candidates proposed under the Shareholder Proposal.

The specific reasons are as follows.

1) Yannis Skoufalos has no experience as CEO or senior executives of a global listed company, and he lacks a deep understanding of and experience advising on Japanese companies. Furthermore, although he possesses experience as the Global Product Supply Officer at The Procter & Gamble Co, the Company's Board of Directors has not designated supply chain management as a skill area for strengthening, considering our current adequate executive structure. The Company's Board of Directors has determined that appointing this candidate as an Outside Director is unnecessary. Moreover, the assertion by Oasis in its Shareholder

Proposal that “The Company lacks essential supply chain expertise on its board” is entirely unfounded. The Company’s Board of Directors believes that the Company’s supply chain system is already at a sufficient level as outlined above, and there is no need for further enhancements.

According to the website of Sandoz Group AG, where Mr. Skoufalos serves as a director, it is stated that he has been an advisor to Oasis Management Company since November 2024. During our interview with Mr. Skoufalos, we inquired about his relationship with Oasis and his position as an advisor; however, we could not obtain clear answers. Oasis is a large shareholder that actively submits shareholder proposals to the Company, and the participation of its advisor on the Board of Directors poses a risk of compromising neutrality in management decisions and raises concerns that the interests of Oasis as a shareholder may be given undue priority.

Additionally, through our interview with Mr. Skoufalos by the Chair and Members of the Committee for the Examination of the Nominees, the Company’s Board of Directors found that his remarks regarding various aspects of the Company, including the business environment surrounding the Company, his views on the Company’s future, and his knowledge and outlook on the industry to which the Company belongs, often lacked specificity. This led us to conclude that he does not understand the Company sufficiently.

Based on these reasons, the Company’s Board of Directors opposes the proposal to appoint Yannis Skoufalos as a candidate for Outside Director.

2) Martha Velando has no experience as a CEO or senior executives, or Director of a global listed company, and she lacks a deep understanding of and experience advising on Japanese companies. Her tenure as a CMO (Chief Marketing Officer) is also relatively short. The Company’s Board of Directors believes that it will be difficult for her to fully exercise supervisory and advisory functions as a director. She has expertise in marketing, product development, and business expansion for beauty brands, however the current slate of Company-proposed Director candidates is expected to strengthen the global brand strategy (including corporate branding) functions. Therefore, there is no necessity to appoint Ms. Velando as an Outside Director. Furthermore, our interview with Ms. Velando showed no particularly noteworthy insights or suggestions, leading us to determine that she is unsuitable for recommendation as an Outside Director of the Company.

Her background makes it difficult for her to adequately oversee the Company’s management, and her appointment is considered likely to negatively impact the balance and efficiency of the Board as a whole due to the overlap in experience and expertise.

For these reasons, the Company’s Board of Directors opposes the proposal to appoint Martha Velando as an Outside Director candidate.

3) Lanchi Venator has experience as a CFO, but is limited to a short of time at a non-listed company, and it must be said that she lacks sufficient experience as an executive. Therefore, she is not considered to possess the level of oversight skills required of an Outside Director at the Company and lacks a deep understanding of or experience in advising Japanese companies. Furthermore, Ms. Venator has no experience at all as a director, so it is considered highly unlikely that she would be able to contribute directly to the oversight and advisory functions as an Outside Director for the Company’s management. The Company's Board of Directors has not designated finance as a skill area for further strengthening, considering the adequate composition of the board of directors proposed by the company. Regarding the selection process, the Company first conducted a thorough review based on document screening, as was done for the other shareholder-proposed Outside Director candidates, to assess her suitability for the role. As a result, at the document screening stage, it was confirmed that, as mentioned above, her expertise and career do not align with the needs of the Company. Consequently, it

was determined that proceeding with her selection as a Director candidate would be difficult, even without conducting an interview.

For these reasons, the Company's Board of Directors opposes the proposal to appoint Lanchi Venator as an Outside Director candidate.

4) Hugh G. Dineen has never served as CEO or senior executives and does not have the level of management or supervisory experience that the Company expects. Through interviews by the Chair and Members of the Company's Committee for the Examination of the Nominees and Mr. Dineen, The Company's Board of Directors has determined that he does not possess a sufficient understanding of various aspects of the Company, including the business environment surrounding the Company, the Company's outlook and perspectives on its future, and insights and perspectives on the industry to which the Company belongs. Furthermore, as stated above, the Company has defined the criteria required for Outside Directors and appropriately evaluates the suitability of Outside Director candidates. During the interview, however, Mr. Dineen's statements reflecting an integrated perspective necessary for management oversight and a stakeholder-oriented viewpoint were limited. Additionally, it could not be said that the discussions were active and constructive. As a result, it was determined that Mr. Dineen did not meet the expectation in the area of engagement, which together constitute one of the required criteria.

   In addition, if Mr. Dineen, who served as President of Global Brands and Global Chief Marketing Officer at Wella Company, were to join the Company as an Outside Director, considering the composition and skill balance of the Company-proposed Director candidates, it is believed that the overlap in experience and expertise would negatively impact the balance and efficiency of the Board of Directors as a whole.

   Oasis, in proposing Mr. Dineen as a shareholder-proposed Outside Director candidate, states that "the Company lacks expertise in brand management and transformation" and "not only does the Company have far too many brands, but also numerous key brands that are underperforming their potential." Oasis asserts that "the Company would benefit from a much more proactive and selective approach to brand portfolio management." However, under K27, with the leadership of President and CEO Yoshihiro Hasebe and the significant contributions of appropriate oversight and advice from the current Outside Directors, the Company has been accelerating its structural reforms. For example, the Company has undertaken a restructuring in the baby diapers business to respond to the increasingly competitive market environment. In the Cosmetics Business, the Company has been reviewing its brand portfolio, consolidating and eliminating unprofitable brands, and strengthening resource allocation to key brands, resulting in profit improvement effects starting in fiscal year 2024 and continuing beyond.

   For these reasons, the Company's Board of Directors opposes the proposal to appoint Hugh G. Dineen as a candidate for Outside Director.

5) Anja Lagodny has no experience serving as a director of a publicly listed company and is therefore unlikely to be able to fully fulfill the supervisory and advisory role expected of an Outside Director. The Company's Board of Directors places significant importance on experience overseeing management as a director of a publicly listed global company, as well as practical experience in executive decision-making and a deep understanding of governance. In this regard, concerns remain regarding Ms. Lagodny's suitability. When a candidate lacks experience as a director, it may be difficult for them to make effective decisions on complex management issues or to contribute smoothly to the decision-making process alongside other directors. The Company's current Board of Directors is already composed of members with a high level of expertise and experience, and as a complementary candidate, Ms. Lagodny's appointment is deemed inappropriate.

   Furthermore, through our interview with Ms. Lagodny by the Chair and Members of the Committee for the Examination of the Nominees, the Company's Board of Directors determined that it remained unclear whether she has a deep understanding of the Company's key markets and consumer behavior characteristics, leading to concerns about her ability to contribute to the Company's medium- to long-term growth strategy. The Company has already established a dedicated executive structure to drive its DX Strategy, and thus there is no clear reason to believe that adding Ms. Lagodny to the Board would complement or strengthen the existing structure.

For these reasons, the Company's Board of Directors opposes the proposal to appoint Anja Lagodny as an Outside Director candidate.

Based on the above, the Company's Board of Directors, following the recommendations of the Committee for the Examination of the Nominees and deliberating, has concluded that the Board structure proposed by the Company is optimal and opposes any structural changes resulting from appointing the shareholder-proposed candidates.

Proposal 5: Revision of the Compensation for Outside Directors

(1) Opinion of the Company's Board of Directors

As a result of deliberations based on the recommendation of the Compensation Advisory Committee, the Board of Directors has decided to oppose this Shareholder Proposal.

(2) Reasons for opposition

The Company's executive remuneration is designed with the following objectives:

(i) To attract and retain diverse and talented individuals to build and enhance competitive advantages.

(ii) To drive concerted initiatives to promote the sustainable growth of corporate value

(iii) To share interests in common with shareholders

The remuneration system and remuneration levels for Directors and Executive Officers, including individual compensation for each Director, are reviewed by the Compensation Advisory Committee which is inquired by the Board of Directors, to ensure objectivity and transparency in the decision-making process. The final decision is then made by resolution of the Board of Directors based on the recommendations of the Compensation Advisory Committee.

Regarding determining individual compensation for Directors for the current fiscal year, the Compensation Advisory Committee 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.

As stated in the Board of Directors' opinion on Shareholder Proposal 4, the Company's Board of Directors has been delivering steady results, and the composition of the Company-proposed Outside Director candidates—comprising new candidates who possess the required skills at an exceptionally high level—is considered appropriate in terms of both skill set and balance. Given the current structure, further additions to the Board pose a high risk of disrupting this balance. Therefore, the Company's Board of Directors opposes the election of the five candidates proposed by Oasis.

Accordingly, the Board believes that this proposal, which is premised on the assumption that the Oasis-proposed Director candidates are selected, intends to guarantee their base remuneration amount, and is made for their benefit, does not contribute to the enhancement of the Company's corporate value.

Based on the above, the Company's Board of Directors opposes this Shareholder Proposal.

Proposal 6: Grant of Restricted Stock Units（RSU）for Outside Directors

(1) Opinion of the Company's Board of Directors
As a result of deliberations based on the recommendation of the Compensation Advisory Committee, the Board of Directors has decided to oppose this Shareholder Proposal.

(2) Reasons for opposition
The Company's Outside Directors are responsible for overseeing and providing advice to management from an independent standpoint. Given their independent position, the remuneration for Outside Directors is limited to fixed monthly compensation.

The stated objective of this proposal is to strengthen the alignment between shareholders and Outside Directors and to enhance incentives for Outside Directors to contribute to the Company's corporate value growth. However, there are concerns that applying such stock-based compensation could compromise the independence of the Outside Directors and weaken their oversight function. The Board believes it should not be hastily introduced at this stage until the Board has studied the effects and received sufficient feedback from shareholders.

Based on the above, the Company's Board of Directors opposes this Shareholder Proposal.

Proposal 7: Approval of the Equity Compensation Plan for Directors（Excluding Outside Directors）
(1) Opinion of the Company's Board of Directors
As a result of deliberations based on the recommendation of the Compensation Advisory Committee, the Board of Directors has decided to oppose this Shareholder Proposal.

(2) Reasons for opposition
The remuneration for Directors other than Outside Directors and Executive Officers consists of (a) a base salary, (b) short-term incentive compensation in the form of bonuses, and (c) long-term incentive compensation in the form of performance-based share compensation. This structure is designed to drive continuous performance improvement in each fiscal period and incentivize mid- to long-term growth.

Kao Group's Mid-term Plan K27, covering the four fiscal years from 2024 to 2027, aims to fully implement ROIC across the Company, execute structural reforms, and establish itself as a company that fosters "Global Sharp Top" businesses. With these goals in mind, the Company has set ambitious targets. To enhance the incentive structure for achieving corporate value growth and performance targets, the Board of Directors proposed a partial revision to the stock-based compensation system for Directors other than Outside Directors and Executive Officers at the 118th Annual General Meeting of Shareholders held on March 22, 2024. This proposal was approved with an overwhelmingly high approval rate of 96.84%. Since this Proposal would freeze the K27 stock compensation system and introduce a new compensation system with a target period from 2025 to 2028, the Company's Board of Directors has determined that it is not necessary to introduce a replacement incentive compensation plan , during the target period of K27.

Regarding this Shareholder Proposal, Oasis stated that it 'relies far too heavily on non-quantitative performance metrics including "management evaluation indicators" … and poorly defined ESG metrics.' However, in calculating the coefficient of variation for long-term incentive compensation, the Company has been using "Business Growth Evaluation" (which assesses the growth rate of overall business revenue and profit, etc.), "ESG Activities Evaluation" (which includes evaluations based on external indicators, the achievement status of internal indicators, etc.), and "Top Management Activities Evaluation" (which considers evaluations of management activities by the

Company's employees, etc.) as evaluation indicators to promote proactive governance in order to achieve the goal established in K27. In 2024, the Company added new indicators including EVA (Economic Value Added) and TSR (Total Shareholder Return). TSR is evaluated through comparison with the TOPIX growth rate (including dividends) and TSR of benchmark companies. Overall, the variable portion of compensation is designed to be primarily based on quantitative evaluations.

"Evaluation Indicators and Weighting for Long-Term Incentive Compensation"

Evaluation Indicators		Weighting	Evaluation Categories
Business Growth Evaluation	• Overall business revenue growth and operation profit growth • EVA (ROIC)	40%	Five-Point Scale
ESG Activities Evaluation	• Achievement level of KLP priority targets ✓ Decarbonization (CO_2 emissions reduction rate) ✓ Zero Waste (Plastic recycling rate) ✓ Ratio of female managers ✓ Number of serious compliance violations, etc. • External evaluation results by major ESG rating agencies	40%	Seven-Point Scale
Top Management Activities Evaluation	• Relative TSR evaluation ✓ Comparison with TOPIX (including dividends) ✓ Comparison with benchmark companies • Employee engagement survey results	20%	Seven-Point Scale

Note also that the rate of variable compensation has been increased in order to enhance the incentive nature of the compensation system.

The Shareholder Proposal states that the ratio of base salary to stock-based compensation should be set at 1:2. However, the "Practical Guidelines for Corporate Governance Systems (CGS Guidelines)," published by the Ministry of Economy, Trade and Industry on July 19, 2022, note that when introducing performance-linked compensation or stock-based compensation, it is beneficial to consider elements tailored to the company's specific circumstances. Among these considerations, the appropriateness of the proportion of such compensation within the overall remuneration package has been identified as a key factor for evaluation. In Japan, where the absolute level of executive compensation tends to be relatively low, the CGS Guidelines emphasize that introducing performance-linked compensation without first reviewing the overall compensation level may result in an inadequate incentive structure. The guidelines also state that the introduction of performance-linked compensation should be considered as part of a broader review of both the compensation level and the overall compensation structure.
The compensation levels for the Company's Directors, Executive Officers, and Audit & Supervisory Board Members are determined annually based on executive compensation survey data provided by external research institutions. These surveys compare the Company's compensation levels with those of major manufacturing companies that are similar in size, industry, and business model, as well as with companies that have similar business strategies and structures. The Company will continue to review the Compensation System for Directors, Executive Officers, and Audit &

Supervisory Board Members while considering the shareholders' views.

Based on the above, the Company's Board of Directors opposes this Shareholder Proposal.

4. Conclusion of the Board of Directors and Request to Shareholders

The Company's Board of Directors has determined that the proposals in this Shareholder Proposal (Proposal 4 Appointment of five Outside Directors, Proposal 5 Revision of the Compensation for Outside Directors, Proposal 6 Grant of Restricted Stock Units (RSU) for Outside Directors, and Proposal 7 Approval of the Equity Compensation Plan for Directors (Excluding Outside Directors)) do not contribute to the Company's sustainable, mid- to long-term growth or the enhancement of shareholder value and has therefore decided to oppose all of them.

We kindly ask our shareholders to support the Board of Directors' opinion. The Company will continue to engage in constructive dialogue with shareholders and strive for sustainable growth and value creation.

End of document

< Reference >Shareholder Proposal

The relevant portions of the Shareholder Proposal document are included verbatim from the original text.

Particulars:

1. Proposed Agenda
    - Proposal No. 1: Appointment of five Outside Directors
    - Proposal No. 2: Revision of Compensation for Outside Directors
    - Proposal No. 3: Grant of Restricted Stock Units (RSU) for Outside Directors
    - Proposal No. 4: Approval of the Equity Compensation Plan for Directors (Excluding Outside Directors)

2. Detail of the Agenda
    - Proposal No. 1: Appointment of five Outside Directors

To appoint five Outside Directors listed below:

Candidate for Outside Director:	Yannis Skoufalos
Ditto	Martha Velando
Ditto	Lanchi Venator
Ditto	Hugh G. Dineen
Ditto	Anja Lagodny

- Proposal No. 2: Revision of Compensation for Outside Directors

  The total annual monetary compensation for all directors shall not exceed 780 million yen and the compensation of outside directors should not exceed 250 million yen.

- Proposal No. 3: Grant of Restricted Stock Units (RSU) for Outside Directors

  Currently, the Company does not provide stock-based compensation to outside directors. However, to enhance the Company’s long-term corporate value, it is essential for all directors, including outside directors, to collaborate in formulating strategies to enhance corporate value and to proactively and decisively implement necessary measures.

  Therefore, regardless of whether the five candidates for outside directors proposed by Oasis are appointed or not, Oasis proposes granting non-performance-based Restricted Stock Units ("**RSU**") to all outside directors, including current outside directors, under a framework separate from the monetary compensation.

This proposal provides that outside directors be annually allotted RSU set an annual upper limit of 50 million yen (5 million yen per person) and the equivalent of 10,000 common shares of the Company ("**Kao Shares**") (1,000 shares per person) (the "**RSUs**").

(1) **Grant of Stock Units**
The Company will grant stock units to all outside directors serving at that time, at the first meeting of the Board of Directors held following the conclusion of the Annual General Meeting of Shareholders. The number of stock units granted to each director will be calculated by dividing 5 million yen by the Reference Stock Price (as defined below), with any fraction less than one being rounded down.

The Reference Stock Price refers to the closing price of Kao Shares on the Tokyo Stock Exchange on the business day preceding the resolution date of the Board of Directors (or, if no transaction is conducted on that day, the closing price on the most recent trading day). Additionally, the maximum number of stock units to be granted to each outside director will be 1,000 units (equivalent to 1,000 shares). For a three-year period from the date of grant, the percentage of share dilution in the event that each outside director is allotted 1,000 shares will not exceed 0.06 %.

(2) **Vesting of Rights**
The granted stock units shall vest proportionally over a three-year period from the date of grant. However, if, prior to the final vesting, an outside director is not reappointed against their will or is dismissed due to a change in control, all of the reference units shall vest at the time of such resignation.

(3) **Issuance of Shares without Payment**
When an outside director holding vested stock units resigns from their position, the Company shall issue Kao Shares to the resigning individual without requiring payment, based on the number of stock units held, at a conversion rate of one share per stock unit, within two months after their resignation, following the procedures stipulated in Article 202-2 of the Companies Act. Any unvested stock units at the time of resignation shall be forfeited.
In the event that an outside director passes away before receiving the shares, the rights under this program will be inherited by their legal heirs.
Additionally, if it is deemed difficult to issue Kao Shares to the resigning director or their heirs in a timely manner, the Company may provide monetary compensation equivalent to the value of the shares in lieu of issuance.

(4) **Adjustment of Share Numbers**

If a stock split (including a gratis allotment of shares) or reverse stock split of Kao Shares occurs after the resolution date of this proposal, the Company shall make reasonable adjustments to the maximum number of shares to be granted to outside directors, as well as to the stock units held by outside directors, in accordance with the ratio of such stock split or reverse stock split.

(5) **Others**
The details of the RSUs shall be determined by a resolution of the Board of Directors following consultation with the Compensation Advisory Committee for Directors and Executive Officers.

- Proposal No. 4: Approval of the Equity Compensation Plan for Directors (Excluding Outside Directors)

1. Summary of the Proposal
Oasis proposes freezing the K27 Equity Compensation Plan (as defined below) and introducing a new more generous long-term incentive compensation plan in its place. The new internal director compensation scheme emphasizes sustained value creation tied to targets for organic sales growth, gross profit margins, segment-specific return on invested capital ("**ROIC**"), peer group total shareholder return ("**TSR**") and ESG metrics.

2. Proposal Details
The proposed plan is based on feedback from other institutional investors, peer group long-term incentive plans and input from third-party executive compensation consultants. Under the Oasis proposed plan, directors (excluding outside directors, hereinafter referred to as "**Eligible Directors**") are granted deferred PSUs (the "**PSUs**") and deferred RSUs (the "**RSUs**") as long-term incentive ("**LTI**") compensation for the FY2025-FY2028 (hereinafter referred to as the "**Period**").
To incentivize Eligible Directors to enhance corporate value, we seek to increase the weight of the long-term incentive plan as part of overall compensation and emphasize the PSU component by linking it directly to organic sales growth rates, business segment gross profit margins and ROIC, peer group TSR performance and quantitative ESG metrics.
We believe these metrics are the best yardsticks for measuring the Company's successful transition towards a more stable and profitable growth trajectory. Consequently, the number of LTI grants will be determined by setting the ratio of basic compensation to equity compensation for Eligible Directors at 1:2, with 85% of LTI allocated as PSUs and the remaining 15% as RSUs.
The total amount of the PSUs for the Period if all key performance indicators ("**KPI**") achieve their maximum targets will not exceed 2.28 billion yen or 455,900

shares; and the total amount of the RSUs will not exceed 268 million yen or 53,600 shares.
However, in the event of a stock split (including an allotment of shares without contribution) or a reverse stock split of Kao Shares after the resolution of this proposal, the maximum number of shares will be adjusted in accordance with the split or consolidation ratio.
For the Period, the percentage of share dilution in the event that all KPIs achieve their maximum targets will not exceed 0.11%.
This compares to a current 1:1 weight with 70% linked to PSUs and 30% in RSUs.
The difference between the current and proposed schemes in terms of maximum payout are illustrated below:

		Base Salary	Short Term Incentive	Long Term Incentive		TOTAL MAX PAYOUT
				RSU	PSU	
PRESIDENT	CURRENT	100	200	30	140	470
	PROPOSED	100	200	30	255	**585**
OTHER DIRECTORS	CURRENT	100	140	21	98	359
	PROPOSED	100	140	30	255	**525**

Additionally, the delivery of shares under this plan will, in principle, be made only after the completion of the Period, except in cases of accelerated vesting due to a change in control. Shares will not be delivered during the Period.
If this proposal is approved, the existing K27 Equity Compensation Plan will be frozen, and no new points will be granted under this scheme. Meanwhile, equity compensation for fiscal years beyond the Period will be deliberated and separately approved at the Annual General Meeting of Shareholders to be held for FY2028.
This plan will apply to the 4 internal directors on the Board. However, upon approval this scheme should be applied to the Company's executive officers who do not sit upon the Board so as to align and incentivize the entire management team to grow long-term corporate value.

[Details of the PSUs]
(1) Overview of the Plan
The new PSU is based on measurable performance-related KPIs with specific numerical targets over the Period. Following the completion of the Period, the number of Kao Shares corresponding to the achievement rate of those KPIs will be granted to Eligible Directors free of charge.

(2) Granting of Reference Units
After the conclusion of this Annual General Meeting of Shareholders, the Company will grant reference units to the Eligible Directors in office at the first Board of

Directors meeting held thereafter. The number of reference units granted will be calculated by dividing an amount equivalent to 680% of the basic compensation of each Eligible Director (170% per fiscal year) by the Reference Stock Price, with fractions below one unit rounded down.
The Reference Stock Price refers to the closing price of Kao Shares on the Tokyo Stock Exchange on the business day preceding the resolution date of the Board of Directors (or, if no transaction is conducted on that day, the closing price on the most recent trading day). However, the total number of reference units granted to all Eligible Directors will be capped at 455,900 units.
In the event after the granting of the reference units, a stock split (including an allotment of shares without contribution) or a reverse stock split is conducted, the number of reference units held by each Eligible Director will be adjusted in accordance with the ratio of such split or reverse split.

(3) KPI and Target Values
The KPIs and respective weights used in the PSUs are as follows.
For each KPI, quantitative "Maximum Target", "Standard Target", and "Minimum Target" will be set:

① **Average Organic Sales Growth Rate for Existing Businesses** in Consumer Products (Evaluation Weight: 23%)
Average Organic Sales Growth Rate Targets for the Consumer Products Business during the Period:

- Maximum Target: 6%
- Standard Target: 4%
- Minimum Target: 3%

Note: Currency exchange rate fluctuations will not be considered in the calculation of growth rates.

② **Gross Profit Margin for the Consumer Products Business**
(Evaluation Weight: 23%)
Average gross profit margin over the last two consecutive fiscal years within the Period:

- Maximum Target: 45%
- Standard Target: 44%
- Minimum Target: 43%

Note: Currency exchange rate fluctuations will not be considered in the calculation.

③ **Segment-Specific Return on Invested Capital (ROIC)**
(Total Evaluation Weight: 23%)

- **Consumer Products Business**

(Evaluation Weight: 17%)
Average ROIC for the Consumer Products Business during the Period:

  - Maximum Target: 15%
  - Standard Target: 13%
  - Minimum Target: 11%

- **Chemical Division**

(Evaluation Weight: 6%)
ROIC for the Chemical Division during the Period:

  - Maximum Target: 10%
  - Standard Target: 8%
  - Minimum Target: 6%

④ **Relative TSR (Total Shareholder Return)**
(Evaluation Weight: 23%)
TSR ranking among a peer group of domestic and international companies during the Period:

- Maximum Target: Top rank
- Standard Target: Within the top 20%
- Minimum Target: Within the top 50%

Note: The peer group will consist of at least 10 companies, including Beiersdorf AG, The Procter & Gamble Co, Unilever Plc, L'Oreal SA, Unicharm Corp, Kimberly-Clark Corp, Kenvue Inc, Colgate-Palmolive Co, Rohto Pharmaceutical Co and Kose Corp, or as otherwise determined in advance by the Board of Directors based on the recommendations of the Compensation Advisory Committee for Directors and Executive Officers.

⑤ **ESG Metrics**
(Total Evaluation Weight: 8%)

- **Reduction in Greenhouse Gas Emissions Scope 1 & 2** (Evaluation Weight: 6%)
  Reduction in Scope 1 and Scope 2 emissions from existing business operations compared to 2020 levels:
  - Maximum Target: 60% reduction by 2028
  - Standard Target: 50% reduction by 2028
  - Minimum Target: 40% reduction by 2028

- **Reduction in Greenhouse Gas Emissions Scope 3** (Evaluation Weight: 2%)
  Reduction in Scope 3 emissions from existing business operations compared to 2020 levels:
  - Maximum Target: 25% reduction by 2028
  - Standard Target: 20% reduction by 2028
  - Minimum Target: 15% reduction by 2028

(4) Compensation Payment Rate

Under the proposed scheme KPI compensation rates are:

- 150% for reaching Maximum Target
- 100% for Standard Target
- 50% for Minimum Target
- 0% if below Minimum Target

For non-ESG metrics, PSU payout rates scale linearly between the targets. For instance, achieving halfway between:

- Standard and Maximum Target earns 125%
- Standard and Minimum Target earns 75%

(5) Vesting and Allocation of Shares

Within one month after the first Annual General Meeting of Shareholders following the Period's end, the Company will calculate final PSU compensation rates using the weighted KPI achievements outlined in (4) above and, award Eligible Directors (those serving continuously through the Period) their shares calculated using the following formula, per Article 202-2 of the Companies Act, rounding down fractional shares:

$$\text{Number of Allocated Shares} = \text{Reference Units} \times \text{Compensation Payment Rate}$$

Directors who retire before the end of the Period forfeit their PSUs grants unless the Board and Compensation Committee approve their departure. In such cases, shares are prorated by months served (the "Tenure Ratio" with partial months counting fully). In the event an Eligible Director dies, their plan rights transfer to their heirs.

(6) Vesting Due to Change in Control

If a resolution regarding a merger agreement in which the Company becomes the disappearing company, a share exchange agreement in which the Company becomes a wholly owned subsidiary, an organizational restructuring plan such as a share transfer, or a change in control is approved at a shareholders' meeting of the Company (or, if such approval is not required, at a meeting of the Board of Directors), and such restructuring or change in control becomes effective before the completion of the

Period, and if an Eligible Director is forced to resign against their will before the completion of the Period, the Period shall be deemed to have been completed at the time of such resignation. The number of shares to be allocated shall be calculated based on a compensation payment rate of 250%, and the shares shall be allocated to the respective Eligible Director.

(7) Claw back Due to Restatement of Financial Statements
If all or part of the financial statements for the Period are restated within four years after the completion of the Period, and the restatement results in changes to the figures of the KPIs used to calculate the PSUs, the Company shall recalculate the compensation payment rate based on the revised KPIs. The Company will then take measures to recover the excess shares that were allocated (including the demand for the return of vested equity compensation and any measures necessary to effectuate such return, hereinafter collectively referred to as "**Recovery Measures**"). Each Eligible Director must comply with such measures.
Furthermore, the impact of the restatement on the share price and TSR shall be reasonably determined by the Board of Directors based on credible grounds.

[Details of the RSUs]
(1) Overview of the Plan
The RSU is an equity compensation plan under which a predetermined number of Kao Shares are granted to Eligible Directors regardless of performance. The allocation of Kao Shares to Eligible Directors will, in principle, be made after the completion of the Period.

(2) Granting of Reference Units
After the conclusion of this Annual General Meeting of Shareholders, the Company will grant reference units to the Eligible Directors in office at the first Board of Directors meeting held thereafter. The number of reference units granted will be calculated by dividing an amount equivalent to 120% of the basic compensation of each Eligible Director (30% per fiscal year) by the Reference Stock Price, with fractions below one unit rounded down.
The Reference Stock Price refers to the closing price of Kao Shares on the Tokyo Stock Exchange on the business day preceding the resolution date of the Board of Directors (or, if no transaction is conducted on that day, the closing price on the most recent trading day). However, the total number of reference units granted to all Eligible Directors will be capped at 53,600 units.

(3) Allocation of Shares

Within one month after the conclusion of the first Annual General Meeting of Shareholders convened following the end of the Period, the Company will calculate the number of Kao Shares to be allocated to each Eligible Director using the formula below (fractions of less than one share will be rounded down). The Company will then allocate the shares without payment in accordance with the procedures set forth in Article 202-2 of the Companies Act of Japan.

Number of Allocated Shares = Reference Units × Tenure Ratio

The Tenure Ratio refers to the proportion of months during the Period in which each Eligible Director has served as a director (even partial months will be treated as full months).
In the event an Eligible Director dies, their plan rights transfer to their heirs.

[Common Provisions for PSUs and RSUs]
(1) Forfeiture Due to Voluntary Resignation
If an Eligible Director voluntarily resigns as a director or refuses reappointment before the completion of the Period, all reference units granted to that Eligible Director will be forfeited.

(2) Malus and Claw back Due to Misconduct
If it is determined that an Eligible Director has committed a significant violation of laws, regulations, the Articles of Incorporation, or the Company’s internal rules, or has engaged in any other serious compliance violations or acts that severely damage the Company's social credibility during their tenure, the Company may forfeit all or part of the unvested reference units granted to the Eligible Director. Additionally, the Company may implement Recovery Measures for all, or part of the Kao Shares allocated under this plan.

(3) Other
The details of this plan shall be determined by a resolution of the Board of Directors following consultation with the Compensation Advisory Committee for Directors and Executive Officers.

3. Reasons for Making the Proposal
   - Proposal No. 1: Appointment of five Outside Directors

All of these director candidates have specific expertise that can help the company’s governance and performance by providing independent oversight and accountability in their role as board directors.

The specific biographical information of the five candidates for Outside Directors and the reasons for nominating them as candidates for Outside Directors are:

Candidate number	Name	Biographical information		Number of Company shares held
1	Yannis Skoufalos (born 20 July 1957)	1984: 2011: 2016: 2019: 2019: 2019: 2020: 2019: 2023: 2023:	The Procter & Gamble Co. ("**P&G**") Global Product Supply Officer, P&G Member of the Board, Pinnacle Foods Inc Symbotic Warehouse Automated Solutions, Board of Advisors Member of the Board, Blue Yonder Group Inc/Panasonic Connect Member of the Talent & Compensation and Nominating & Governance Committees, Blume Global Inc, Board of Advisors Member of the Talent & Compensation, and Nominating & Governance Committees, Hostess Brands Inc, Board of Directors Senior Advisor, Blackstone Inc (to present) Board Director, AIMIA Inc(to present) Board Director, Sandoz Group AG (to present)	0
2	Martha Velando (born 25 June 1974)	1996: 2002: 2006: 2013: 2016: 2020: 2022: 2024:	P&G Limited Brands Inc. L'Oreal SA Managing Director, The Nielsen Co. Global Vice President, Coty Inc. Global Marketing Senior Vice President, De Beers Group Chief Marketing Officer, Aesop Independent Consultant	0
3	Lanchi Venator (born 1 November 1966)	2000: 2005: 2008: 2012: 2023: 2024:	Manager, AT Kearney American Express Co. Executive Director North America Strategy, Avon Products Inc. Senior Vice President (in charge of Global Finance Strategy & Operations), The Estee Lauder Companies Inc. Global Chief Financial Officer & Head of Strategy, Kentucky Fried Chicken Corp. Independent Consultant	0
4	Hugh G. Dineen (born 14 January 1969)	1991: 1997: 2012: 2015: 2022: 2021:	P&G Vice President and General Manager, Johnson & Johnson Consumer Global Vice President, Avon Products Inc. Chief Marketing Officer, MetLife Inc. US Board of Directors, Hostess Brands Inc. President, Global Brands & Global Chief Marketing Officer, Wella Company	0

		2025: Independent Consultant	
5	Anja Lagodny (born 16 January 1967)	2004: Global Head Consumer Relations and CRM, Nestle SA 2010: Account Executive, Microsoft Corp 2011: Global Head Digital, Social Media & e-Commerce EU, Mondelez International Inc 2016: Global Vice President Digital, Carlsberg AS 2019: Chief Digital Officer, JT International SA 2022: CEO & Founder, Anja Lagodny Consulting (to present)	0

(Note) 1. There are no special interests between each of the director candidates and the Company.

2. Each of the director candidate is a candidate for Outside Director.

【Reasons for nominating them as candidates for Directors】

(1) Mr. Yannis Skoufalos

Mr. Yannis Skoufalos was previously Global Product Supply Officer at P&G, overseeing a global supply network from 2011 to 2019 of 57,000 employees, 115 manufacturing plants and over 200 distribution centers internationally. He currently works on supply chain and productivity issues as a member or senior adviser of the multiple boards set forth above. Mr. Skoufalos also serves as a Board Member of the National Association of Manufacturers in the USA.

The Company lacks essential supply chain expertise on its board, and the appointment of Mr. Skoufalos would be transformational to the Company. Mr. Skoufalos' deep expertise in supply chain transformation, operational excellence and sustainable business practices will contribute to increasing efficiencies with the Company's supply chain that would result in increasing sales, lowering costs and improving working capital and cashflow productivity at the Company.

(2) Ms. Martha Velando

Ms. Martha Velando has international experience in marketing, product development and scaling of beauty brands. She previously served as Global Chief Marketing Officer (CMO) for Aesop. Ms. Velando has substantial experience in brand portfolio management during her time at Limited Brands and at L'Oreal SA where she worked in management and strategy roles to refresh and grow existing and newly acquired brands. She holds an MBA from Harvard Business School, and is fluent in Spanish, English and Portuguese. The Company lacks any cosmetics and beauty products marketing expertise on the board and its poor marketing functions have meant that the Company has failed to scale its product portfolio overseas and communicate effectively to consumers the value in many of the brands and products that it has developed. Ms. Velando will bring much needed marketing expertise and experience in scaling brands across various price points and channels that will help invigorate the Company's sales both domestically and internationally.

(3) Ms. Lanchi Venator

Ms. Lanchi Venator has extensive experience in corporate strategy and finance with global consumer brands. She led the finance and strategy function at Kentucky Fried Chicken Corp. across 150 markets, generating US$34 billion in revenue. Prior to this, Ms. Venator held senior roles at The Estee Lauder Companies Inc., focusing on global finance, pricing strategy and data analytics. She has extensive experience across Asian, European and North American markets. She has been a guest lecturer at Columbia Business School and is on the Advisory Board of New York University's Center for Sustainable Business CFO Advisory Board. She is fluent in Mandarin and English. The Company lacks pricing expertise as demonstrated by its global product line up which is inconsistent across markets and does not benchmark well with peer brands. Ms. Venator's expertise is vital to lead a pricing strategy overhaul at the Company which would help drive an ongoing increase in revenues and profits.

(4) Mr. Hugh G. Dineen

Mr. Hugh G. Dineen has extensive P&L experience across Beauty, Consumer Packaged Goods and Financial Services companies. He spent over 15 years at Johnson & Johnson in their consumer products division focused on brand turnarounds and implementing revenue growth strategies. Following this he was the Chief Marketing Officer at MetLife where he oversaw substantial operations in Japan and built out its digital marketing, customer acquisition and analytics efforts for its B2B and B2C channels. Mr. Dineen was most recently President of Global Brands and CMO at the global haircare manufacturer Wella Company. The Company lacks expertise in brand management and transformation. Not only does the Company have far too many brands, but also numerous key brands that are underperforming their potential. The Company would benefit from a much more proactive and selective approach to brand portfolio management. Mr. Dineen's expertise in brand turnarounds and extensive experience as a global CMO will be of immense help to the Company in rebuilding profitable sales growth in core brands across the Company's product categories and improve long-term planning around growth investment decisions for core brands.

(5) Ms. Anja Lagodny

Ms. Anja Lagodny has deep expertise in digital commerce, marketing transformation and organizational change management, especially in implementing digital and data strategies across global organizations in the Consumer Packaged Goods/Fast Moving Consumer Goods sector. Currently, she operates her own consulting firm, serves as Chapter Chair for the Swiss Institute of Board Directors and is Executive in Residence at the International Institute for Management Development (IMD). Prior to this Ms. Lagodny was Chief Digital Officer at JT International SA. The Company's current digital transformation plan is falling short in maximizing consumer and marketing insights, reaping operational efficiency gains in supply chain and driving increased sales. The Company has no external director with specific DX expertise and thus lacks board oversight in a fast evolving area of focus for Consumer Goods companies globally. Ms. Lagodny's experience in implementing digital transformation at both leading international and Japanese companies is invaluable in helping the Company navigate changes in consumer behavior and implement new technologies effectively to increase stakeholder value.

- Proposal No. 2: Revision of Compensation for Outside Directors

  With regard to the monetary compensation (including bonuses) for the Company's directors, it was resolved at the 101st Annual General Meeting of Shareholders held on June 28, 2007, that the total annual monetary compensation shall not exceed 630 million yen. Of this amount, it was resolved at the 110th Annual General Meeting of Shareholders held on March 25, 2016, that the compensation for outside directors shall not exceed 100 million yen annually. Currently, the resolved amount reflects the amount for the Company's four current outside directors.

  In light of the proposed expanded representation of outside directors on the Company's board of directors, the current 100 million yen allocation for outside directors would be insufficient in the case that all of the Company's incumbent outside directors are re-elected and both the Company's newly nominated outside director and the five Oasis nominated outside directors are appointed. Taking these factors into account, Oasis proposes increasing the total monetary compensation for directors by 150 million yen, setting the annual amount at 780 million yen, with a maximum limit of 250 million yen specifically allocated for monetary compensation to outside directors.

- Proposal No. 3: Grant of Restricted Stock Units (RSU) for Outside Directors

  The purpose of this proposal is to enhance alignment between shareholders and outside directors and incentivize the outside directors to improve the corporate value of the Company. RSUs have been preferred over Performance Stock Units to balance the need to incentivize outside directors and align them with shareholders and their oversight function. For this reason, Oasis proposes granting 5 million yen worth of RSUs annually to all of the Company's outside directors.

- Proposal No. 4: Approval of the Equity Compensation Plan for Directors (Excluding Outside Directors)

  The Company's current and previous director compensation schemes have rewarded senior management for poor performance.

  On March 26, 2021 at the 115th Annual General Meeting of Shareholders, the Company introduced a new equity compensation plan to promote key initiatives outlined in its then medium-term management plan ("**K25**"). The K25 plan lacked detailed performance benchmarks, while the K25 Equity Compensation Plan failed specify how KPIs were weighted.

  In 2023, the Company abandoned the K25 plan, yet it still awarded Directors 80% of their equity bonuses for the period despite falling far short of hitting financial KPIs.

  At the 118th Annual General Meeting of Shareholders held on March 22, 2024 shareholders approved a proposal by the Company to allocate up to 1.16 billion yen annually over fiscal years FY2024 to FY2027 as funding for a trust to acquire Kao Shares for performance-linked long-term incentive equity compensation for Directors ("**K27 Equity Compensation Plan**").

  The K27 Equity Compensation Plan allocates 30% of the LTI into RSUs with the remaining 70% paid based on the Company's performance in hitting targets outlined in the K27 Medium-term Management Plan (PSUs), among other factors.

  Oasis believes the K27 Equity Compensation Plan's PSU component relies far too heavily on non-quantitative performance metrics including "management evaluation indicators" (including evaluations by the Company employees regarding management activities) and poorly defined ESG metrics.

  We estimate that less than 42% of the LTI framework is tied to operational performance-related quantitative benchmarks. ESG, accounting for 28%, is based on ambiguous and esoteric indicators of the Kirei Lifestyle Plan (KLP) such as to empower 1 billion people "to enjoy more beautiful lives" by 2030.
  Oasis considers these benchmarks to lack measurability and are not long-term value drivers.

CATEGORY	SCOPE	LTI WEIGHT	
Growth		28%	Quantitative
Management	TSR Employee Engagement Survey	14%	Only Partially Quantitative
ESG	External Evaluation Achievement of Kirei Lifestyle Plan	28%	Non-Quantitative
RSUs		30%	FIXED

A further issue is flawed incentives: 30% of long-term incentives are awarded unconditionally (RSUs) and the number of shares issued as PSUs can fluctuate between 0–200% based on the subjective metrics outlined above.

We wish to encourage the Company's senior management team to focus on creating long-term stakeholder value and achieving continuous profitable growth over the FY2025-FY2028 period.

The new plan provides directors with clear and measurable targets based on metrics known to drive long-term value creation in the Fast-Moving Consumer Goods industry with a much stronger link to company performance and an increased focus on transparency and objectivity.