

**Supplementary Explanation of the
Board of Directors' Opinion on the Shareholder Proposal**
(Inserted Slides)

Kao Corporation

April 8, 2026

Disclaimer

- This document explains the Company's position and specific initiatives to proxy advisory firms, institutional investors, and all shareholders in advance of the extraordinary general meeting of shareholders to be held on April 30, 2026. It also supplements the opinion of the Company's Board of Directors as set out in the notice of convocation for the meeting.
- Information in this document other than 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.

The Board of Directors' Opinion on the Shareholder Proposal

Proposal	Details	Our Opinion
Appointment of an investigator to investigate the Company's business and assets	<ul style="list-style-type: none"> Investigation of alleged deficiencies in the Company's risk management, internal controls, and Board oversight relating to supply chain risks associated with palm oil and pulp and paper 	<p style="text-align: center; color: red; font-size: 24px;">Oppose</p>

- 1** The Company has established a supply chain management framework based on its NDPE policy and has achieved high level traceability within the industry (99% for oil palm mills and 91% for plantations). No material deficiencies in internal controls have been identified.
- 2** The Company's ESG initiatives have been highly evaluated by multiple external assessment bodies, including six consecutive CDP Triple A ratings, inclusion as a Yearbook Member in S&P Global's "The Sustainability Yearbook 2026" and 20 consecutive selections as one of Ethisphere's "World's Most Ethical Companies,".
- 3** In this opinion statement, the Company presents specific initiatives and targets, including the expansion of grievance mechanisms, efforts toward achieving 100% traceability, and enhanced disclosure related to pulp and paper.
- 4** The Company has independently decided to conduct a third-party review of areas identified within its supply chain management framework and does not consider it necessary to appoint investigators unilaterally proposed by Oasis.
- 5** While Oasis emphasizes the independence of the proposed investigation, it has itself selected and proposed all three investigator candidates. A unilateral designation by an interested party is inconsistent with the principle of independence.

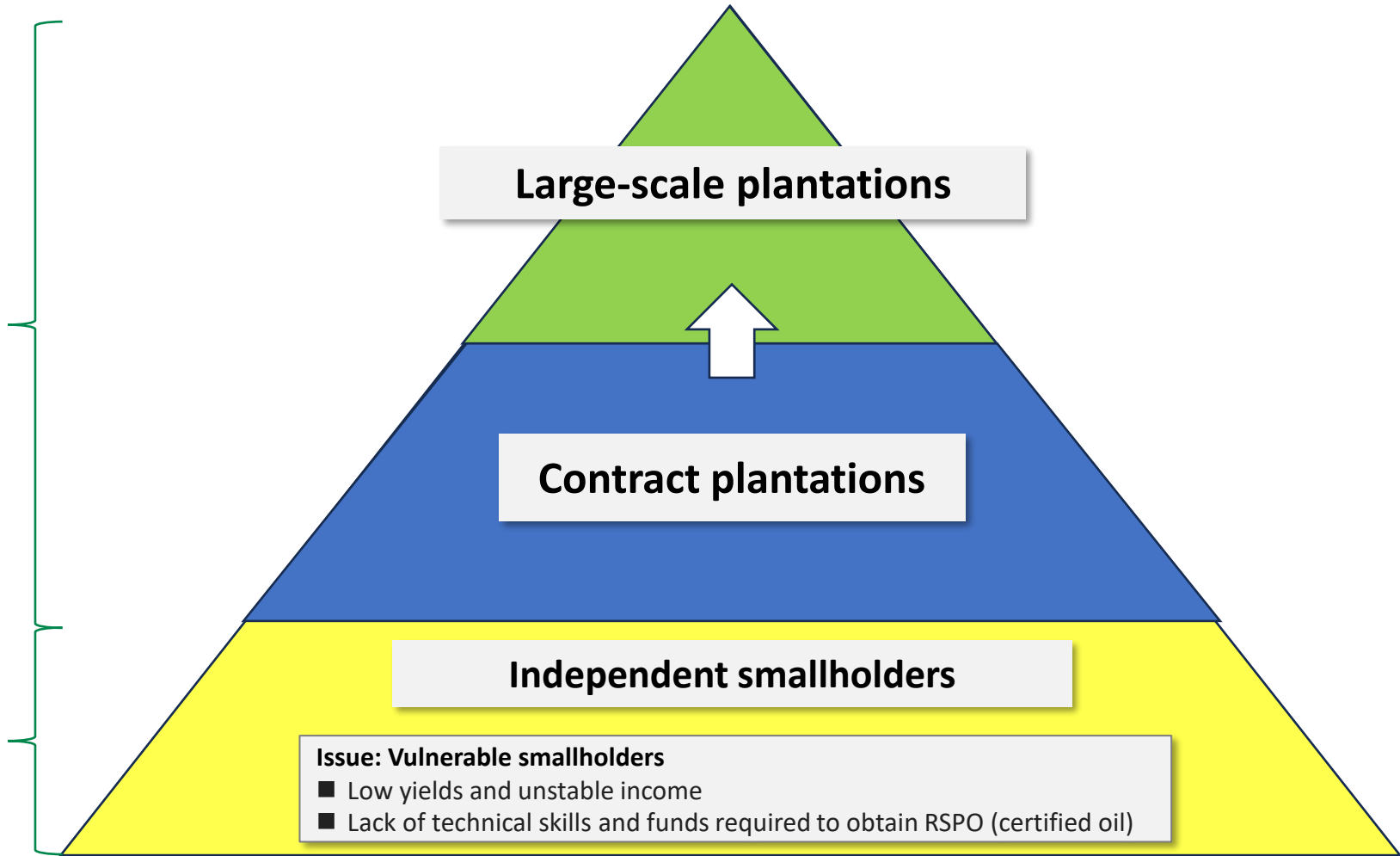
Advancing responsible sourcing through a dual-layered approach of breadth and depth

Kao

Kao's unique
two-layer approach

Expanding Coverage
(Broad coverage of supply chain)

Deep Support
(to independent smallholders)

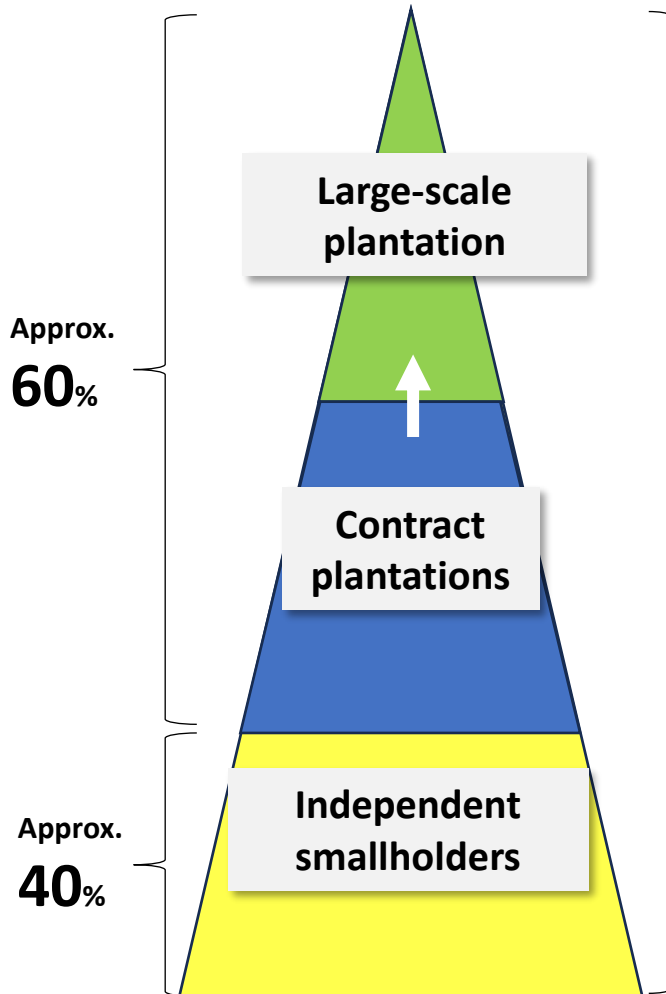


Securing a stable supply of scarce palm oil through chemical route utilization

Figure 2



Indonesian palm plantations (total: approx. 16.8 million ha)



Raw materials

Approx. **90%**

PO
Palm Oil

RSP0 Certification
(Approx. 13%)

Approx. **10%**

PKO
Palm Kernel Oil

RSP0 Certification
(Approx. 20%)

Certification models

IP SG

Higher price

PO +\$60/MT PKO +\$600/MT

MB

PO +\$40/MT PKO +\$140/MT

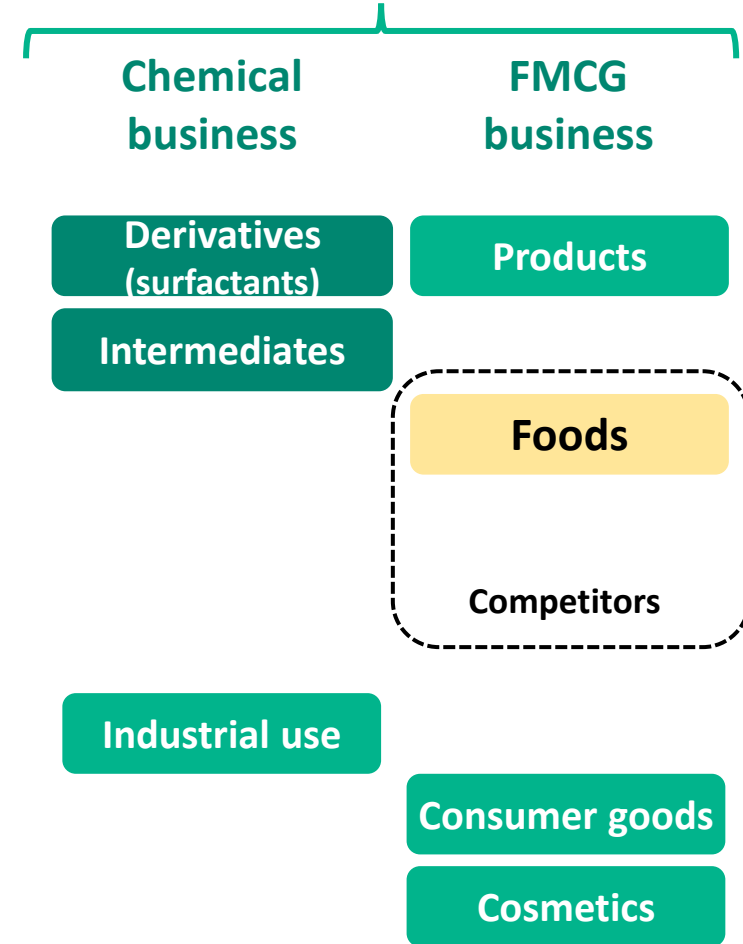
B&C

PO +\$10/MT PKO +\$80/MT

Premium price

\$ Amount are approximate figures.

Lower price

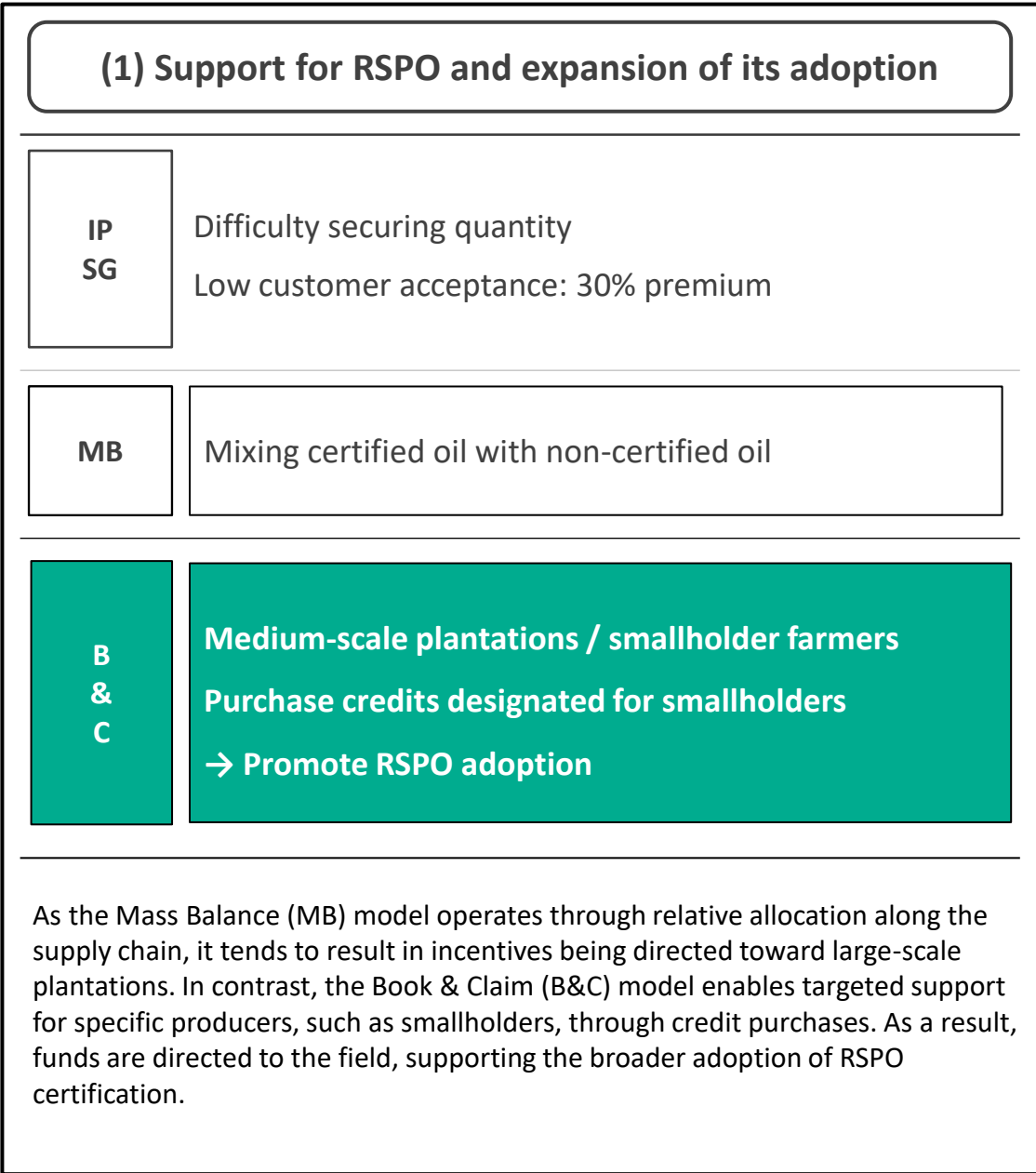


IP (Identity Preserved) — Fully segregated from a specific plantation
SG (Segregated) — Certified material only; no non-certified mixing
MB (Mass Balance) — Certified and non-certified materials may be mixed; volumes tracked
B&C (Book & Claim) — No physical linkage; supports certified production via credits

Figure 3

Dual approach:

Driving market-wide transformation (RSPO adoption) and full traceability within our own supply chain



+

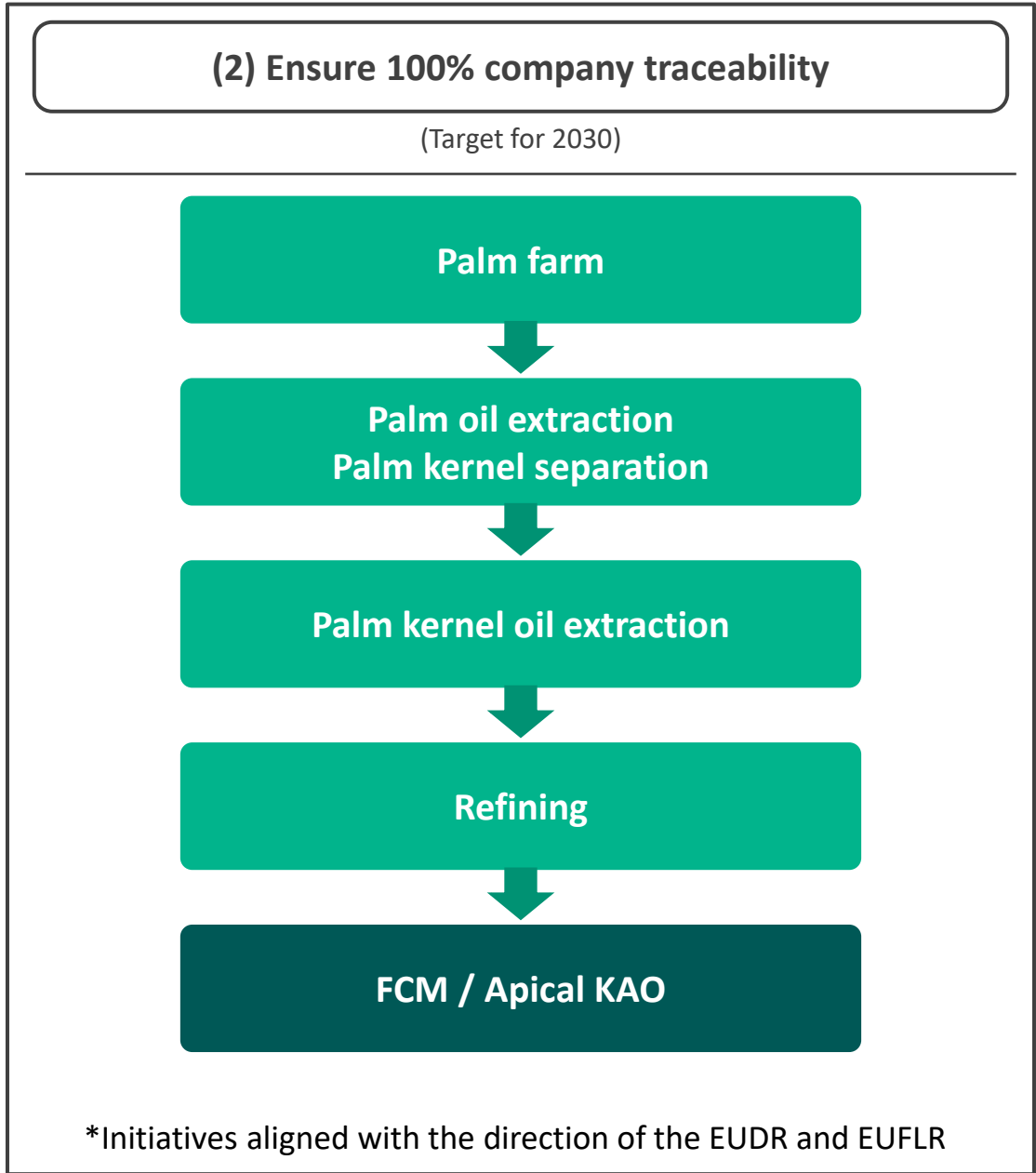


Figure 4

The disclosed mill list (potential list) is for management purposes, not a record of transactions

-Proactive risk management through broad supply chain visibility

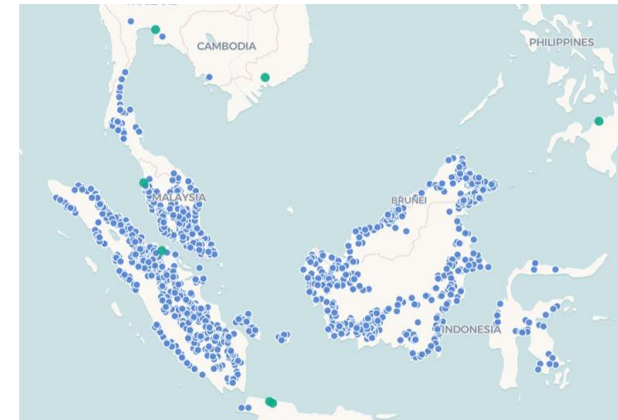
- The publicly disclosed mill list for monitoring purposes is a comprehensive list that includes (i) mills of direct suppliers and (ii) mills that such suppliers may potentially source from, and therefore includes mills with which the Company does not have actual transactions.
- Accordingly, Oasis’s assertions based on whether a mill is included in this list do not reflect the actual state of the Company’s practices.

Definition of Kao Mill List

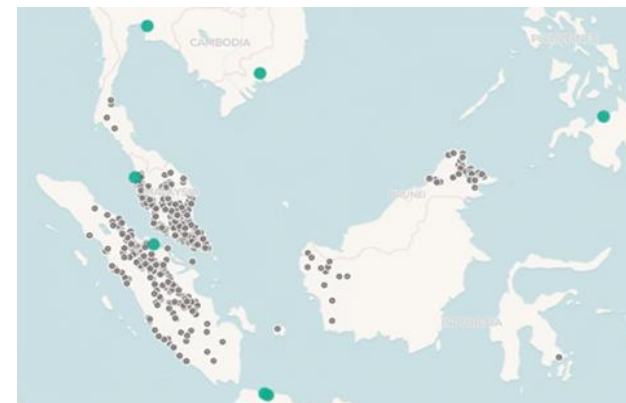
The Company’s mill list is a comprehensive list compiled based on mills that each supplier may potentially source from, and therefore includes mills with which the Company has no transactions.

- Just because a company is listed does not necessarily mean that a business relationship exists
- Kao discloses these suppliers as a “potential list” from the perspective of identifying risks within the supply chain that could potentially affect direct business partners, even though Kao does not currently have direct business relationships with them.

This reflects the Company’s approach of not uniformly excluding suppliers through transaction suspension, but instead evaluating the potential for improvement through long-term engagement.



Number of mills currently disclosed
1,722



Number of mills with actual transactions*
491

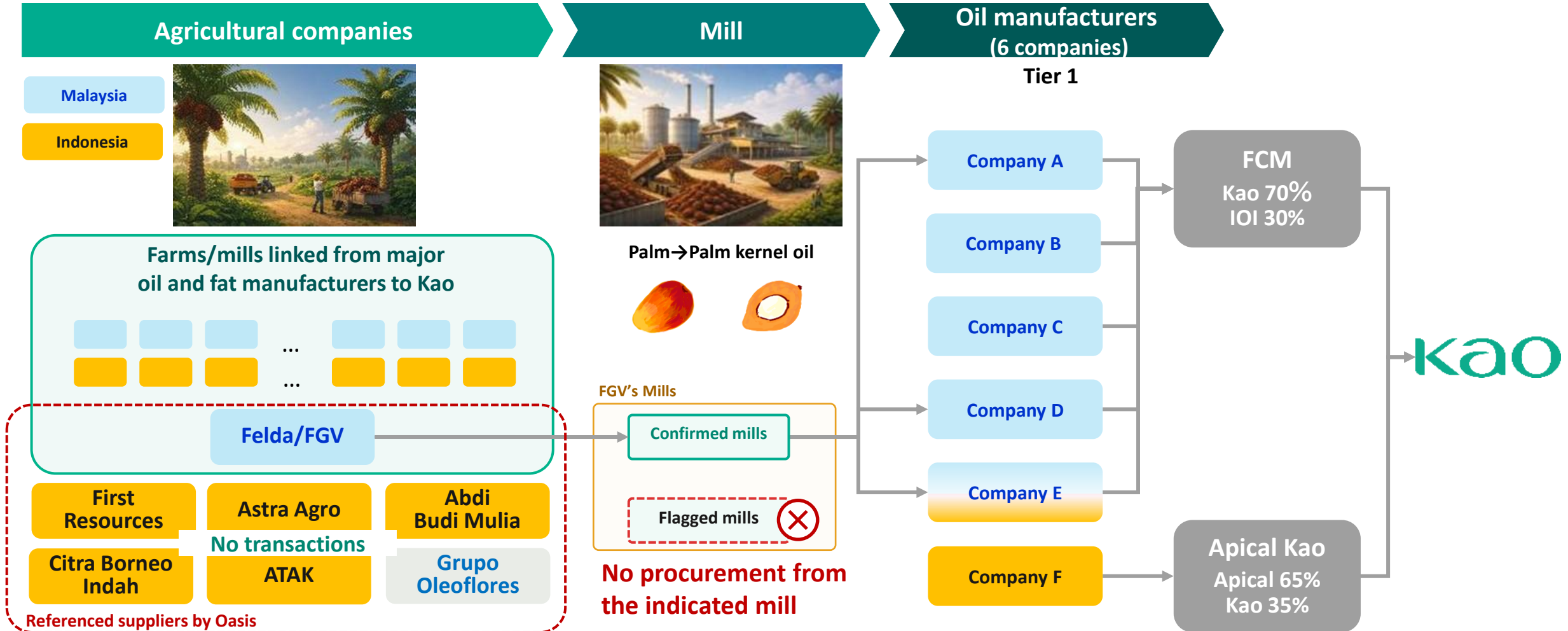
● Kao Group Mill

*Number of mills connected to Kao's fats and oils supply chain

Figure 5

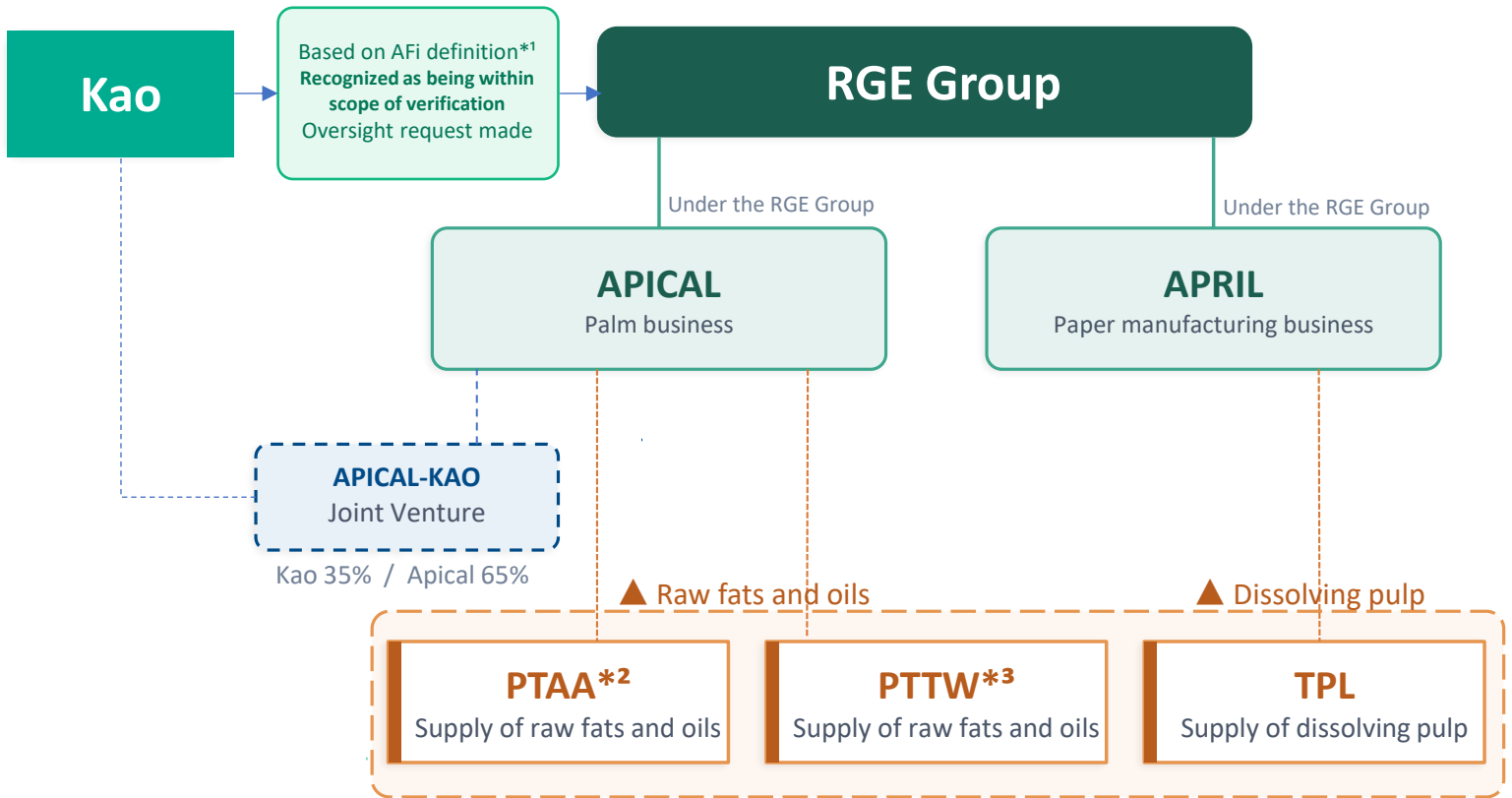
Oasis's referenced transaction list contains inaccuracies

- There are no indirect or direct transactions with flagged suppliers other than FGV and RGE
- With FGV, there are indirect transactions (through oil manufacturers), but there is no procurement from the flagged mills
- Continuous engagement is being conducted



Advancing supply chain management by strengthening oversight through third-party engagement

RGE (Royal Golden Eagle) Group — Transaction structure and our management system



- 1) Engagement through a joint venture**
We carry out engagement with the entire RGE group, including Apical, through our joint venture with Apical (Apical Kao).
- 2) Scope of verification based on the AFi definition**
All three identified companies are recognized as “companies within our scope of verification” based on the AFi definition, and we will continuously require oversight (investigation and remediation).
- 3) PTAA/PTTW — suspected shadow companies**
Based only on the information currently available it is not appropriate to conclude at this stage that it is a “shadow company” (Deloitte/Earthqualizer).
- 4) TPL — violent incident**
An independent third-party organization (PUG) has conducted investigations into the facts and proposed improvement measures, and the matter is currently under ongoing review by the FSC.

In addition to explanations and verifications by the RGE Group, the policy is to make appropriate judgments based on investigations by specialized third-party organizations.

*1 Accountability Framework Initiative: We require our suppliers and their group companies to fully comply with NDPE, regularly check progress, and conduct third-party audits (SMETA audits) when necessary. In cases of violations, we will take appropriate measures such as providing guidance for improvement or terminating business relationships.

*2 PT. Aditya Agroindo/DTK Opportunity Group (PTAA) *3 PT. Teguhkarsa Wanalestari (PTTW)

Addressing structural challenges faced by vulnerable smallholders through Grievance Mechanisms

Figure 7

Achieve prevention of issues and highly effective palm oil procurement through a broad hotline spanning the entire supply chain

	General Open Grievance Mechanism	Kao Grievance Mechanism (KGM)	Kao Compliance Hotline
	Passive collection	Proactive collection	Passive collection
Subjects	No restrictions	323 oil palm smallholders in Indonesia (direct transaction with Kao)	All stakeholders, no restrictions
Language	Primarily English	Can access and input in the local language of the country	Supports local language input in addition to English and Japanese
Access	Self-access to the claimant company's website	Registration support and data-entry assistance at registration On-site visits every 2 years for awareness-raising	Access the Kao website to submit reports
Scope	Mainly concerns related to the environment and human rights	Environment, human rights, productivity Certification and hygiene concerns	Compliance violations and all suspected cases
Actual inquiries	Mainly concerns from NGOs/media	Production/revenue 50%, forest conservation /certification 30%, human rights 5%, etc.	Harassment, interpersonal relations Related to work attitude
		► Proactive Prevention of Environmental and Human Rights Issues	

By strengthening open grievance mechanisms with Tier 1 suppliers, Kao is expanding its framework to directly capture on-the-ground concerns across the supply chain, enhancing both accessibility and effectiveness.

Enhancing supply chain transparency and expanding disclosure

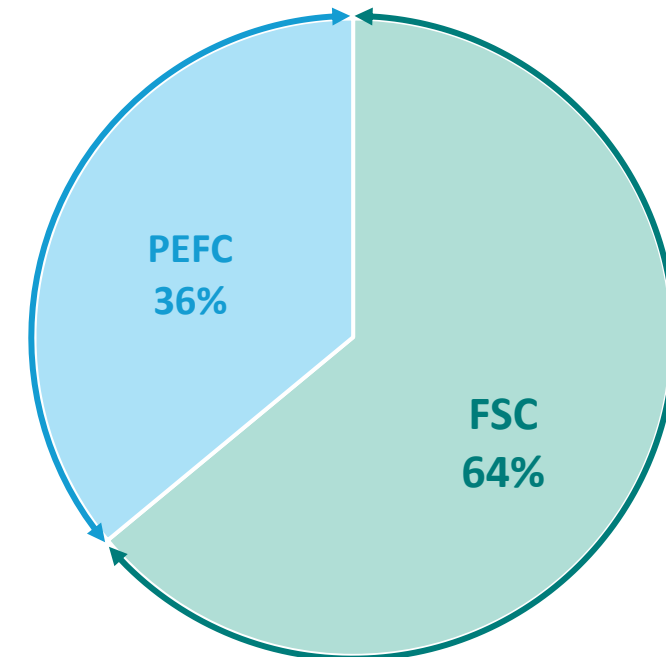
- For pulp and paper, we will actively purchase more strictly FSC-certified products while considering supply-demand and costs to carry out responsible procurement.
- In light of the complexity of the supply chain, the Company has begun developing a pulp and paper mill map to enhance disclosure.
- For the CDP questionnaire, we respond with the proportion of total sales accounted for by product categories that use the relevant raw materials.

Pulp and paper procurement policy

- We strive to ensure sustainable procurement in our pulp and paper sourcing policy by adopting third-party certified products such as FSC^{*1}, ensuring traceability to the forest, and collaborating with suppliers.
- In the pulp and paper sector, it is common to manage forest practices and handle complaints through forest certification schemes such as FSC and PEFC^{*2}, and we also manage forest-related risks by utilizing these certification systems. We have also confirmed forest management practices directly through dialogues with major pulp and paper manufacturers, visits to forests, and obtaining DCF^{*3} declarations from suppliers.
- Kao Group's FSC certification rate is 64%, which has been disclosed in our response to CDP.^{*4}
- To improve supply chain transparency, we will expand disclosure of information about major suppliers and the procurement status of certified materials.

Breakdown of certifications for our pulp and paper procurement

99.6% of the pulp and paper we purchase are certified, of which 64% are FSC-certified



*1 FSC: Forest Stewardship Council

*2 PEFC: Programme for the Endorsement of Forest Certification

*3 DCF: Deforestation and Conversion Free

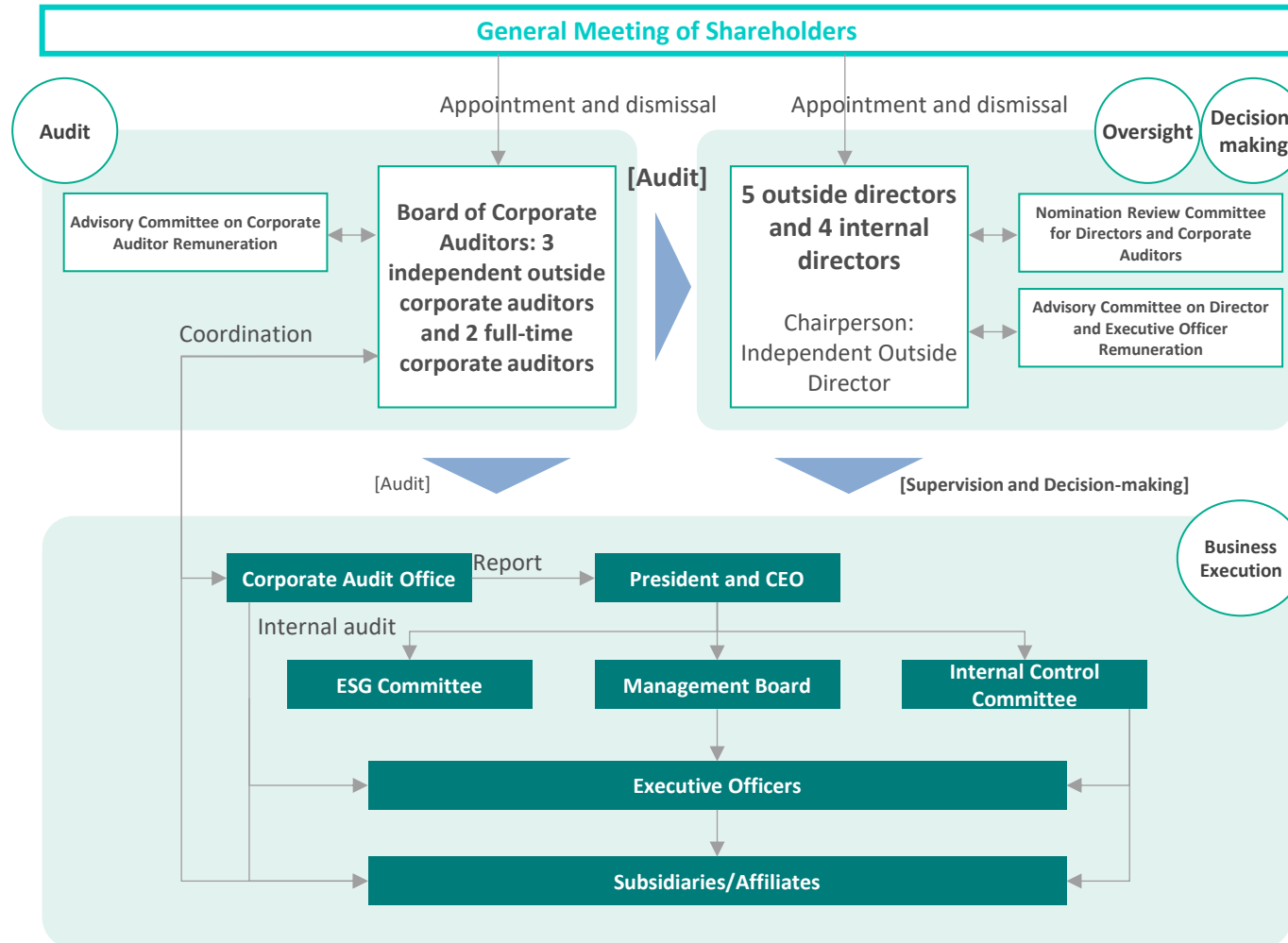
*4 CDP: Carbon Disclosure Project

Figure 9

Corporate Governance Structure

- ESG activities, evaluation of ESG indicators and their reflection in compensation, and compliance matters are properly supervised, decided, and handled under a governance structure centered on outside directors, and there are no relationships that would constitute conflicts of interest.

Corporate Governance Structure



Audit and Supervisory Board

- Matters involving directors and executive officers are reported to the auditors, and auditors take the lead, responding appropriately.

ESG Committee

- Comprised of executive management, it discusses and decides the direction of ESG activities and reports to the Board of Directors
- The ESG Committee reports its activities to the Board twice a year, and the Board provides oversight

Advisory Committee on Directors' and Executive Officers' Compensation

- Evaluation of ESG indicators and their reflection in compensation are deliberated by the compensation advisory committee, which is composed of a majority of outside members, and then decided by the Board of Directors
- Held 7 times in 2024 and 2025
- The President & CEO's individual evaluation is conducted solely by outside directors

Internal Control Committee

- Compliance Committee
- Information Disclosure Committee
- Information Security Committee
- Risk and Crisis Management Committee
- Responsible Care Committee
- Quality Assurance Committee

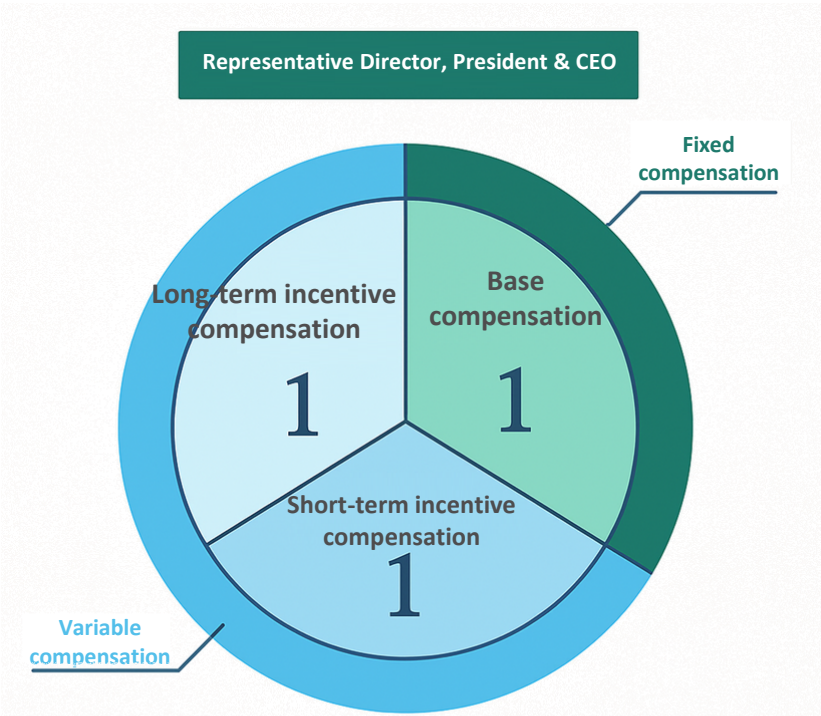
Figure 10

Composition of executive compensation and ESG elements

- For the Company’s long-term incentive compensation, while financial performance is the primary basis, ESG elements are incorporated from the perspective of promoting medium- to long-term corporate value creation.
- ESG factors account for approximately 9% of total compensation, and in addition to evaluation items linked to our ESG strategy “Kirei Lifestyle Plan” priority goals, assessments are quantitatively rated on a seven-point scale based on results from major ESG rating agencies.

Image of executive compensation

- For executive compensation for the representative director and president, the fixed compensation, long-term incentives, and short-term incentives are in a 1:1:1 ratio.



Breakdown items of each compensation

		Of total compensation Proportion (Until 2025)			
Long-term incentive compensation	Variable portion	Growth capability assessment (5-point scale) Sales, Profit, EVA(ROIC) 28%	9.3%		
		ESG capability assessment (7-point scale) KLP priority goal achievement ● Decarbonization (CO2 emissions reduction rate) ● Zero waste (plastic recycling rate) ● Ratio of female managers ● Number of serious compliance violations Evaluation results by major ESG rating agencies 10.5%		9.3%	
		Management capability assessment (7-point scale) Relative TSR evaluation 7%	4.7%		
		● Total return including dividends TOPIX comparison ● Benchmark company comparison Employee engagement survey results 7%			
	Fixed portion		30%	10%	
	Short-term Incentive Compensation	EVA-linked component		35%	11.7%
		Revenue and profit-linked component		35%	11.7%
Individual performance-linked component		30%	10%		
Base compensation				33.3%	

*In the case of the Representative Director, President & CEO

From 2026, for the president and CEO's remuneration, with respect to base salary we revised the ratio of short-term to long-term incentive compensation to 1 : 1 : 1.25.

Industry-leading evaluation from external rating agencies

CDP Triple A

Top rating across three areas:
Climate change, Water security, and
Forests (6th consecutive year)

S&P Global Yearbook member

Listed as a Yearbook Member of
The Sustainability Yearbook 2026

Ethisphere World's Most Ethical Companies®

Selected for 20 consecutive years
The only one in Asia
One of only six companies worldwide

*"World's Most Ethical Companies" and "Ethisphere" are registered trademarks of Ethisphere LLC.

Other ESG evaluations and certifications

- MSCI ESG Ratings (Kao leads industry peers in raw material sourcing management measures)
- Ratio of certified pulp and paper products 99.6% (independently assured by KPMG) / FSC certification rate 64% (disclosed in CDP response)

Kao's initiatives continue to be highly recognized by leading external assessment bodies.

Toward responsible sourcing of raw materials

Targets and key initiatives through 2030

Building a fully transparent and sustainable supply chain from raw material origins to final products, while demonstrating zero deforestation and respect for human rights globally

100% 2030

Plantation-level traceability
Current 91% → Target 100%

100% traceability of palm oil farms

100% 2030

Mill-level traceability
Current 82% → Target 100%

Achieve full visibility and traceability of palm kernel oil mills
Targeting 100% full traceability from plantations to mills

Independent Third-Party Review 2026

Completion of third-party review of identified areas
Human rights and environmental NGOs, global auditing firms, and other relevant organizations

Disclose findings and develop improvement action plans based on recommendations

2,000 2030

Expansion of Kao Grievance Mechanism (KGM) Coverage
Current: 323 farms → Target: 2,000 farms

Expand Kao's proprietary grievance mechanism coverage by approximately six times

7,000 2030

Support for certified smallholders
Current: 2,834 farms → Target: 7,000 farms

Expand support through sustainable agricultural practices
Achieve 100% responsible sourcing for internally used raw materials

Enhanced disclosure 2026–27

Information disclosure and governance

- ✓ Launch pulp & paper dashboard
- ✓ Disclose results of independent third-party review
- ✓ Strengthen governance through global ESG expertise

KaO

Kirei—Making Life Beautiful

