

Board of Directors' Opinion on Shareholder Proposal and Kao's Strategy to Enhance Corporate Value

Kao Corporation
February 14, 2025

Disclaimer

- The purpose of this document is to explain and clarify the opinions of Kao Corporation's (the "Company") Board of Directors regarding Oasis Management's statement and Oasis Japan Strategic Fund Ltd.'s (collectively, Oasis Management and Oasis Japan Strategic Fund Ltd. are 'Oasis') shareholder proposal. This document is not intended to solicit shareholders to act as proxies for exercising voting rights on behalf of the Company or any third party regarding the agenda items announced today at the Annual General Meeting of Shareholders.
- Information in this document, except for that originating from the Company, has been prepared based on publicly available information. However, the Company makes no guarantee as to the accuracy, reliability, or completeness of such information and assumes no responsibility for any decisions made based on it.
- This document also includes projections and forecasts based on the Company's current plans, estimates, and assumptions regarding its business and industry trends. These future projections are subject to various risks and uncertainties.
- This document regarding future performance projections, such as business forecasts, is based on information currently available to the Company and on certain assumptions that are deemed reasonable. However, the Company does not guarantee the achievement of these forecasts, as actual performance may differ significantly due to various factors.

Agenda

- 1. Executive Summary**
- 2. Our Opinions on Oasis' Claims and Shareholder Proposal**
- 3. Transparent and Effective Governance Structure**
- 4. Significant Progress on the K27 Strategy**
- 5. Growth Strategy to Realize K27**
- 6. Consistent Track Record of Shareholder Returns**
- 7. External Evaluation**
- 8. Conclusion**

1.

Executive Summary

Executive Summary

Opposition to Oasis' shareholder proposal

- Contrary to Oasis' claims, Kao is performing well under the current management
- The Director candidates proposed by Oasis lack the required skills and qualifications expected of our Outside Directors, such as relevant board and management experience, expertise, and engagement
- Oasis' proposal to add Directors changes the optimal composition of the Board of Directors, which is appointed through appropriate evaluation by Kao's Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members ("the Committee for the Examination of the Nominees") and the Board of Directors, and is not in the best interests of all stakeholders
- The current compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is appropriate, and the introduction of the compensation system proposed by Oasis does not contribute to enhancing our corporate value

Governance structure effectively supports the enhancement of corporate value

- Under the current Board, Kao has implemented business portfolio reforms based on ROIC resulting in a V-shaped turnaround in financial performance
- Company-proposed candidates for Directors with relevant experience, expertise and global knowledge are best suited for the continued oversight of Kao's strategy
- The selection process for Kao's Committee for the Examination of the Nominees is appropriate, fair and transparent
- Outside Directors will now be a majority on the Board of Directors (assuming shareholders' approval is obtained at this year's Shareholders Meeting)

Steady progress of Kao's growth strategy and K27

- Formulated the Kao Group's mid-term management plan K27 to promote earning power reforms and set a growth strategy which has steadily generated results
- On track to achieve its K27 targets, with all four indicators including operating income and ROIC, progressing well ahead of plan
- Steadily advancing global growth centered on the growth driver area through *Global Sharp Top Strategy*
- Accelerate *Yoki-Monozukuri* cycle, which begins with developing high value-added products, incorporating new innovations and delivering profitable growth
- Improved profitability and capital efficiency by upgrading data-driven management through DX
- Leveraged DX to enhance marketing, quickly adapting to shifting markets while boosting customer loyalty and market share.
- Strengthening collaborations with external partners and focus on developing new businesses
- Kao's robust recovery in business performance and decisive return to a growth trajectory have earned high recognition from the capital markets

Message from the Board of Directors

Maximizing Corporate Value - For all our shareholders and stakeholders -

Yoshihiro Hasebe

Representative Director
President and
Chief Executive Officer



Masakazu Negoro

Representative Director
Senior Managing
Executive Officer



Toru Nishiguchi

Representative Director
Senior Managing
Executive Officer



David J. Muenz

Director



Osamu Shinobe

Outside Director
Chairperson of the
Board of Directors



Eriko Sakurai

Outside Director



Takaaki Nishii

Outside Director



Makoto Takashima

Outside Director



Vision

The Kao Group's vision for K27 is "Protecting Future Lives."

Strategy

Management is executing the Group's vision in line with the following basic policies: 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.

Achievements

Our Board of Directors continue to oversee the successful execution of K27 and enhancement of corporate value, including the successful implementation of structural reforms that have driven a turnaround in profits and laid a foundation for growth.

Determination

As Directors, we are steadfastly committed to pursuing profitable growth and improving capital efficiency, aiming to become an essential and unique company for sustainable society.

2.

**Our Opinions on Oasis' Claims and
Shareholder Proposal**

Kao is Executing on its Strategy Despite Oasis' Claims

- Kao is steadily delivering results driven by the K27 growth strategy and structural reforms
- The new board structure proposed by the Company will further enhance corporate value and global growth

OASIS

Claim

Reluctant Global Expansion

Bloated Brand Portfolio

Lackluster Marketing Strategy

Lacking Leadership and Oversight

Kao

Kao's performance under the current management

Global expansion in growth driver areas

- Actively investing in the businesses that we have designated as global growth drivers
- Each business in the Growth Driver area is steadily expanding its sales outside Japan

Reorganizing businesses through structural reform and focused investment

- Optimized the business portfolio through increased focus on ROIC
- Improved earning power driven by structural reforms has led to a V-shaped recovery in gross margin and ROIC

Evolution of marketing through DX

- Achieved marketing evolution to respond quickly to changing markets with DX
- Focusing marketing investments on core brands in the Growth Driver area to expand market share, accelerate global growth and improve profitability

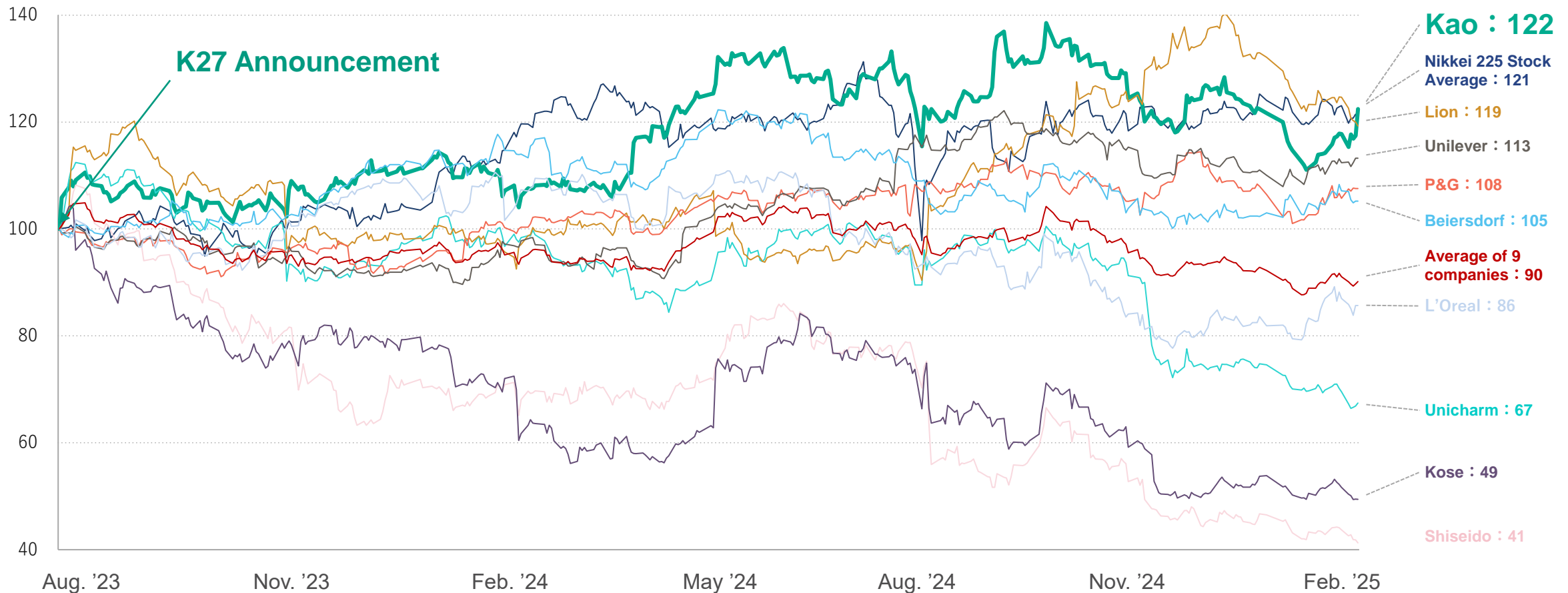
Further improvement of the supervisory function of the Board to achieve K27

- The current Board of Directors endorsed bold risk-taking by management and established a solid foundation for capital efficiency and profitable growth.
- The addition of Sarah Casanova and Lisa MacCallum, who bring global expertise in the consumer industry, is expected to enhance the diversity and expertise of the Board

Capital Market has Reacted Positively to Kao's Progress on K27

- Kao stock price performance starting from the date of announcement of K27 mid-term management plan is more than 30% above the average of competitors

Share Price trend (Day* of announcement of K27~ February 7th, 2025)



*The index is calculated by setting the share price on August 3rd 2023, the date of announcement of K27 as 100.

Opinion of our Board of Directors on the Shareholder Proposal

Kao **opposes** all of Oasis' shareholder proposals

Proposals	Details	Our Opinion
<p>Proposal 4 Appointment of five Outside Directors</p>	<ul style="list-style-type: none"> - Yannis Skoufalos - Martha Velando - Lanchi Venator - Hugh G. Dineen - Anja Lagodny 	<p>Oppose</p>
<p>Proposal 5 Revision of Compensation for Outside Directors</p>	<ul style="list-style-type: none"> - 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. 	<p>Oppose</p>
<p>Proposal 6 Grant of Restricted Stock Units (RSU) for Outside Directors</p>	<ul style="list-style-type: none"> - All Outside Directors, including current Outside Directors, will receive a non-performance-based Restricted Stock Units of up to an annual amount of 50 million yen (5 million yen per person) and the equivalent of 10,000 shares of the Company's stock (1,000 shares per person), in addition to monetary compensation 	<p>Oppose</p>
<p>Proposal 7 Approval of the Equity Compensation Plan for Directors (Excluding Outside Directors)</p>	<ul style="list-style-type: none"> - Directors (excluding Outside Directors) will be granted deferred Performance Share Units (PSUs) and deferred Restricted Stock Units (RSUs) as long-term incentive compensation for the four fiscal years from FY2025 to FY2028 - The total amount of the PSUs for the four fiscal years will be within 2.28 billion yen or 455,900 shares if all key performance indicators achieve their maximum targets, and the total amount of the RSUs will be within 268 million yen or 53,600 shares 	<p>Oppose</p>

Opinion of our Board of Directors on Shareholder Proposal 4

- The Director candidates proposed by Oasis lack the required experience, expertise, and engagement as our Outside Directors, therefore will not contribute to the enhancement of corporate value.

Candidate Name	Main Background and Skills	The Committee for the Examination of the Nominees' Views on the Candidates	Our Opinion
1) Yannis Skoufalos	<ul style="list-style-type: none"> - Supply chain expert - Overseas experience in the consumer goods industry - Outside director experience at overseas companies 	<ul style="list-style-type: none"> - No experience as CEO or senior executive level of a global company and lack of in-depth understanding and advisory experience with Japanese companies - The Board of Directors has not designated SCM as an area to be additionally strengthened this time, considering our current adequate executive structure. - He is said to be an advisor to Oasis, but the relationship is not clear. Since Oasis is a shareholder who actively makes proposals to Kao, there are concerns about his neutrality, transparency, and independence 	Oppose
2) Martha Velando	<ul style="list-style-type: none"> - Overseas experience in brand strategy in the consumer goods industry - Former CMO at Aēsop 	<ul style="list-style-type: none"> - No experience as CEO or senior executive level of a global company or director and lack of in-depth understanding and advisory experience with Japanese companies - Her tenure as CMO is short making it difficult for her to fully exercise her supervisory and advisory functions - Additional marketing expertise will not be necessary as this will be strengthened by our proposed candidates 	Oppose
3) Lanchi Venator	<ul style="list-style-type: none"> - Overseas experience in finance and corporate strategy - Former CFO of KFC 	<ul style="list-style-type: none"> - As CFO, she only served for a short time at a private company and she lacks management experience - No experience as a director of a listed company and lack of in-depth understanding and advisory experience with Japanese companies - The Board of Directors has not designated Financial expertise as an area to be additionally strengthened at this time, considering the adequate composition of the board of directors proposed by the Company. 	Oppose
4) Hugh G. Dineen	<ul style="list-style-type: none"> - Overseas experience in brand strategy in consumer goods and financial industries - Former CMO of Wella 	<ul style="list-style-type: none"> - No experience as CEO or senior executive level of a global company and lack of in-depth understanding and advisory experience with Japanese companies - Marketing expertise will not be necessary as this will be strengthened by our proposed candidates - Through interviews, it was determined that the ability to engage in constructive dialogue, such as independence, was lacking 	Oppose
5) Anja Lagodny	<ul style="list-style-type: none"> - Experience in IT and DX at overseas companies and a subsidiary of a Japanese company - Former CDO of JT International 	<ul style="list-style-type: none"> - No experience as CEO or senior executive level of a global company or director of a listed company - The Board of Directors has not designated DX as a skill area to be additionally strengthened this time, considering our current adequate executive structure and composition of the board of directors proposed by the Company. - Through interviews, it was determined that the candidate did not meet the standards required of directors in terms of insight and advice on matters other than their area of expertise 	Oppose

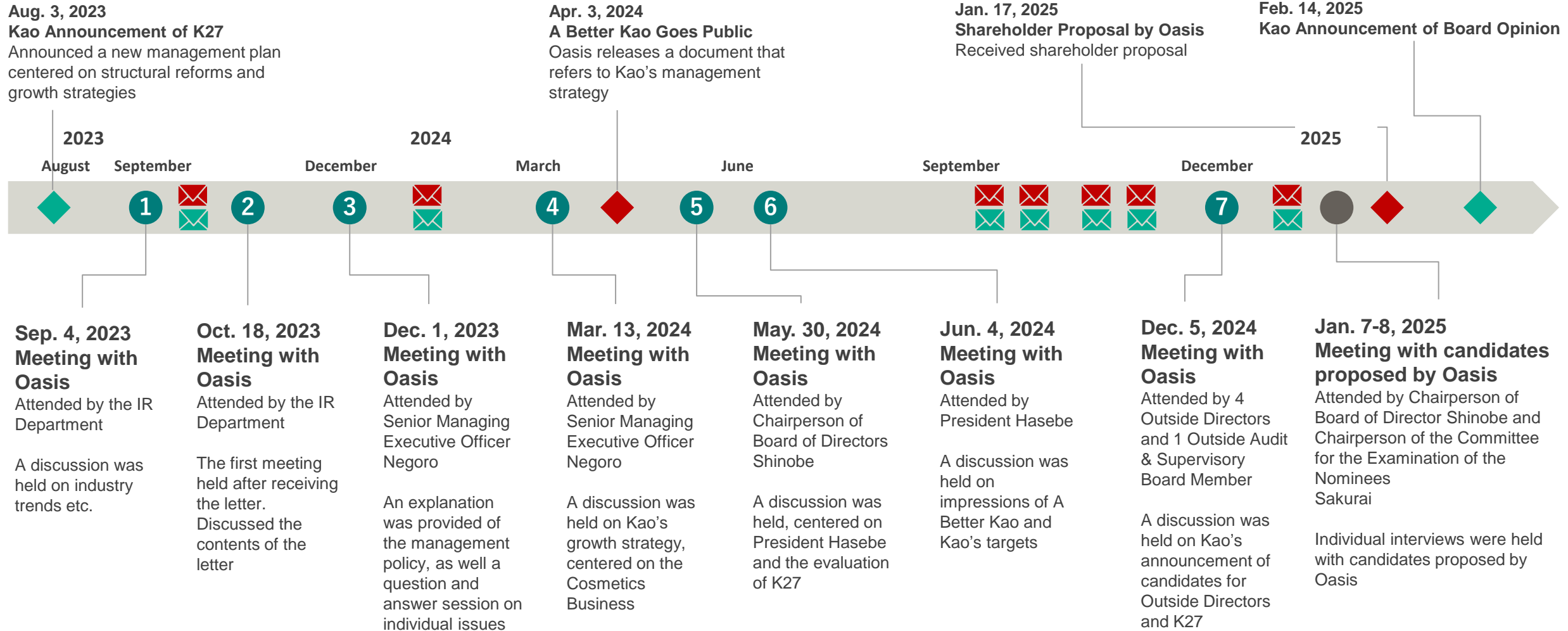
Opinion of our Board of Directors on Shareholder Proposal 5,6 and 7

- None of these proposals need to be implemented at this time.
- Regarding Proposal 7, our current executive compensation system for Directors, Audit & Supervisory Board Members and Executive Officers received overwhelming support at the 2024 General Meeting of Shareholders as remuneration for K27, and there is no need to change it.

Proposals	The Committee for the Examination of the Nominees' Views on the Proposals	Our Opinion
<p>Proposal 5 Revision of Compensation for Outside Directors</p>	<ul style="list-style-type: none"> - As stated in the forementioned opinions of each candidate, our Board of Directors opposes Shareholder Proposal 4 - Therefore, this Proposal 5 to provide for the basic remuneration amount of the Oasis's candidate does not contribute to the enhancement of our corporate value 	<p>Oppose</p>
<p>Proposal 6 Grant of Restricted Stock Units (RSU) for Outside Directors</p>	<ul style="list-style-type: none"> - The Board recognizes the advantage of providing an incentive to increase corporate value over the medium to long term, but there are concerns that the application of stock-based remuneration will undermine the independence of Outside Directors and lead to a weakening of the supervisory 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 	<p>Oppose</p>
<p>Proposal 7 Approval of the Equity Compensation Plan for Directors (Excluding Outside Directors)</p>	<ul style="list-style-type: none"> - Our current executive compensation system for Directors, Audit & Supervisory Board Members and Executive Officers has received high support at the 2024 General Meeting of Shareholders as remuneration for K27, and there is no need to change it - The executive compensation system revised in 2024 has been confirmed by a third-party organization to be at a sufficient level as an incentive to achieve the target - Almost all the current evaluation indicators for long-term incentive compensation are based on quantitative indicators, including sales, profits, EVA (ROIC) of the entire business, external evaluations by major ESG evaluation organizations, the degree of achievement of the Kao Kirei Life Plan (KLP) priority targets such as CO2 and plastic reduction, relative TSR evaluations, and employee engagement survey results - In determining the remuneration of directors mentioned above, the Remuneration Advisory Committee for Directors and Executive Officers gives advice to the Board of Directors after comprehensively examining the remuneration of directors and officers, including consistency with the purpose of remuneration for officers of the Company. After deliberation based on the results of this examination and report, the Board of Directors has determined and approved that the current remuneration is appropriate and in line with its purpose 	<p>Oppose</p>

Kao has Actively Engaged with Oasis

- Kao has had 7 meetings and numerous written exchanges with, discussing topics such as management policies and the Board of Directors' structure



※ Before August 2023, meetings between Oasis and Kao IR were held in June 2021 and March 2022

※ : Letters and emails and releases from Oasis

: Letters, emails and releases from Kao

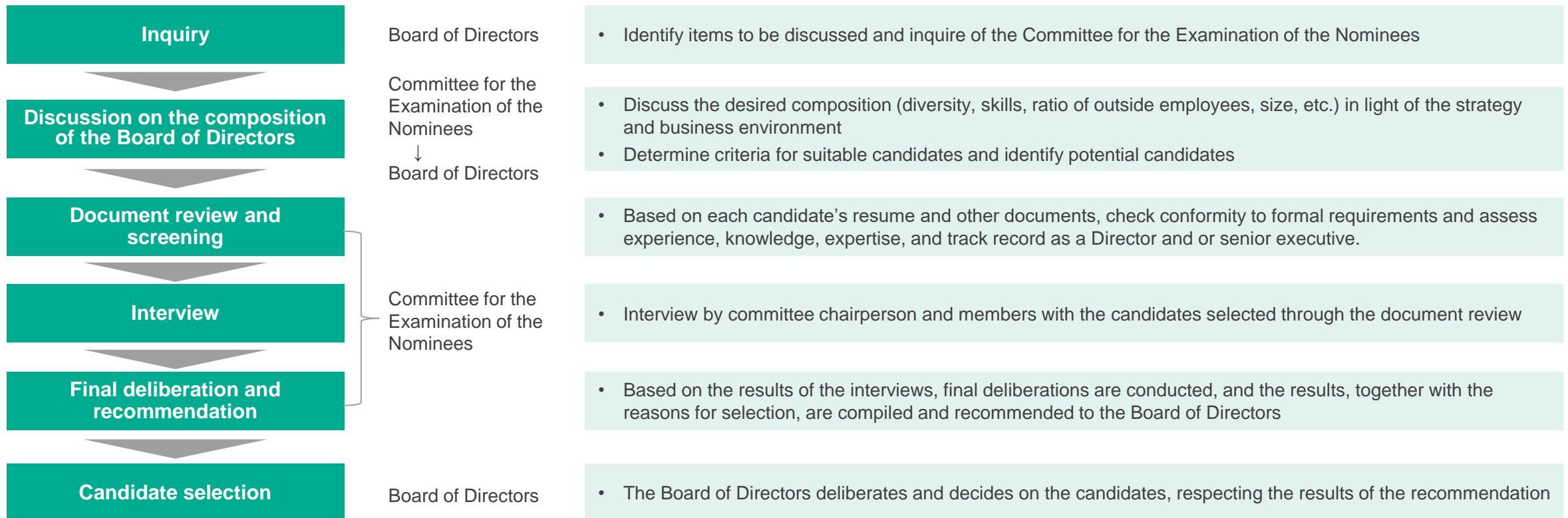
3.

**Transparent and Effective Governance
Structure**

Director Selection Process by the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members

- Director candidates are screened and selected following an appropriate process
- The independent Committee for the Examination of the Nominees is comprised of Outside Directors and one Outside Audit & Supervisory Board Member
- After inquiry from the Board of Directors, the Committee screens the candidates and make recommendations
- The final deliberation and decision is made by the Board of Directors, respecting the results of the recommendation

Director Selection Process



Our Approach to the Composition of the Board of Directors

- **Our governance policy has guided our approach to the desired composition of the Board of Directors and the required skills**
 - To enhance the objectivity and independence of the Board of Directors, its Chairperson will continue to be an Independent Outside Director
 - To strengthen supervision, the ratio of Outside Directors on the Board of Directors is half or more
 - To ensure efficient decision-making and substantive discussion, the Board of Directors will remain similar in size
 - To maintain diverse perspectives with high levels of expertise and extensive management experience
 - To achieve the goal of having a female ratio of 30% or more on the Board of Directors within 2025
 - To emphasize for Outside Directors' supervisory functions, an independent position reflecting stakeholders opinion, and global management experience and achievements
 - To accelerate our global growth, directors should deeply understand how Japanese companies have succeeded internationally and have experience providing relevant advice
 - To enhance oversight of strategy, identify priorities based on the management issues and board composition (this fiscal year, corporate branding and marketing in particular)

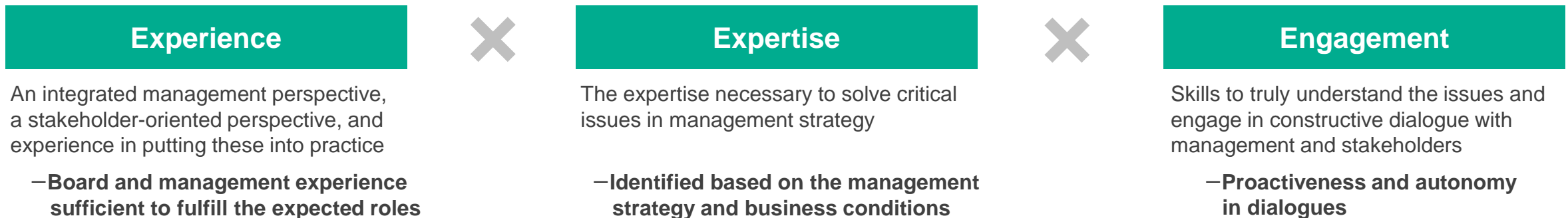
The Expected Role and Candidate Requirements for Outside Directors

- The roles of “oversight,” “advice,” and “reflecting stakeholders opinion” are expected, with a particular emphasis on the role of “oversight”
- To fulfill these functions, the required candidate should have the following qualities: relevant board and management experience, expertise, and be highly engaged

Roles Expected of Outside Directors

Oversight	<ul style="list-style-type: none"> - Oversee management through the appointment and dismissal of senior executives and other key decisions made by the Board of Directors
Advice	<ul style="list-style-type: none"> - Provide advice based on personal expertise to promote the Company’s sustainable growth and enhance corporate value over the medium to long term
Reflecting Stakeholders Opinion (Independence)	<ul style="list-style-type: none"> - Supervise conflicts of interest between the Company and its management - From an independent position, appropriately reflect stakeholder opinions amongst the Board of Directors

The Key Criteria and Prioritized Qualities for Candidates



The Evolution of the Board of Directors' Composition for Strategic Oversight

- Kao has consistently reviewed the appropriate composition of the Board of Directors to oversee the achievement of K27
 - ✓ In March 2023, to reform earning power, Masakazu Negoro was appointed as the head of accounting and finance/management finance, Toru Nishiguchi was appointed as an Inside Director to strengthen the global growth strategy, and Takaaki Nishii, who led ROIC management at Ajinomoto, was appointed as an Outside Director
 - ✓ In March 2024, Makoto Takashima, who has a wealth of global knowledge and is particularly well-versed in the field of finance, was appointed as an Outside Director
 - ✓ For March 2025, to strengthen oversight in expanding Kao's brand value globally, Lisa MacCallum, an expert in corporate branding, will be nominated as an Inside Director. Additionally, Sarah Casanova, who has broad marketing expertise across various regions, including Asia, will be nominated as a candidate for an Outside Director



Skill Matrix (New Directors and Audit & Supervisory Board Members)

		Inside Directors				Outside Directors				Inside Audit & Supervisory Board Members		Outside Audit & Supervisory Board Members			
		Yoshihiro Hasebe	Masakazu Negoro	Toru Nishiguchi	Lisa MacCallum	Osamu Shinobe	Eriko Sakurai	Takaaki Nishii	Makoto Takashima	Sarah Casanova	Yasushi Wada	Mami Murata	Nobuhiro Oka	Saeko Arai	Junya Naito
Term of office		9years	2years	2years	-	7years	3years	2years	1year	-	2years	-	7years	1year	-
Gender		Male	Male	Male	Female	Male	Female	Male	Male	Female	Male	Female	Male	Female	Male
Nationality		Japan	Japan	Japan	Australia	Japan	Japan	Japan	Japan	Canada	Japan	Japan	Japan	Japan	Japan
Experience, knowledge, and expertise	Management	✓				✓	✓	✓	✓	✓					
	Global	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	
	Consumer goods industry	✓		✓	✓			✓		✓		✓			
	Chemical industry	✓	✓				✓								
	Branding			✓	✓					✓		✓			
	Human capital strategy	✓			✓		✓	✓		✓					
	R&D	✓													
	Environment /Society	✓	✓		✓	✓	✓			✓	✓	✓	✓		
	IT/DX	✓			✓									✓	
	Legal/Risk management					✓			✓		✓		✓		✓
	Finance /Accounting		✓		✓			✓	✓					✓	

Skill Matrix (New Directors and Audit & Supervisory Board Members)




	Attribute	Attribute			Main reasons for marking "√"
		Term of office	Gender	Nationality	
Inside Directors	Yoshihiro Hasebe	9years	Male	Japan	• Experience in the Company's Research and Development (including experience in global operations, and knowledge of fundamental and applied technologies and matter cycle research) (Doctor of Engineering) / Experience at the Company's overseas business promotion projects / Experience as the Company's Senior Vice President of Strategic Innovation Technology / Experience as the Company's officer responsible for Human Capital Development
	Masakazu Negoro	2years	Male	Japan	• Experience in the Company's Chemical Business and management experience at overseas subsidiaries (Chemical Business) / Experience at the Company's Procurement, Global (including promotion of sustainability activities in procurement) / Experience as the Company's officer responsible for Accounting and Finance
	Toru Nishiguchi	2years	Male	Japan	• Experience in the Company's Consumer Products Business / Experience in management and global marketing at the Company's overseas subsidiaries / MBA
	Lisa MacCallum	-	Female	Australia	• Experience leading business transformations and brand repositioning for a leading global sporting goods company / Experience advising on brand purpose, strategy, employee experience, ESG communications, and the impact of digitization / Chartered Accountant with big firm experience
Outside Directors	Osamu Shinobe	7years	Male	Japan	• Experience as the top executive of a major global airline (including experience as Chairman of CSR and the Environmental Management Committee)
	Eriko Sakurai	3years	Female	Japan	• Experience as the head of a global division and the regional head of a major U.S. chemical company / Experience in overall human resources strategy, including compensation, development, and assignment in global businesses / Knowledge of sustainability
	Takaaki Nishii	2years	Male	Japan	• Experience as the top executive of a major global food company (Mid-term ROIC management results) / Experience in restructuring overseas subsidiaries / Experience in the human resources department
	Makoto Takashima	1year	Male	Japan	• Experience as the top executive of a major global financial institution / Experience in international and corporate planning departments / Experience in risk management and legal affairs in bank management
	Sarah Casanova	-	Female	Canada	• Experience managing the Japanese Company of a major global restaurant chain / Experience as a head of various countries/regions, including Japan / Marketing experience in various countries and regions / MBA (Marketing/HR focus)
Inside Audit & Supervisory Board Members	Yasushi Wada	2years	Male	Japan	• Experience in the Company's Product Quality Management / Experience at the Company's global production sites / Experience in the Company's process engineering development and plant management
	Mami Murata	-	Female	Japan	• Experience in the Consumer Products Business / Experience in overseeing Strategic Public Relations (including social contributions) and serving as Deputy Head of the Marketing Innovation Division / Experience as Executive Director of the Kao Foundation for Arts and Science
Outside Audit & Supervisory Board Members	Nobuhiro Oka	7years	Male	Japan	• Attorney-at-Law / Ph.D. in Law (Chuo University) / Professor at Keio University Law School
	Saeko Arai	1year	Female	Japan	• Certified Public Accountant / Experience as a representative of a U.S. corporation / Experience as a partner of an IT venture company
	Junya Naito	-	Male	Japan	• Attorney-at-Law, Japan and New York, U.S.A.

Rationale for Inclusion in the Skill Matrix

Category	Reason for Selection
Management	Experience as a top executive is necessary for effectively supervising management, their execution of the strategy, and for providing useful counsel to management. This experience is essential to ensure appropriate risk-taking and prompt, decisive decision-making by the management to contribute to proactive governance.
Global	As part of our K27 strategy, we aim to expand globally and offer unique value to our customers that sets us apart, to avoid intense competition and price wars with competitors. Furthermore, we plan to accelerate global growth as part of K27. by transitioning to a localized production and consumption model focusing on local value, cost performance, and manufacturing. Importantly, understanding Japanese companies is critical and desirable for promoting global strategies, as our company is a Japanese firm with a majority of Kao's revenues and assets being generated in the region. Experience with non-Japanese companies is also additive to help provide guidance and oversee global expansion efforts. Management positions and insights into overseas operations are also necessary to provide guidance and oversee these efforts.
Consumer goods industry/ Chemical industry	Experience in and understanding of the consumer goods and chemical industries is imperative given Kao's exposure to these sectors. To effectively oversee management's execution, it is important to take a comprehensive view of our business domains, including the consumer goods and chemical industries, from a higher-level perspective. For this reason, we believe that the Board should have a deep understanding of the business environment, market characteristics, and future outlook of these industries.
Branding	Actively investing in marketing of our core brands globally that are deemed capable of enhancing loyalty is an important strategy of Kao. It is also necessary for the Board to understand the elements of brand strategy so they can properly oversee the formulation and execution of brand and marketing initiatives as part of management strategies.
Human capital strategy	Developing human capital strategies aligned with management strategies is necessary for future growth, including strategically developing and acquiring talent. The Board needs to monitor the validity and progress of these strategies using specialized knowledge and experience.
R&D	Our company's research serves as the driving force behind the continuous creation of innovative and high-value products. We are committed to <i>Essential Research</i> and leverage the technological assets accumulated through such efforts to foster innovation. The Board must oversee whether our research framework sustains and develops innovation, effectively leverages the technology assets created, and contributes to expanding business and corporate value.
Environment /Society	Since April 2019, the Company has adopted ESG strategies under the Kirei Lifestyle Plan. Integrating sustainability and management strategies is pivotal for achieving our purpose of "realizing a world in which all life lives in harmony." and to achieve global growth. The Board is required to monitor the implementation of these strategies considering social trends and demands.
IT/digital transformation (DX)	Achieving the K27 target necessitates innovative initiatives leveraging IT and DX, such as creating new businesses beyond our existing frameworks, as well as digital marketing and digital communication. Experience, knowledge, and expertise in IT/DX amongst the Board are critical, while complementing the oversight by the Board of Directors by utilizing executives and external experts.
Legal/ Risk management	In the course of daily corporate activities, as well as in the creation of new businesses and business innovation, various risks are likely to arise. It is crucial to recognize and appropriately manage these risks, as well as to strategically, preemptively, and reactively address them while thoroughly understanding applicable laws, their background, and trends. The Board must possess experience, knowledge, and expertise in legal and risk management to ensure strategic and preventive responses to potential risks.
Finance /Accounting	Ensuring the reliability of financial reporting, which influences investment decisions and strategic planning, and optimizing capital allocation from a company-wide perspective is crucial for sustainable value creation. The Board must possess experience, knowledge, and expertise in finance and accounting to drive growth, profitability and capital efficiency.



Board of Directors to Achieve K27 (Inside Directors)

- Inside Directors who are committed to achieving K27 and enhancing our corporate value

Candidate name (current position)	Expected roles and achievements for K27	Percentage in favor last year
 <p>Representative Director President and Chief Executive Officer</p> <p>Yoshihiro Hasebe</p>	<ul style="list-style-type: none"> • As President and CEO of the Company from 2021, Hasebe aims to improve capital efficiency by reviewing the business portfolio based on ROIC and decisively implementing structural reforms to realize the <i>Global Sharp Top</i> strategy. He is expected to provide strong leadership to achieve the current mid-term management plan, K27 • ROIC, compared to the K27 target of 11%, has been rebounding FY2023 due to advance expenses for restructuring, such as business reorganization, and improve to 9.2% in FY2024 • As President and CEO of the Company, Hasebe is promoting both human capital and value creation based on the <i>Global Sharp Top</i> strategy to have a strong and excellent business on a global scale • Investment in human capital will focus on advanced technology education. Through the implementation of <i>DX Adventure Program</i>, etc., the number of <i>Citizen Developers</i> is increased from 80 in 2021 to 1,500 in 2023 • Leading the industry in "strategic price increases" to pass on higher raw material prices. Kao has harnessed digital technology to manage profit margins from product design to sales, and are consistently challenging ourselves to deliver high-added value 	<p>93.72%</p>
 <p>Representative Director Senior Managing Executive Officer</p> <p>Masakazu Negoro</p>	<ul style="list-style-type: none"> • To achieve the goals of K27, the Company is expected to improve its capital efficiency. Negoro is spearheading the implementation of structural reforms and the spread of ROIC management, which are the cornerstones of achieving K27 • The effect of profit improvement and "earning power reform" through a fundamental strategic review and reorganization of inefficient businesses, including the transfer of the Pet Care Business and Beverage Business, and the promotion of human capital structural reforms, achieved total of approximately 28 billion yen in FY2024 and is expected to achieve approximately more than 40 billion yen in FY2025 and beyond • As the officer in charge of accounting and finance, Negoro engages in constructive dialogue with shareholders and reflects the results in discussions at Board of Directors' meetings 	<p>96.77%</p>
 <p>Representative Director Senior Managing Executive Officer</p> <p>Toru Nishiguchi</p>	<ul style="list-style-type: none"> • In order to achieve the goals of K27, the Company is expected to steadily promote the <i>Global Sharp Top</i> strategy and is spearheading the following measures • Focus on achieving sustainable profit growth through structural reforms and implementation of a global growth strategy, as well as achieve improved profit margins (gross profit margin: 35.4% in FY2022 → 37.3% in FY2023 → 39.2% in FY2024) • Rapidly enter the Japanese premium hair care market with brands <i>melt</i> and <i>THE ANSWER</i> • To expand the Skin Protection Business, we have established a system that enables us to produce and sell our unique technology in Europe and the Americas by meeting the strict regulations of each country. Plans are also in place to expand the area, aiming to become No.1 in the world in this business field 	<p>96.85%</p>


Board of Directors to Achieve K27 (Outside Directors)

- Candidates for the Board of Directors with various expertise and who are best suited to enhance our corporate value

Candidate name (current position)	Expected roles and achievements for K27	Percentage in favor last year
 <p>Outside Director Chairperson of the Board of Directors Chairperson of the Compensation Advisory Committee for Directors and Executive Officers</p> <p>Osamu Shinobe</p>	<ul style="list-style-type: none"> • Possesses extensive experience and deep insight into global corporate management and risk management, having worked for many years in the maintenance division of ANA HOLDINGS INC. that actively operates passenger and cargo businesses worldwide, prioritizing safety and security • Since March 2022, as Chair of the Board of Directors, Shinobe has demonstrated strong leadership in enhancing corporate value by fostering a culture where both Inside and Outside Directors and Auditors can openly express their opinions, thereby improving the effectiveness of the Board • As Chairperson of the Compensation Advisory Committee for Directors and Executive Officers, Shinobe plays a crucial role in enhancing the transparency and fairness of the Company's management through discussions on executive compensation 	<p>96.51%</p>
 <p>Outside Director Chairperson of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members</p> <p>Eriko Sakurai</p>	<ul style="list-style-type: none"> • Has extensive experience in global corporate management, having worked for many years in senior management roles at the Japanese subsidiary of a U.S.-based chemical manufacturer Dow Chemical and served as an Outside Director supervising management at multiple companies • Possesses extensive expertise in the chemical industry and actively contributes to Board discussions and proposals from this perspective. Based on experience as a head of global division at a global company, Sakurai also contributes to overseeing the execution of human capital strategies • As Chairperson of the Committee for the Examination of the Nominees, Sakurai has dedicated efforts to identifying the skills required of Directors to achieve K27 and selecting suitable candidates 	<p>97.86%</p>
 <p>Outside Director</p> <p>Takaaki Nishii</p>	<ul style="list-style-type: none"> • Brings extensive experience in corporate management at a global food manufacturer Ajinomoto Co., Inc and held key roles in HR departments and overseas subsidiaries, providing valuable insights into human capital strategies and international business, which inform active contributions to Board discussions and proposals • Provides advice on the role of the Board in effective governance reform, drawing on experience implementing impactful governance measures • Effectively promotes enhancing ROIC within the Company through insightful remarks and proposals focused on maximizing capital efficiency 	<p>97.59%</p>
 <p>Outside Director</p> <p>Makoto Takashima</p>	<ul style="list-style-type: none"> • Possesses extensive experience and expertise in global corporate management, having worked in international business and corporate planning at a major financial institution Sumitomo Mitsui Banking Corporation for many years, and later serving as a corporate executive during times of significant change in the global financial industry • As an expert in international finance, Takashima contributes to improving financial literacy across various aspects and on partnerships with other companies, which are key to Kao's global expansion • Additionally, Takashima contributes to the enhancement of IR/SR activities, including the use of Outside Directors, by actively providing insights and proposals to the executive team, leveraging extensive experience in shareholder engagement 	<p>93.98%</p>

Board of Directors to Achieve K27 (New Director Candidates)

- New director candidates with extensive experience in brand strategy to enhance our corporate value

Candidate name (current position)	Expected roles and achievements for K27	Candidate's aspirations
 <p>Inside Director Lisa MacCallum</p>	<ul style="list-style-type: none"> • Experience leading business transformations and brand repositioning for a leading global sporting goods company, NIKE • Extensive experience advising on brand purpose, strategy, employee experience, ESG communications, and the impact of digitization • Since March 2019, MacCallum has served as Executive Fellow* at the Company and as a member of the ESG External Advisory Board, providing advice on ESG activities and communications for the Group from a stakeholder perspective • Nominated as a candidate for Director to leverage her experience and expertise to strengthen corporate branding and supervise Kao Group's management 	<p>The world is increasingly demanding brands that can be trusted—distinctive, authentic, and delivering superior performance while growing in harmony with people and the planet. Kao has earned enduring trust from Japanese consumers for over a century. Building on this remarkable foundation, Kao has an exciting next chapter of global growth ahead of it.</p> <p>As an Inside Director, I would bring insights and experience from the U.S., UK/Europe, and Asia Pacific, along with my understanding of Kao's strengths gained from a six-year relationship, to shape and influence its next chapter, while staying true to Kao's core values and inspiring legacy.</p>
 <p>Outside Director Sarah Casanova</p>	<ul style="list-style-type: none"> • Extensive experience as an executive and marketing leader at a major global restaurant chain, McDonald's • 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 drove significant business performance improvements • Experience engaging with capital markets as an executive of a listed company • Serves as an Outside Director and member of the Governance Committee of a major global trading company • Nominated as an independent Outside Director candidate to utilize her experience and expertise in supervising Kao Group's management, including global brand strategy and marketing 	<p>Kao's solid business foundation positions it for ongoing growth: highly regarded brands, unique technologies and the ingrained philosophy of the Kao way. One of Kao's key goals is to accelerate global expansion, and this will require laser-like focus on the "how", or the strategies to drive this growth.</p> <p>My ambition is to leverage my experience in growing businesses and brands across various countries and geographies, including Canada, Southeast Asia and Japan, to contribute to shaping Kao's global growth strategy. In addition, my experience at McDonald's Japan has given me a strong understanding of the strengths and challenges faced by Japanese companies.</p> <p>I am eager to collaborate with the team to explore how Kao can achieve sustainable global growth.</p>

*Corporate Executive Fellow: A position awarded to individuals who have primarily gained experience outside the Company and who possess exceptional knowledge and skills in specific fields. They play a critical role in Kao Group's strategic projects and research and development, contributing to technological innovation and the creation of new businesses.

Evolution and Effectiveness of the Governance Structure of the Board of Directors

- The governance structure of the Board of Directors has steadily evolved and is recognized as being highly effective

Evolution of the governance structure

1 Majority of Directors are Outside Directors

- If shareholder approval is obtained at this general meeting, the composition ratio of Outside Directors will exceed 50%
- Outside Directors with extensive experience and skills will strive to implement corporate value enhancement measures centered on K27

2 Ratio of female Directors: 30% or more

- If shareholder approval is obtained at this general meeting, the goal of having 30% female Directors will be achieved
- The Board of Directors, emphasizing diversity, including nationality, will strive to enhance the Company's corporate value

3 Revision of the executive compensation structure

- From FY2024, the variable compensation ratio will be revised to achieve the ambitious goals set under K27
- To enhance motivation for improving corporate value, starting in FY2024, long-term incentive compensation will be partially revised, with new evaluation metrics such as EVA (Economic Value Added) and TSR (Total Shareholder Return) introduced

Results of FY2024 evaluation of the effectiveness of the Board of Directors

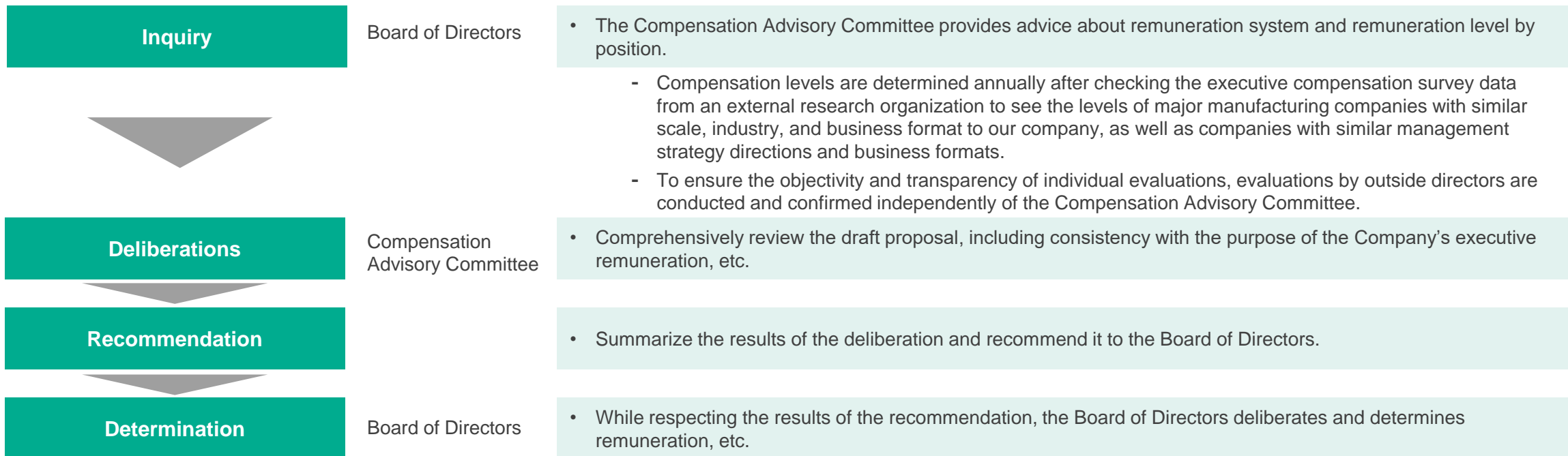
Below are some of the responses from Outside Directors and Auditors in the FY2024 effectiveness evaluation of the Board of Directors and Audit & Supervisory Board

- While K27 has had a smooth start, it is now time to shift from single-year progress monitoring of K27 to full-fledged discussions about the next medium- to long-term strategy
- The revision from K25 to K27, the shift to structural reforms, and the focus on value-added businesses have started to take shape, leading to a stabilization in performance. The execution of business during this process is evaluated as being appropriate. The remaining key issue is the global strategy for cosmetics, and the Board of Directors needs to further motivate and support management in its execution
- Regarding the promotion of structural reforms, Outside Directors are expected to continue making statements and taking actions to encourage execution
- The introduction of ROIC by business segment has shifted discussions on business profitability to a medium- to long-term perspective, which is highly valued
- This year, continuous discussions on challenging businesses and key themes were held at every meeting, with results seen in areas such as Sanitary, Hair Care, and divested businesses. Cosmetics are at a stage where further evolution is necessary. Business reviews using common indicators centered on ROIC have become possible
- It is expected that a convincing growth strategy will be communicated to the market more clearly and proactively, with quantitative outcomes
- We would like to see further enhancement of quantitative explanations and detailed descriptions of specific actions regarding the growth strategy
- While there was room to diversify skills in areas such as global branding and IT, improvement plans were already discussed by the Committee for Examination of the Nominees, and the Board of Directors structure for FY2025 has been resolved
- The Committee for the Examination of the Nominees is commended for addressing issues with improving the skills matrix and providing specific action recommendations to the Board of Directors. However, it is necessary to continuously oversee the development plans for Inside Director candidates

Policy and Process for Determining the Remuneration

- **Purpose of the Company’s Executive Remuneration**
 - i) Securing and retaining diverse and excellent talent to establish and improve competitive advantages
 - ii) Promoting prioritized measures for continuous increases in corporate value
 - iii) Sharing interests in common with shareholders
- **The compensation system and compensation standards for the Directors are examined by the Compensation Advisory Committee for Directors and Executive Officers (hereinafter, the Compensation Advisory Committee), which is composed of the Company’s Representative Director, President and CEO, and all of the Company’s Outside Directors, with the chairperson being elected from among the Outside Directors, and determined by the Board of Directors.**

Process for Determining the Remuneration



4.

Significant Progress on the K27 Strategy

Steady Progress in Achieving the K27 Targets

- The Kao Group has exceeded the FY2024 targets and remains on track to deliver on its commitments.
- The Kao Group has made excellent progress on its four targets that have been set for improving capital efficiency and profitability, and for achieving global growth.

(Billion yen)	FY2023 Results	FY2024 Revised Plan ³	FY2024 Results	FY2025 Plan	FY2027 Targets
ROIC	4.1%	8.8%	9.2%	9.4%	11.0% or more
EVA	14.9	27.0 or more	33.2	37.0	70.0 or more
Operating Income	114.7 ²	140.0	146.6	160.0	Record-high operating income (FY2019 211.7 billion yen)
Sales outside Japan ¹	655.8	Approx. 700.0	705.5	730.0	800.0 or more (Sales CAGR+4.3%)

1. Sales outside Japan are based on the location where the sales were recognized.

2. Core operating income

3. Announced on August 8, 2024

Three Strategic Areas Enabling Global Growth

Global growth

Stable Earnings	Growth Driver	Business Transformation
<p>Fabric Home Care</p> <p>Personal Health</p>	<p>Skin Care</p> <p>Chemical</p>	<p>Sanitary (Diapers, Sanitary napkins)</p> <p>→ Aim to shift to “Stable Earnings”</p> <p>2024 Transfer of pet care business 2024 Transfer of beverage business</p>
	<p>Cosmetics</p> <p>Commercial-use Hygiene Products</p>	<p>Hair Care (including for Hair Salons)</p> <p>→ Aim to shift to “Growth Driver”</p>

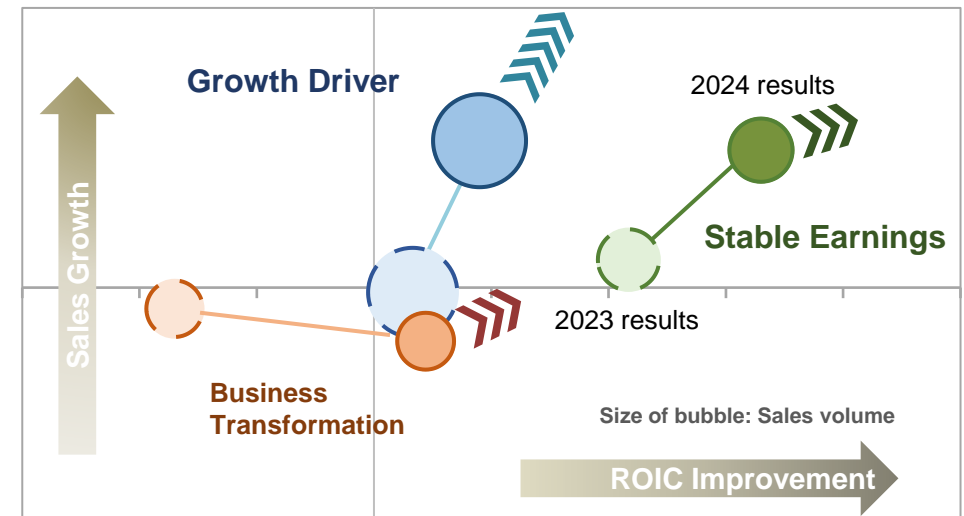
FY2024 Improvement Results (vs. FY2023 Results) and Targets for Capital Efficiency and Profitability by Business Area

- In FY2024, ROIC improved substantially in the stable earnings and business transformation areas.
- The Growth Driver area was impacted by Cosmetics in China, but growth is expected to accelerate from FY2025 onward as the Kao Group invests in marketing.
- The ROIC target has been revised to 30% in the stable earnings area, and despite a revision to 10% in the growth driver area, total ROIC is expected to reach 11% or more.

	Stable Earnings	Growth Driver	Business Transformation	Total
Sales Growth Rate (%)	+5.9	+4.3 <small>+5.7³</small>	(2.3)	+3.3
Improvement in Operating Income ¹ (Billion yen)	+15.9	(0.7) <small>+6.0³</small>	+18.8	+31.9
Improvement in ROIC (pts)	+6.8	+1.0 <small>+1.5³</small>	+10.6	+5.1
K27 ROIC Targets ²	20->30%	12->10%	7%	11.0% or more

Stable Earnings: Fabric care, Home care, Personal health
Growth Driver: Skin care, Chemicals, Cosmetics and Professional hygiene products
Business Transformation: Hair care, Sanitary

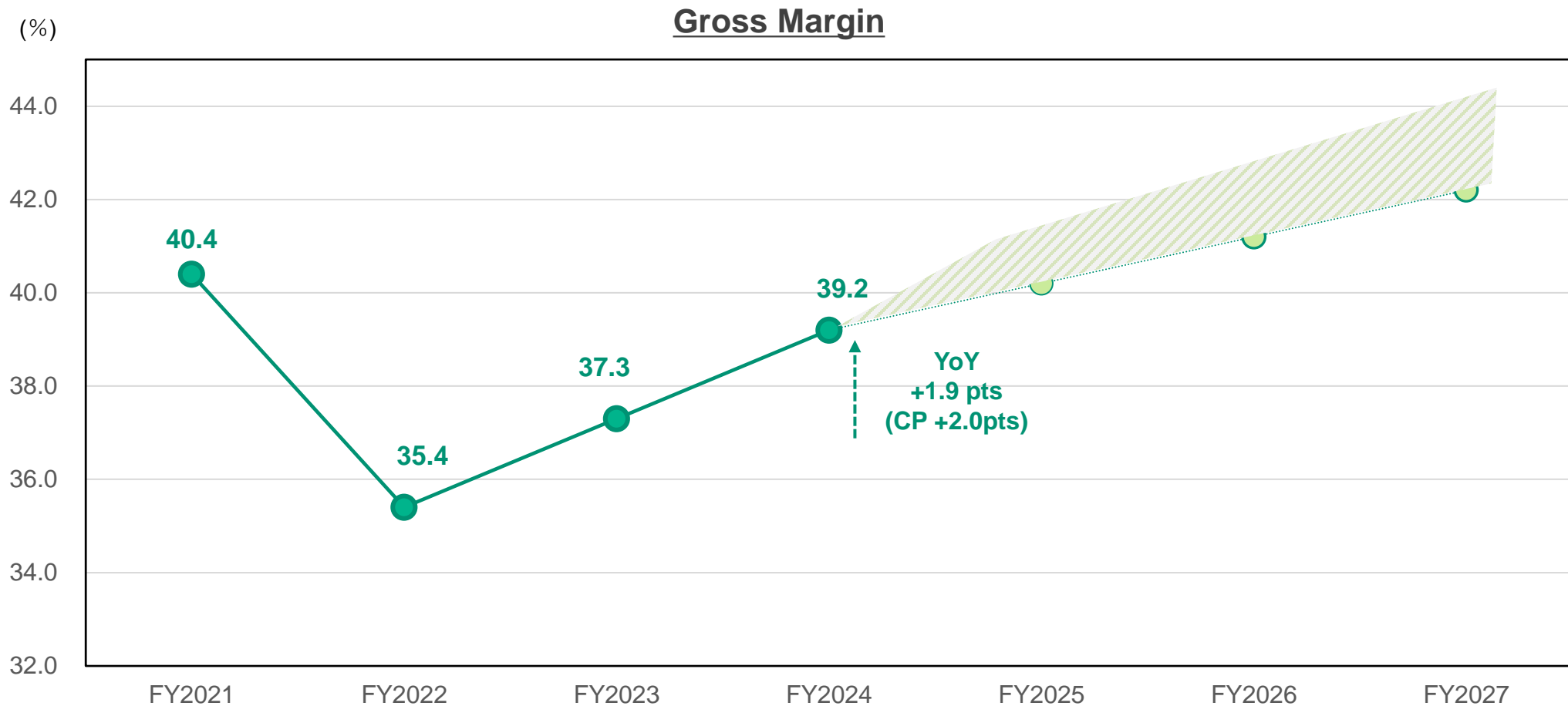
Image of ROIC improvement in 3 areas



1. Compared to 2023 "core profit."
 2. ROIC targets have been changed due to changes in the cosmetics business environment.
 3. Excluding the impact on the Chinese cosmetics market in 2024.

Improvement of Profit Margin through Progress of Earning Power Reforms

- The gross margin improved 1.9 pts year on year.
- Enacted price revisions based on the promotion of high-value-added products and increased brand loyalty, and improved cost competitiveness through productivity improvements, etc. Aim to improve gross margin by +1.0 pts or more each year in the Consumer Products business going forward.
- Achieve the targets of K27 through implementing global growth strategies while continuing to reform earning power.



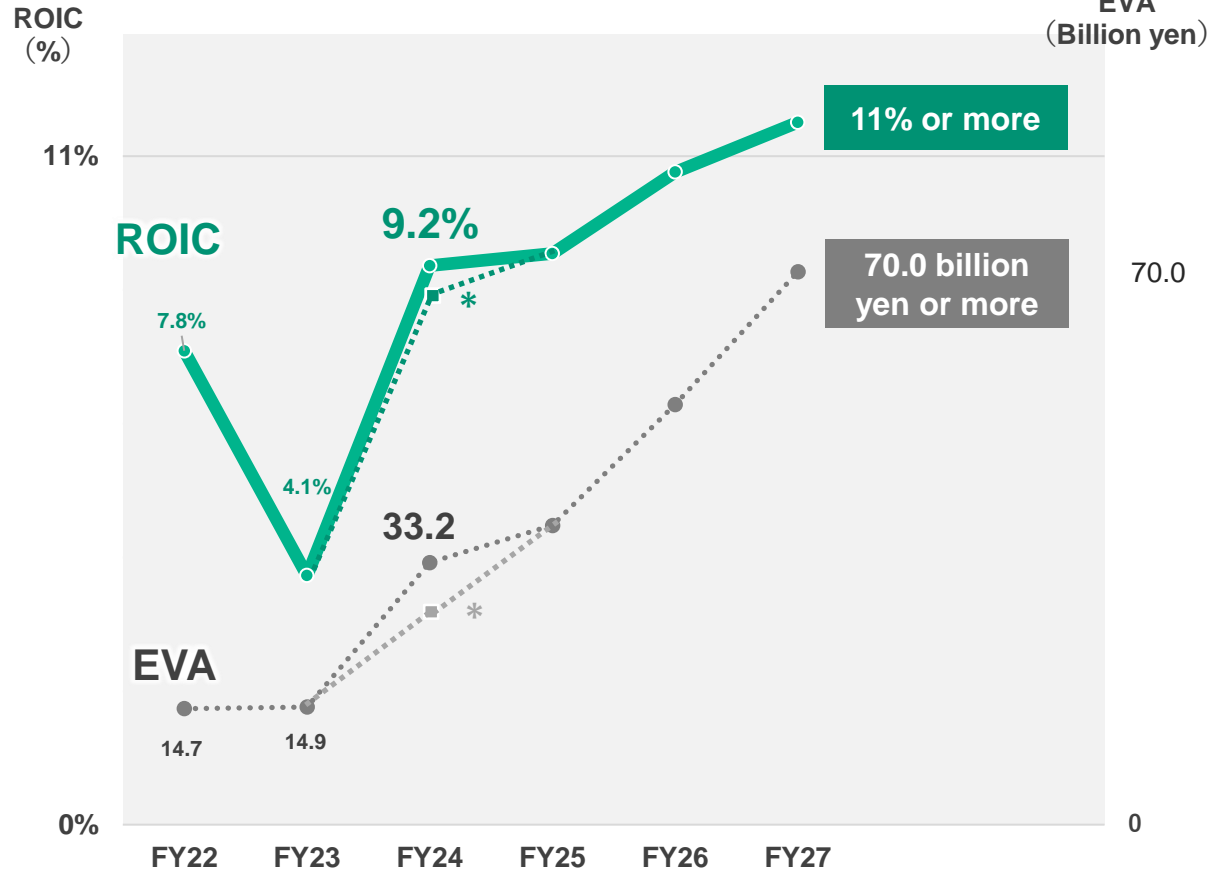
Gross margin for FY2023 represents "core gross margin."

Strongly promote growth strategy and reform of earning power

Increasing the probability of achieving K27

ROIC (Estimate)

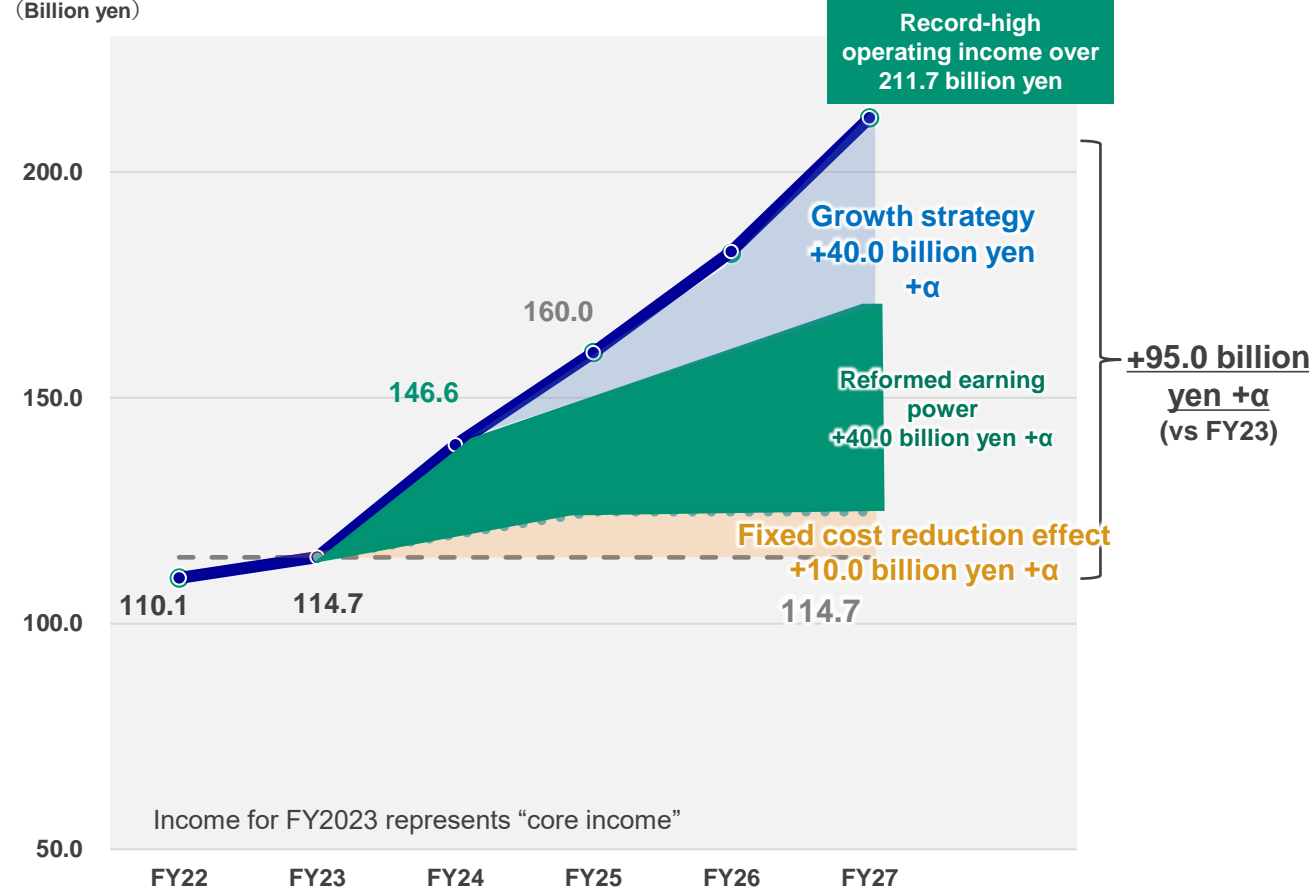
EVA (Billion yen)



*Excluding gain on transfer.

Operating Income (Estimate)

Operating income (Billion yen)



Reference: Assumptions at the time of K27 announcement

- 1. Fixed cost reduction effect
 - 2. Reformed earning power
- Effects of structural reforms : Approximately 30.0 billion yen

5.

Growth Strategy to Realize K27

Vision **Protecting future lives**

【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

Strategies for achieving K27

Build Global Sharp Top businesses

Global shift to essential, highly profitable businesses

**Social significance
Exclusive uniqueness**

Global Sharp Top human capital/organizational management

**Decisive investment in human capital
Withdrawal from matrix management**

Strengthen scrum management

Improve capital efficiency/profitability

Maximize the value of management capital

Data-driven management

Build businesses through co-creation with partners

Faster maximization of technology assets

Moving away from self-reliance

Business Strategies of Respective 3 Areas to Achieve K27

- Deploy cash generated from the stable earnings area into the growth driver area for global growth.
- Business transformation will simultaneously improve profitability and capital efficiency, aiming for an early shift to stable earnings and growth drivers.

Stable Earnings

Increase customer loyalty and improve ROIC by promoting high-value-added products



< Fabric Home Care >

- Offer high-value-added products and set reasonable prices
- Reinforce the outstanding No. 1 position in Japan and drive market expansion

< Personal Health >

- Offer new value and launch new products through advances in “Yoki-Monozukuri”※1

Growth Driver

Growth investments and global growth



< Skin Care >

- Continuously offer new value in skin protection
- Establish a global manufacturing system
- Strengthen the Americas and Europe, and focus on core brands

< Cosmetics >

- Focus investment in six brands
- Shift away from reliance on China
- Strengthen branding in each market

< Chemical >

- Startup tertiary amine facility in the United States, following Europe
- Promote the rollout of high-value-added products (semiconductor-related, electronic materials)

Business Transformation

Increase loyalty and constant ROIC improvement with precisely targeted customers



< Sanitary >

- Strengthen ability to offer core products and improve production efficiency
- Conduct activities to increase loyal customers
- Optimize production to strengthen the earnings base

< Hair Care >

- Establish a presence in the in-bath high premium category
- Strengthen offerings for Liese hair color in Asia

< Products for Hair Salons >

- Maximize synergy between GOLDWELL and ORIBE

※1 *Yoki-Monozukuri*: In Japanese, “yoki” means good or excellent, and “monozukuri” means making or craftsmanship. For us, Yoki-Monozukuri means an excellent creation process that is good for everyone involved and enriches the lives of consumers and customers.

Stable Earnings:





Expanded Leadership Position in the Fabric Home Care Business in Japan

Stable Earnings Growth Driver Business Transformation

- Profitability improved significantly from strategic price increases and promotion of high-value-added products in response to rising raw material prices, focusing on fabric home care in Japan. The ability to generate strong cash flow creates a significant source of investment capital.
- Captured outstanding market share by enhancing brand power through loyalty marketing.

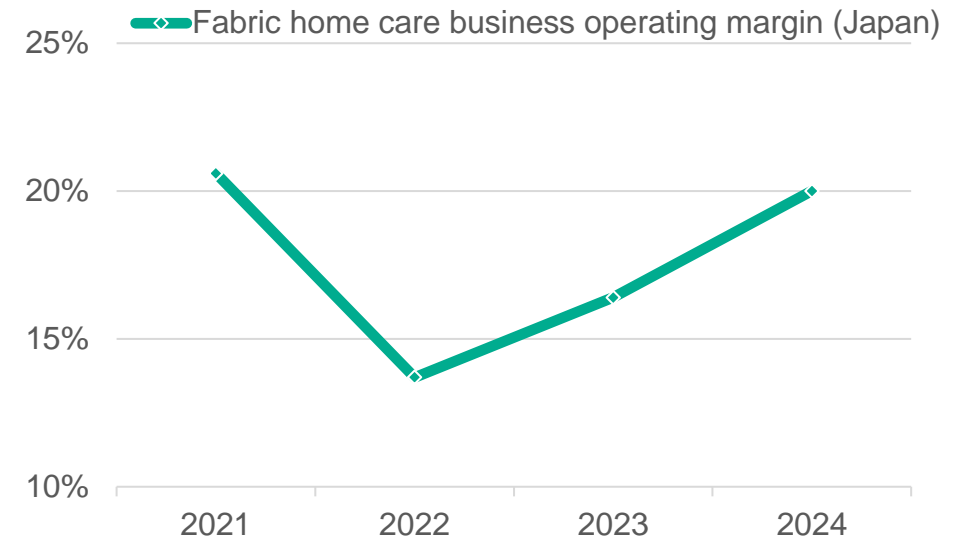
Categories with No. 1 Shares*

Expanded market share position demonstrating Kao's brand power

<p>Laundry detergents</p> <p>44.3% (YoY +1.9 pts)</p>  <p>No.1</p>	<p>Kitchen detergents</p> <p>50.8% (YoY +1.1 pts)</p>  <p>No.1</p>
<p>Bath cleaners</p> <p>58.0% (YoY +1.2 pts)</p>  <p>No.1</p>	<p>Toilet cleaners</p> <p>49.8% (YoY +6.3 pts)</p>  <p>No.1</p>

Operating Margin

Operating margin recovered to 20% due to improved earning power



*Source: INTAGE, Inc. SRI+ January 2024 to December 2024

Data-driven Management to Enhance Profitability and Capital Efficiency

Stable Earnings Growth Driver Business Transformation

Outcomes :

Approx. **24.0** billion yen reduction in inventory¹

Approx. **13%** reduction in SKUs¹

Strategic inventory and SKU reduction through continuous monitoring of business portfolio

Approx. **4.8%** improvement in ROIC²

Improved business monitoring from production to sales, by brand and product

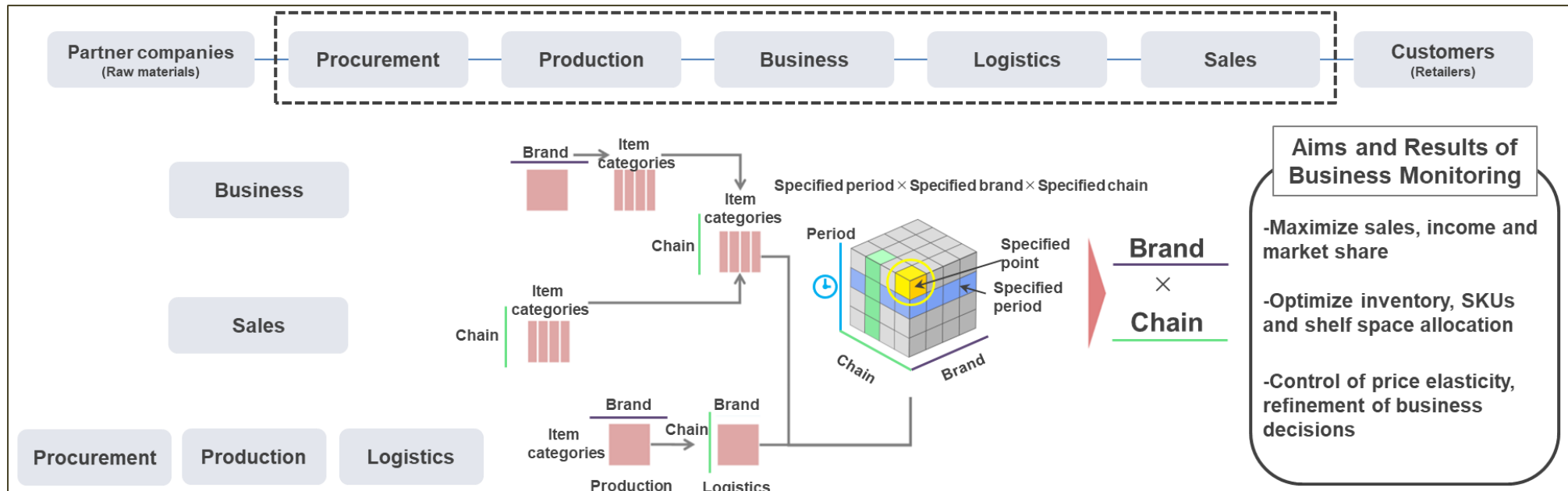
Approx. **70.0** billion yen in strategic price increases²

Kao i-Lake enables both strategic price increases and market share gains

1. Comparison between the end of December 2022 and the end of December 2024

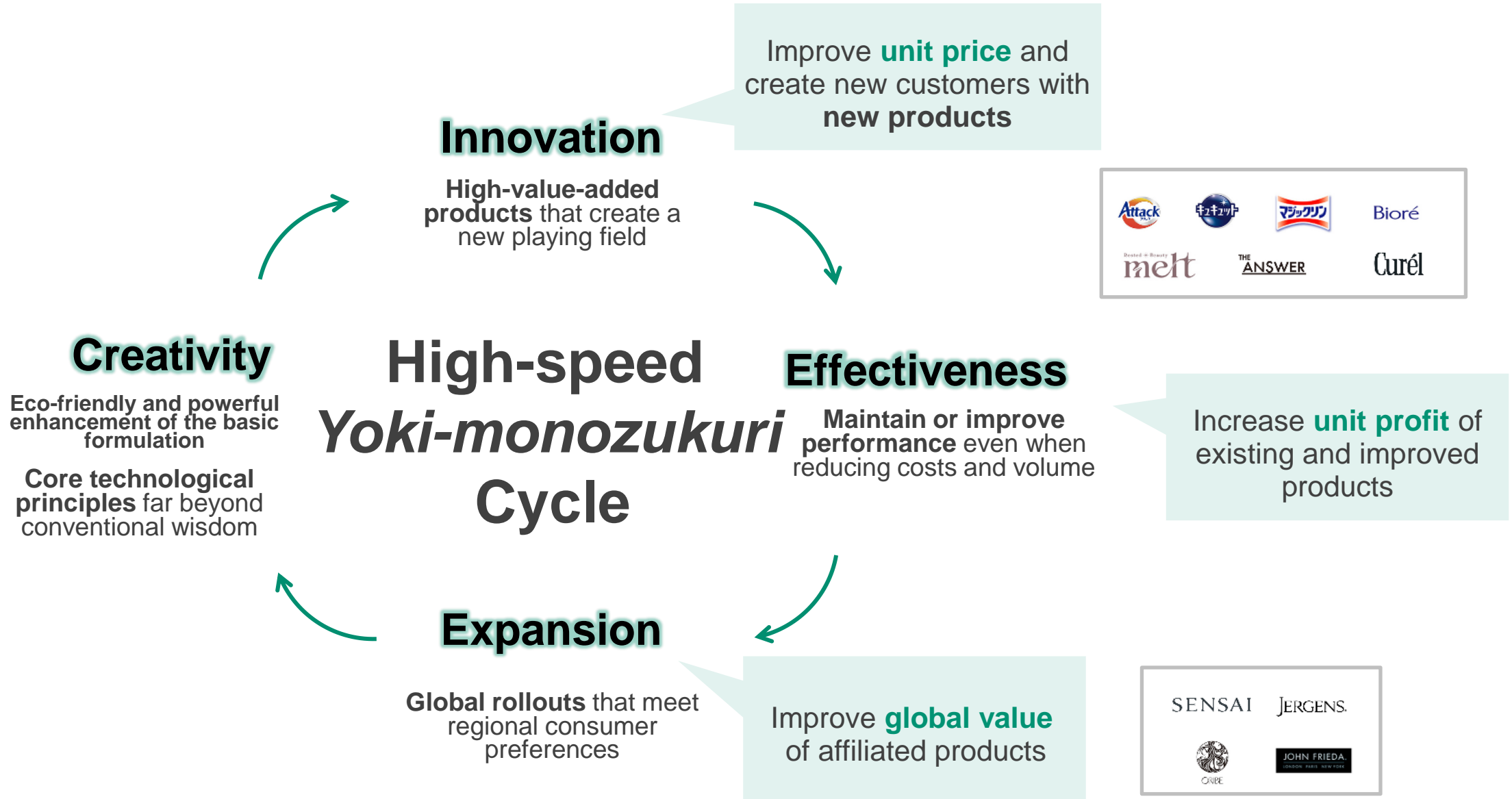
2. 2022 ⇒ 2024 Cumulative total

Mechanisms : through optimized business simulations based on the latest data



A Profitable Growth Strategy Based on “High-speed *Yoki-monozukuri*”

Stable Earnings Growth Driver Business Transformation



Business Transformation: Reorganizing Businesses to Enhance Efficiency

- To enhance ROIC, Kao transferred its underperforming pet care and beverage businesses and ended local production of baby diapers in China.
- Reforming the Sanitary business, achieving a V-shaped recovery in operating income while launching a new growth strategy in Hair Care.

Transfer of Businesses

Pet Care



Business Transfer completed

Nyan Tomo Clean Toilet

June 2024

Beverage



Business Transfer completed

Healthya

August 2024

Executing Business Reform

Hair Care

High value-added proposals that create tangible results through strategic brands

Showing results from branding that appeals to the emotions and technologies that meet customers' essential care needs

- Both new premium care products in Japan, *melt* and *THE ANSWER*, secured **double the targeted market share targets (Nov.-Dec. 2024)**



- ORIBE continued its high growth rate (12% CAGR for sales 2018-2024)** due in part to the contribution from a new product developed jointly with Kao Europe Research Laboratories

Strategic brands for hair care

Hair Color

GOLDWELL.



Premium Care



ORIBE

JOHN FRIEDA.

melt

THE ANSWER

Sanitary

Improved production efficiency through product standardization and strengthened branding to increase loyalty



Merries

Ended local production in China

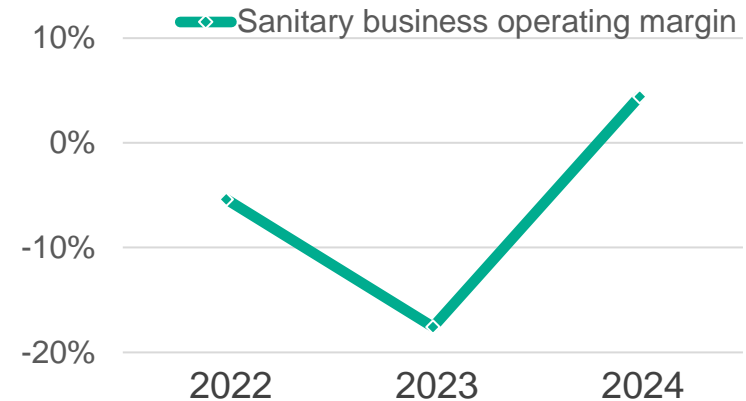
August 2023



Laurier

Focused intensively on nurturing high-value-added products and expanded sales

V-shaped recovery in operating margin by structural reforms

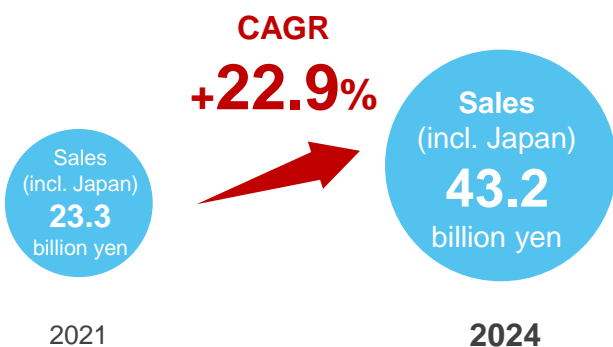


Growth Driver: Delivering Growth through *Global Sharp Top* Strategy

- The Skin care, Chemicals and Cosmetics business, prime examples of the *Global Sharp Top* strategy, saw significant sales growth in targeted areas and customer segments.

Skin Care

Skin protection business* sales growth over 20%

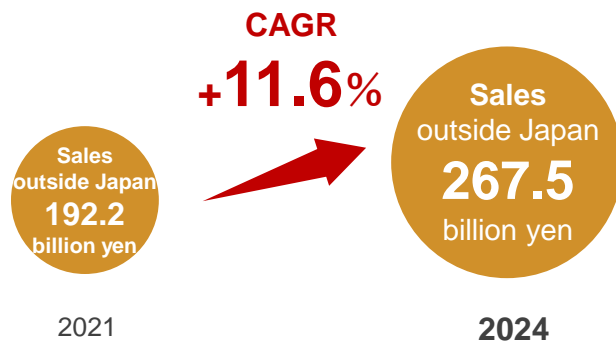


Captured substantial market share in countries worldwide

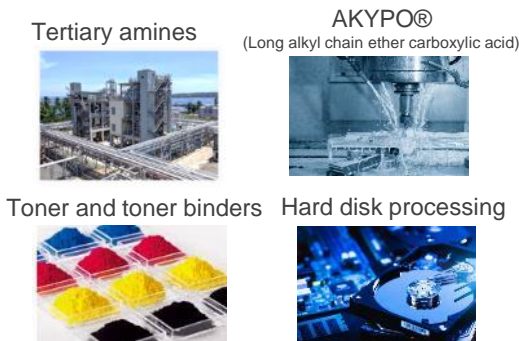


Chemical

Growth outside Japan, which accounts for about 60% of sales

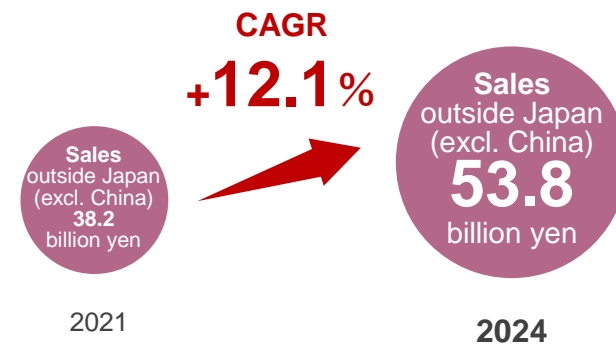


Growth outside Japan from high-value-added products

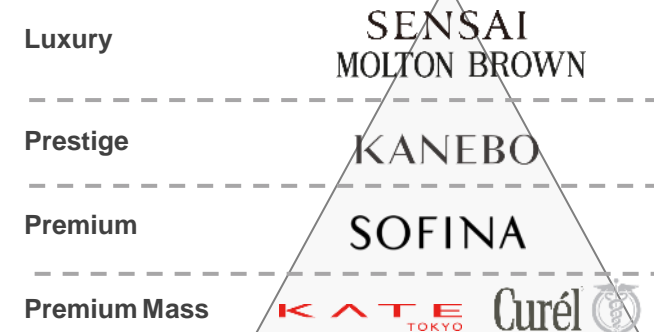


Cosmetics

Double-digit growth in target markets outside Japan



Focus on six brands to drive further growth outside Japan



* Protection of the skin from the external environment. Consists of three categories: UV care, self-tanning and environmental protection.

Kao's Global Growth Strategy

-Global Sharp Top Strategy-

Stable Earnings

Growth Driver

Business Transformation

[Definition] Contribute as the global No. 1 with leading-edge solutions and brands that address critical needs in specific areas and customer segments.

[Rationale] Given the level of severity and importance of solving today's rapidly evolving social challenges, Kao is delivering critical market solutions that will generate meaningful and sustainable global profitable growth.

	Global	Sharp	Top
Target conditions	Global business rollout	Exclusive uniqueness	Market presence
Details	Rollout in multiple areas including Japan, Europe, the Americas and Asia	Proprietary technology, strong brand or distinctive business model	Competitive advantage over other companies
Indicator	Scale of sales in target countries/areas of operation	Loyalty ratio and profitability in target markets	Share of target markets

Global Sharp Top in the Chemical Business

-Exclusive Uniqueness and Social Significance-

Stable Earnings

Growth Driver

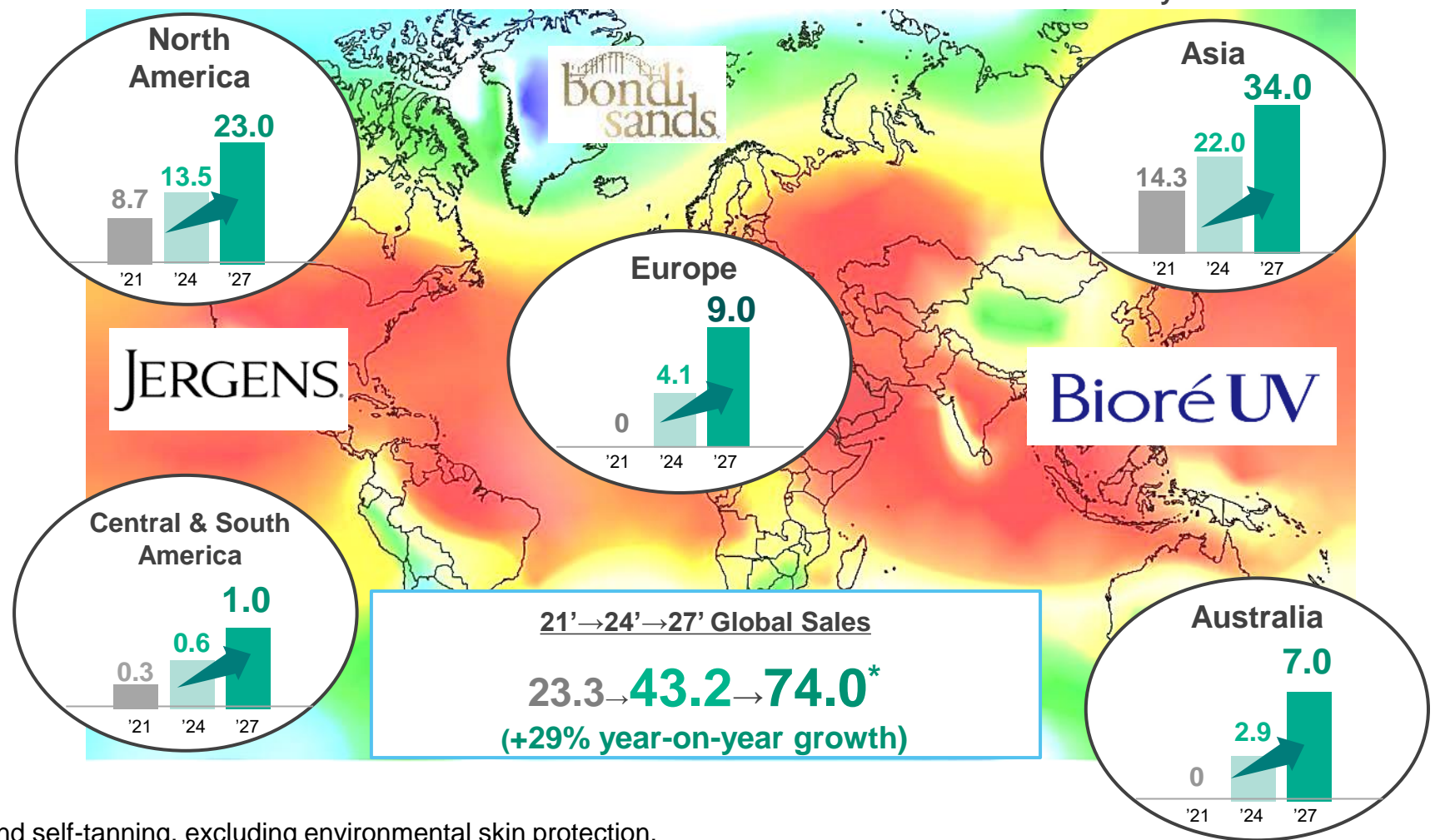
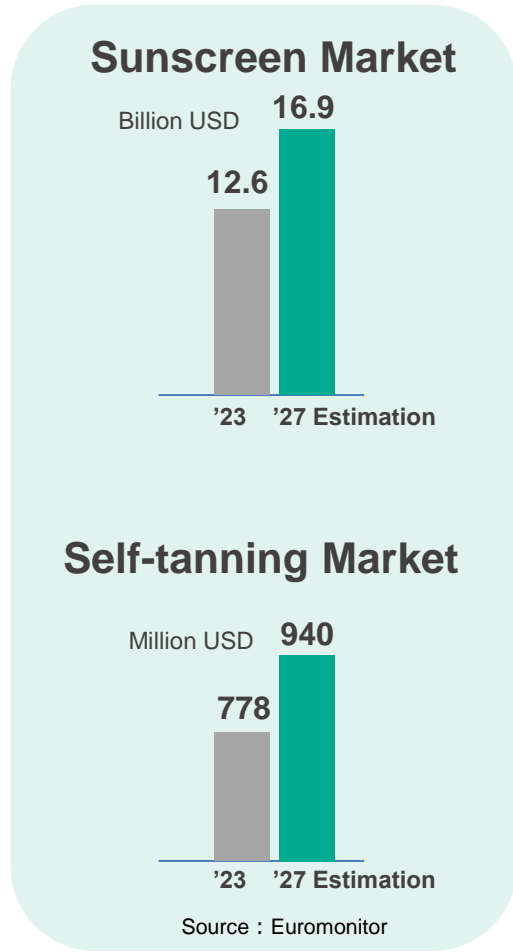
Business Transformation

	Global Sharp Top	Global Top	Global Sharp	Sharp Top		
Current situation	<p>Sales CAGR* 4%</p>	<p>Sales CAGR* 4%</p> <p>Expanding globally</p>	<p>Sales CAGR* 10%</p> <p>Expanding sharply across global bases</p>	<p>Sales CAGR* 6%</p> <p>Executing an exclusive expansion with leading market share</p>		
	<p>Tertiary amines</p> <p>Toner and toner binders</p>	<p>AKYPO® (Long alkyl chain ether carboxylic acid)</p> <p>Hard disk processing</p>	<p>Alcohols</p> <p>Softeners</p>	<p>Synthetic aroma chemicals</p> <p>MIGHTY (Superplasticizers)</p>	<p>Inkjet ink</p> <p>Asphalt modifiers</p>	<p>Agricultural adjuvants</p> <p>Eco tires</p>
Growth Strategy	Continue to grow globally by strengthening exclusive uniqueness	Further sharpen distinctiveness	Strengthen partnerships Develop major global customers	Accelerate global business rollout through industry alliances		

* FY2024 Results → FY2027 Targets

Global Sharp Top in the Skin Protection Business

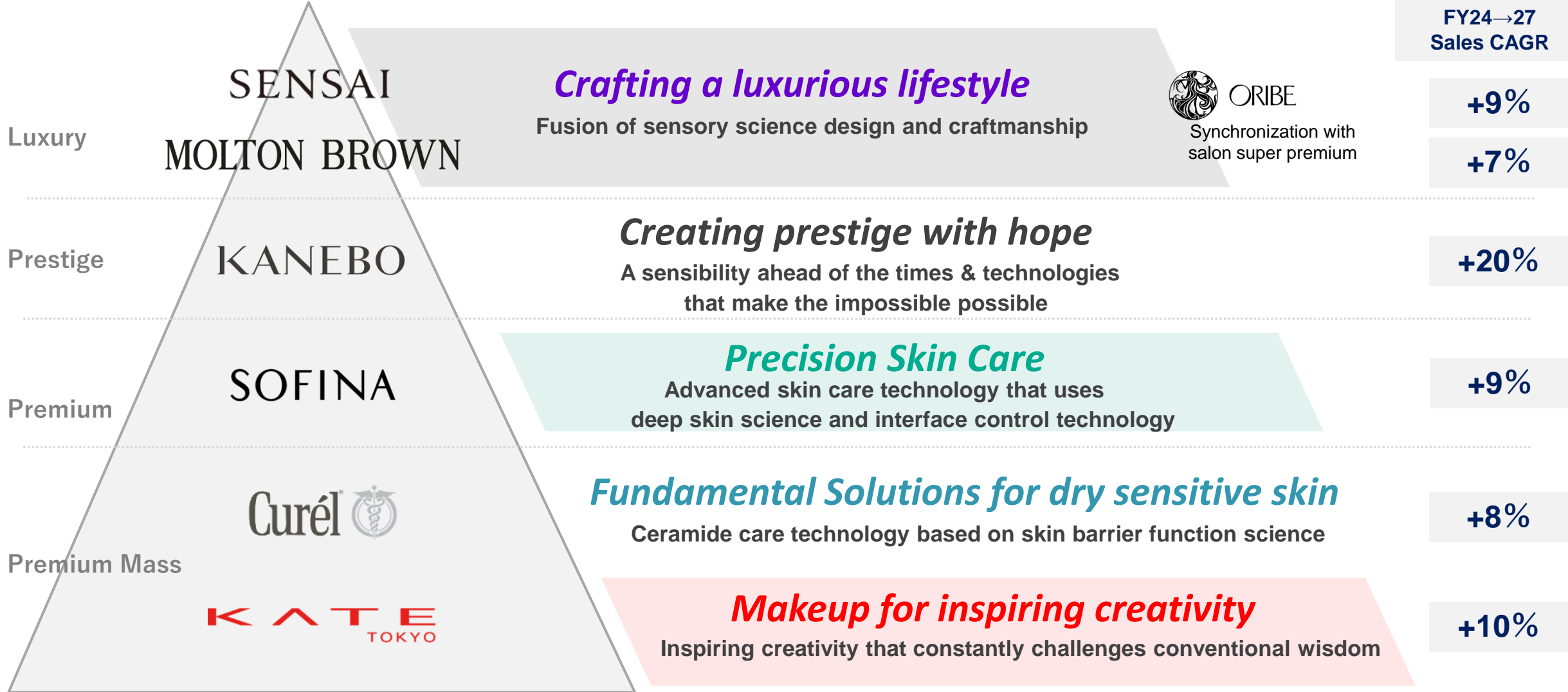
- Capture global demand, particularly for UV care, which is growing due to global warming, with its precision protective coating technology that excels in durability.
- Strengthen regulatory compliance and expand production bases to 8 locations by adding three new bases in Indonesia, Germany and Brazil, enhancing collaborations with global customers.
- Leverage precision marketing to drive customer loyalty, targeting 100.0 billion yen in sales by 2030.



* Sales are the sum of UV care and self-tanning, excluding environmental skin protection.

Global Sharp Top in the Cosmetics Business

- Global expansion of six highly distinctive brands through the Sharp Top strategy.
(FY24→27) CAGR Target for sales: +10% * Market CAGR +5%*



* Kao survey

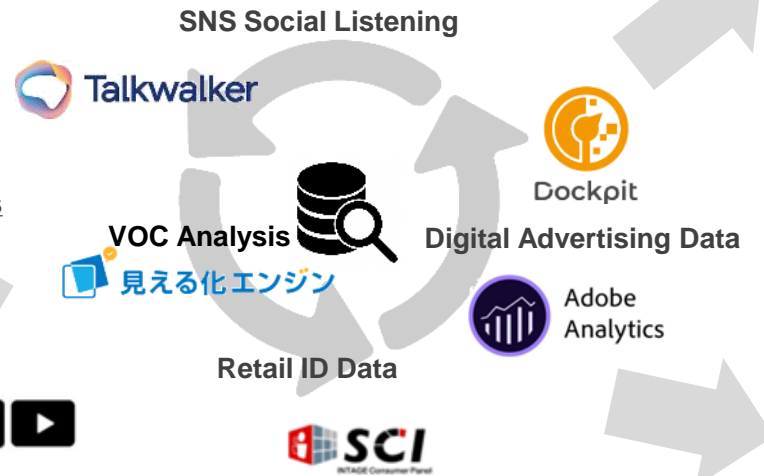
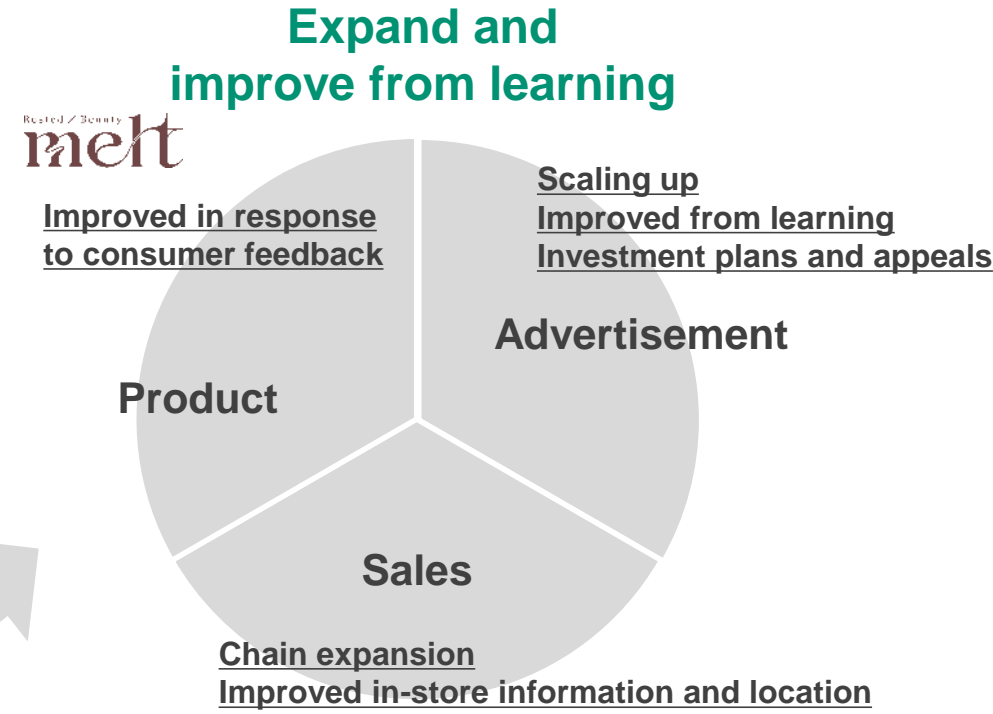
Beauty Care* Business Marketing DX



- Sharp-top measures that use fast PDCA cycles in exclusive chains and areas to derive successful patterns and expand with highly successful strategies.
- Continuously leveraging learnings from successful patterns to improve our approach and meet evolving customer needs through enhanced marketing effectiveness.



Utilizing big data analysis in the market, identify winning patterns



* Including Skin Care, Hair Care, Cosmetics and a portion of Personal Health

Achievements of Marketing DX -Examples of Beauty Care-

Stable Earnings

Growth Driver

Business Transformation

Marketing transformation with digital utilization

Proactive implementation of social listening tools

- Understanding user interests
- VoC* listening
- Visualization of Web behavior

Tools: DS.INSIGHT, story bank, Dockpit, Talkwalker

* VoC: Voice of Customers

Training for internal implementation

- Text mining training
- Data analyst training

→ Approx. 500 employees → Approx. 40 employees

The essence of corporate activities: the "Yoki-Monozukuri" cycle

Ultra-high speed Yoki-Monozukuri

- Marketing: Life value proposals
- Product development: Preparation for today and tomorrow and Essential Research
- Value design: Know our customers and customer base

Management: Fast management actions, Visualization

Consumer: Sharp Yoki-Mono (Products, services, experiences), Accurate Yoki-koe



A makeup experience in which you can discover a new you

Digital space for co-creation with hard-core fans



Value share in Makeup market
January 2024 – December 2024
Source: INTAGE SRI+



Realization of continuous, and high-speed PDCA

Quickly detect customer evaluations of test marketing using social listening tools, and continuously refine UX and marketing measures using a scrum-style system.



Value share in Sunscreen market
January 2024 – December 2024
Source: INTAGE SRI+



Ultra-fast product development using a scrum-style system and digital technology

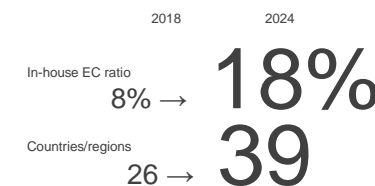
Product development speed **6x**



Rapid growth driven by EC while maintaining high prestige



Accelerate globalization through a unique omnichannel strategy



Expand market share in Europe through effective new product launches driven by high-speed PDCA cycle



Build Businesses through Co-creation with Partners

Business expansion through collaboration with highly specialized companies

- Joint development with Panasonic Corporation



Pioneering activities for automatic dispensers, a future standard feature of washing machines

Laundry cleaning agent
Gokuraku Stain Remover

Co-creation with beauty appliance technologies



Curél Wearable Stratum Corneum Care Veil Creator

Creating new value by combining technological capabilities

- Joint development with Earth Corporation



Synergy with the skin protection business

ARS Mos Shooter contains no insecticides

Global rollout of Kao technology

Co-creation with global customers

- Collaboration with C.P. (Charoen Pokphand) Group, a major Thai conglomerate

Creation of a large-scale global business foundation



- Collaborative development featuring innovative, sustainable consumer products sold under C.P. Group's brands, leveraging Kao Group's innovations to advance sustainability goals.
- Exclusive supply of specific environmentally friendly products from Kao Group to C.P. Group.
- Exploration of further collaborative opportunities in the chemical business.
- Collaboration to address social issues and develop products for industries related to C.P. Group's businesses by leveraging the expertise of both companies.

Synergy between distinctive technological capabilities and strong sales power

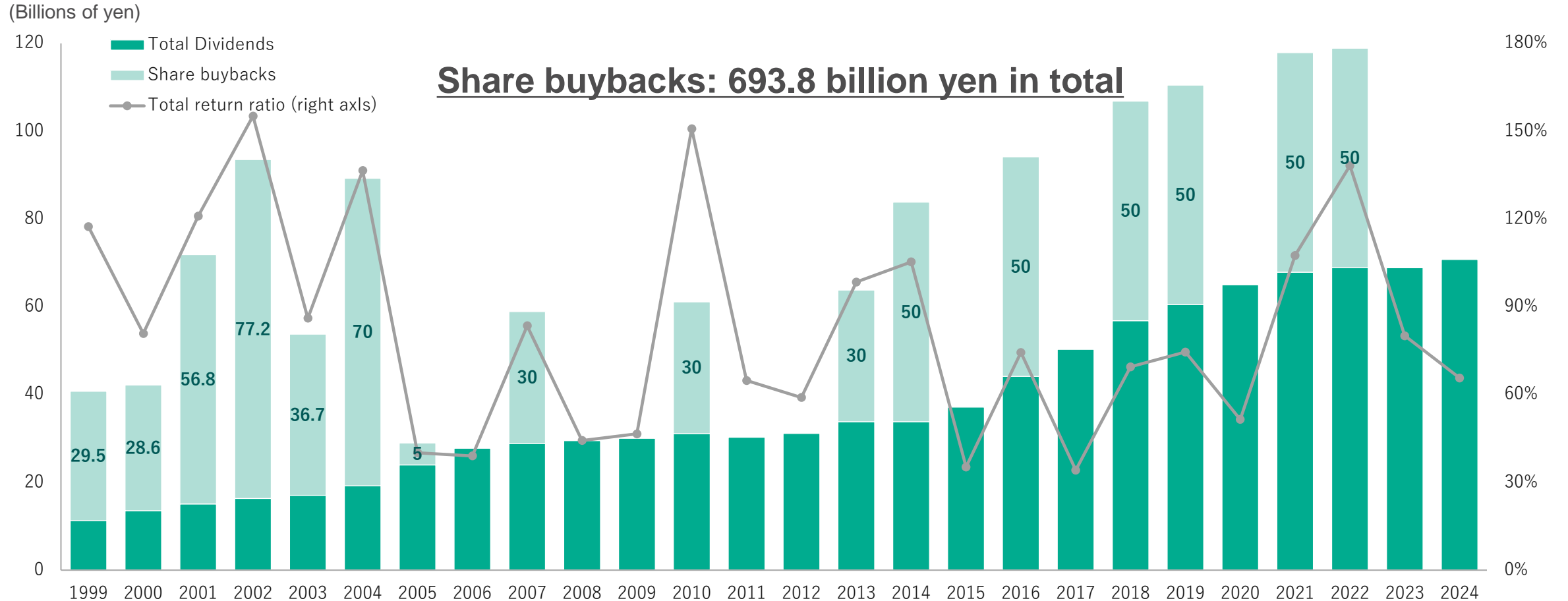
6.

**Consistent Track Record of
Shareholder Returns**

Kao Has Returned Capital to Shareholders Proactively

- Proactive shareholder returns, including dividend increases for 35 consecutive fiscal years¹ and flexible share buybacks

Total dividends, share buyback and total return ratio²



1. Will formally be decided at the Annual General Meeting of Shareholders

2. FY2023 figures are calculated based on core income

7.

External Evaluation

Kao's Activities Are Highly Rated by External Organizations

As of February 14, 2025

Evaluations by External Organizations



< 5 consecutive years >
Only one in Japan

Received CDP's "Triple A"



< 18 consecutive years >
Only one in Asia
Only 6 companies globally

Selected as one of "World's Most Ethical Companies®"

Top 10%



Highest rating for 7 consecutive years



Certified as Prime



Top 5%



Commended by Minister of Economy, Trade and Industry



Certified in 2016



Commended by Prime Minister



Certified 9 times



8 consecutive years



Highest rating



Bronze



ESG index: Adopt to composite

8 consecutive years



Adopted in 2024



7 consecutive years



8 consecutive years



17 consecutive years



8 consecutive years



3 consecutive years



7 consecutive years



2 consecutive years



*"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.
MSCI <https://www.msci.com/our-solutions/sustainable-investing>

Analysts Recognize Kao's K27 Progress

- Progress and effects of structural reforms in line with K27 were well evaluated by analysts



November 25th 2024

Kao's performance has recovered due to positive factors such as **(1) structural reforms initiated in FY2023, (2) progress in raising prices, especially in Japan**, and (3) the elimination of negative impacts on raw material prices. Kao is one of the companies in the sector to have **continued upward fundamentals**.

February 6th 2025

Kao's full-year results for FY2024 exceeded both company and Mizuho Securities' forecasts for both sales and operating profit. **Profit margins for H&PC (household & personal care) and chemicals improved significantly, showing that the structural reforms Kao has been implementing since 2023 are paying off in a big way.** While not a surprise, **the results were solid and impressive.**



December 2nd 2024

Kao has reaffirmed its policy of raising prices in Japan, and Daiwa Securities would like to **evaluate the profitability improvement path centered on price hikes and structural reforms as it has in the past.**

February 6th 2025

As Daiwa had assumed a "fear of underperformance" due to Kao's conservative stance and other factors, **Daiwa Securities was positively impressed with the results.**



November 28th 2024

Kao also reported full-year structural reform benefits of 28.0 billion yen in FY2024, a 10.0 billion yen increase from the plan at the beginning of the fiscal year. **We believe this is due to Kao's strategic price increases in the domestic daily necessities business, which are more than planned and are highly valued. Visibility to improve profitability of domestic daily necessities is high.**

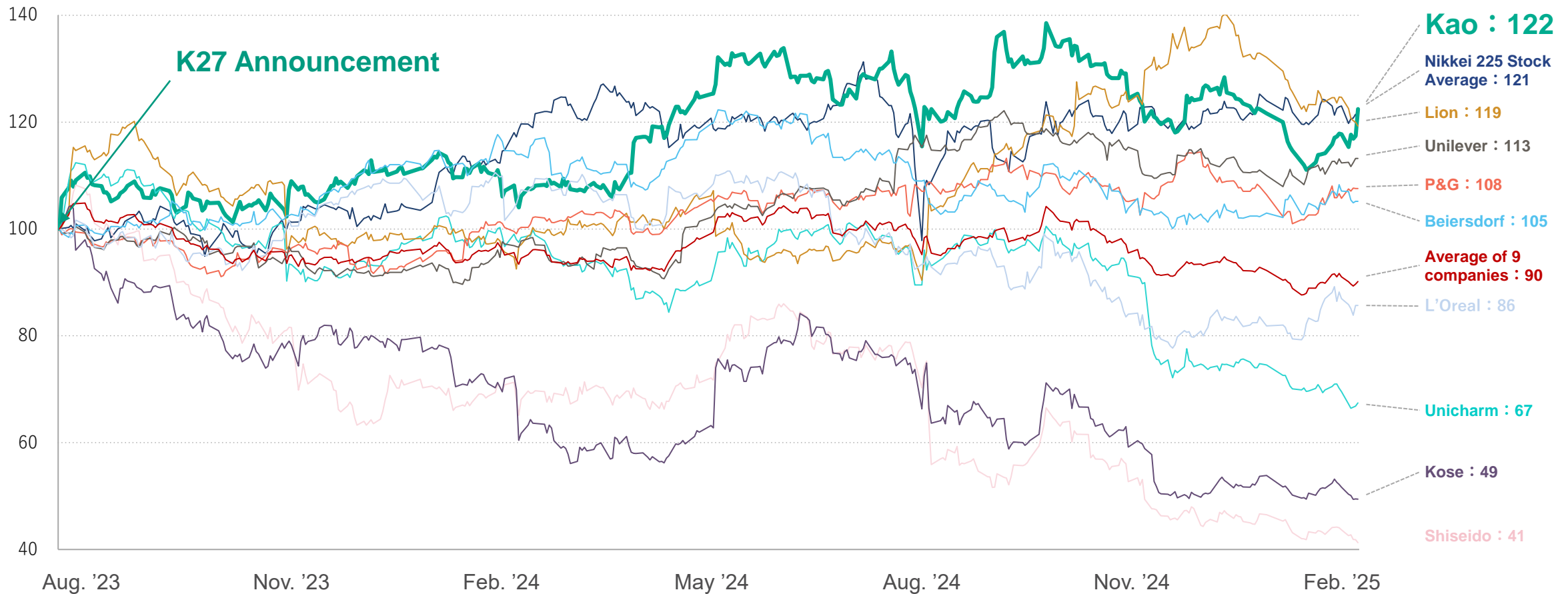
February 6th 2025

We appreciate Kao's steady improvement in capital efficiency and expansion of core brands' market share. Our impression is that Kao's ability to accelerate growth in Health & Beauty and Cosmetics in FY2025 will be crucial to achieving its current fiscal year and mid-term plan.

Capital Market Evaluation of K27 Progress: Share Price Trends

- Kao stock price performance starting from the date of announcement of K27 mid-term management plan is more than 30% above the average of competitors
- Capital market has reacted positively to Kao's progress on K27

Share Price trend (Day* of announcement of K27~ February 7th, 2025)



*The index is calculated by setting the share price on August 3rd 2023, the date of announcement of K27 as 100.

8.

Conclusion

Executive Summary

Opposition to Oasis' shareholder proposal

- Contrary to Oasis' claims, Kao is performing well under the current management
- The Director candidates proposed by Oasis lack the required skills and qualifications expected of our Outside Directors, such as relevant board and management experience, expertise, and engagement
- Oasis' proposal to add Directors changes the optimal composition of the Board of Directors, which is appointed through appropriate evaluation by Kao's Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members ("the Committee for the Examination of the Nominees") and the Board of Directors, and is not in the best interests of all stakeholders
- The current compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is appropriate, and the introduction of the compensation system proposed by Oasis does not contribute to enhancing our corporate value

Governance structure effectively supports the enhancement of corporate value

- Under the current Board, Kao has implemented business portfolio reforms based on ROIC resulting in a V-shaped turnaround in financial performance
- Company-proposed candidates for Directors with relevant experience, expertise and global knowledge are best suited for the continued oversight of Kao's strategy
- The selection process for Kao's Committee for the Examination of the Nominees is appropriate, fair and transparent
- Outside Directors will now be a majority on the Board of Directors (assuming shareholders' approval is obtained at this year's Shareholders Meeting)

Steady progress of Kao's growth strategy and K27

- Formulated the Kao Group's mid-term management plan K27 to promote earning power reforms and set a growth strategy which has steadily generated results
- On track to achieve its K27 targets, with all four indicators including operating income and ROIC, progressing well ahead of plan
- Steadily advancing global growth centered on the growth driver area through *Global Sharp Top Strategy*
- Accelerate *Yoki-Monozukuri* cycle, which begins with developing high value-added products, incorporating new innovations and delivering profitable growth
- Improved profitability and capital efficiency by upgrading data-driven management through DX
- Leveraged DX to enhance marketing, quickly adapting to shifting markets while boosting customer loyalty and market share.
- Strengthening collaborations with external partners and focus on developing new businesses
- Kao's robust recovery in business performance and decisive return to a growth trajectory have earned high recognition from the capital markets

Message from the Board of Directors

Maximizing Corporate Value - For all our shareholders and stakeholders -

Yoshihiro Hasebe

Representative Director
President and
Chief Executive Officer



Masakazu Negoro

Representative Director
Senior Managing
Executive Officer



Toru Nishiguchi

Representative Director
Senior Managing
Executive Officer



David J. Muenz

Director



Osamu Shinobe

Outside Director
Chairperson of the
Board of Directors



Eriko Sakurai

Outside Director



Takaaki Nishii

Outside Director



Makoto Takashima

Outside Director



Vision

The Kao Group's vision for K27 is "Protecting Future Lives."

Strategy

Management is executing the Group's vision in line with the following basic policies: 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.

Achievements

Our Board of Directors continue to oversee the successful execution of K27 and enhancement of corporate value, including the successful implementation of structural reforms that have driven a turnaround in profits and laid a foundation for growth.

Determination

As Directors, we are steadfastly committed to pursuing profitable growth and improving capital efficiency, aiming to become an essential and unique company for sustainable society.

Kao is Executing on its Strategy Despite Oasis' Claims

- Kao is steadily delivering results driven by the K27 growth strategy and structural reforms
- The new board structure proposed by the Company will further enhance corporate value and global growth

OASIS

Claim

Reluctant Global Expansion

Bloated Brand Portfolio

Lackluster Marketing Strategy

Lacking Leadership and Oversight

KaO

Kao's performance under the current management

Global expansion in growth driver areas

- Actively investing in the businesses that we have designated as global growth drivers
- Each business in the Growth Driver area is steadily expanding its sales outside Japan

Reorganizing businesses through structural reform and focused investment

- Optimized the business portfolio through increased focus on ROIC
- Improved earning power driven by structural reforms has led to a V-shaped recovery in gross margin and ROIC

Evolution of marketing through DX

- Achieved marketing evolution to respond quickly to changing markets with DX
- Focusing marketing investments on core brands in the Growth Driver area to expand market share, accelerate global growth and improve profitability

Further improvement of the supervisory function of the Board to achieve K27

- The current Board of Directors endorsed bold risk-taking by management and established a solid foundation for capital efficiency and profitable growth.
- The addition of Sarah Casanova and Lisa MacCallum, who bring global expertise in the consumer industry, is expected to enhance the diversity and expertise of the Board

KaO

Kirei—Making Life Beautiful

