

April 16, 2026

To Our Shareholders

Kao Corporation
Yoshihiro Hasebe
President and CEO, Representative Director
(Securities Code: 4452, TSE Prime)

Kao's Response to the ISS Recommendation Regarding the Extraordinary General Meeting of Shareholders

Kao Corporation (“Kao,” “we,” or the “Company”) provides the following comments on the report issued by Institutional Shareholder Services Inc. (“ISS”) in connection with the Extraordinary General Meeting of Shareholders scheduled to be held on April 30, 2026.

We oppose ISS's recommendation in favor of the shareholder proposal regarding the appointment of investigators pursuant to Article 316, Paragraph 2 of the Companies Act to examine the status of the Company's operations and assets. As this recommendation differs from our position, we set out below our views on the rationale presented by ISS.

We respectfully request that shareholders consider the following supplementary information when exercising their voting rights.

Our Views on the ISS Recommendation Regarding the Appointment of Investigators Pursuant to Article 316, Paragraph 2 of the Companies Act

We oppose ISS's recommendation and the rationale underlying it with respect to this shareholder proposal.

ISS's recommendation does not adequately reflect the full scope of our supply chain management framework or the effectiveness of our governance. In addition, the ISS report includes a number of statements that appear to be based on assertions by Oasis Japan Strategic Fund Ltd. and Oasis Opportunities Fund One SPC – Echo SP (collectively, “Oasis”) without independent verification, and that differ from the facts as confirmed by us. We therefore provide the following clarification.

1. Factual Inaccuracies in the ISS Report

The ISS report states that “the findings were shared with the company, but Oasis believes the Board did not provide a substantive response.” It further notes that the proponent publicly shared a summary report on March 5, 2026.

We clearly disagree with the factual premise underlying this statement. We have no record of having received the investigation results that Oasis claims to have shared with us prior to March 5, 2026. The ISS report appears to have incorporated Oasis's unilateral assertion on this point without verifying the

facts with us and has relied on that assertion as part of the basis for its recommendation.

As a proxy advisory firm, verifying the consistency of the positions of both parties is a fundamental requirement. It is therefore regrettable that unverified assertions from one party appear to have been incorporated into the basis for the recommendation. We respectfully encourage ISS clients to take this discrepancy in the factual record into account when evaluating the recommendation.

2. Effectiveness of Supply Chain Management and Governance Framework

Kao's Chemicals business produces key raw materials for surfactants, including fatty acids and natural alcohols derived from palm kernel oil (PKO), through joint ventures with local partners. Our ability to maintain an integrated value chain, from raw material procurement and processing through to finished products, enables us to secure a stable supply of high-quality inputs through our proprietary oleochemical technologies. This represents a source of competitive advantage that is not easily replicated by other consumer goods manufacturers. In particular, the palm oil supply chain in Indonesia includes approximately two million independent smallholders, many of whom are in structurally vulnerable positions. As a company with direct upstream involvement, we cannot disregard the realities faced at the source of the value chain.

We are committed to leveraging our deep engagement in the supply chain not to avoid such challenges, but to address them. Supporting the development of plantations in producing regions, contributing to improved livelihoods for the people who depend on them, and strengthening the long-term foundation of our business through sustainable raw material procurement are, together, central to our mission as a company that assumes responsibility across the value chain.

We recognize supply chain risk as an important management issue. Under our NDPE (No Deforestation, No Peat, No Exploitation) policy, we have established and operate a management cycle comprising policy setting, due diligence, supplier engagement, monitoring, and disclosure. As a result, we have achieved traceability of 99% for oil palm mills and 91% for plantations, representing a high level within the industry.

We address regulatory developments, including the EU Deforestation Regulation (EUDR), through the use of certification systems and a high level of traceability, and have taken appropriate measures accordingly. We will continue to pursue further improvements in traceability.

The factual position regarding the supplier relationships identified by Oasis is as follows. Kao's public mill list (1,722 mills) is a potential list maintained for risk management purposes, whereas the number of mills actually connected to our supply chain through transactions is 491. For the suppliers identified by Oasis other than FGV and RGE, including Astra Agro Lestari and PT ATAK, we have confirmed that there are no direct or indirect transactions. In the case of FGV, no procurement has taken place from the mills identified. In relation to the U.S. forced labor import ban, we conducted ongoing engagement with FGV through our direct suppliers, including fact-finding and requests for remediation. The order was lifted in January 2026 following FGV's reacquisition of RSPO certification and completion of third-party verification. With respect to RGE, we continue to engage regularly by leveraging our position as a joint venture partner. We do not consider suspension of transactions to be the only effective response to underlying issues. Rather, we believe that maintaining visibility and engaging constructively are important means of driving improvement. We operate a two-layer

grievance framework comprising the Kao Grievance Mechanism (KGM), designed to support smallholders, and the Kao Compliance Hotline, which is available to all stakeholders across the supply chain. In 2025, we addressed 28 supply chain-related grievances raised by NGOs and customers.

ISS's comments on supplier disclosure

ISS notes that, unlike international peers such as Unilever, Procter & Gamble, and Colgate-Palmolive, Kao does not publicly disclose its pulp and paper suppliers. However, decisions regarding the scope, timing, and method of supplier disclosure are management judgments that must take into account each company's supply chain structure, contractual relationships, competitive environment, and applicable regulations.

The fact that some international peers disclose specific supplier lists does not establish a uniform industry standard that should be applied across all companies. Such disclosure must also consider supplier relationships, contractual confidentiality obligations, and potential impacts on suppliers' operations. While we are committed to enhancing disclosure, we believe this should be done in a responsible and effective manner, taking into account dialogue with relevant stakeholders.

ISS's comments on RSPO certification models

ISS characterizes the Book and Claim (B&C) model as a "the lowest certification" and positions other RSPO supply chain models, namely Identity Preserved (IP), Segregated (SG), and Mass Balance (MB), as higher-quality alternatives. It has also raised concerns regarding our use of B&C. We believe this assessment does not fully reflect the structure of the palm oil supply chain.

First, the four RSPO supply chain models, namely Identity Preserved (IP), Segregated (SG), Mass Balance (MB), and Book and Claim (B&C), are all officially recognized by the RSPO, and there is no hierarchy in the certification standards themselves. The differences among these models relate to the degree of physical segregation within the supply chain and do not indicate differences in the "quality" of certification. The RSPO also recognizes B&C as a valid supply chain model, and characterizing it as the "lowest certification" is not consistent with the design of the RSPO framework.

Second, a full transition to IP or SG models requires significant physical infrastructure within the supply chain, including dedicated storage tanks, transportation lines, and handling facilities. The feasibility of such a transition varies considerably depending on supplier scale and geographic conditions. In particular, for materials such as palm kernel oil, which are aggregated and processed from multiple mills, sourcing exclusively through IP or SG models is subject to technical and economic constraints. In this context, the use of B&C represents a practical and reasonable approach aligned with the realities of the supply chain.

Third, the purchase of B&C credits provides direct economic support to RSPO-certified producers. This is particularly important for independent smallholders, for whom certification entails significant costs. B&C credits serve as a meaningful economic incentive to maintain certification and support the transition toward sustainable production.

Kao considers the use of the Book and Claim (B&C) model to be a means of supporting the broader adoption of RSPO-certified palm kernel oil (PKO), which represents only around 20% of PKO supply, with PKO itself accounting for only approximately 10% of total palm oil and palm kernel oil production. We believe that evaluating certification models based on a simplified ranking of "quality" overlooks

both the complexity of the supply chain and the distinct role each model is designed to serve.

Governance framework

Outside directors constitute a majority of Kao's Board of Directors (five of nine), and the Chair is also an outside director. ESG matters are deliberated by the ESG Committee, and its activities are reported to the Board twice annually, through which the Board exercises oversight. Executive compensation incorporating ESG factors is deliberated by the Compensation Advisory Committee, which is composed primarily of outside directors and meets seven times annually, before being determined by the Board. The individual evaluation of the President and CEO is conducted solely by outside directors.

Kao's ESG initiatives have consistently received high evaluations within the industry from multiple external assessment organizations. The Company has received CDP "Triple A" ratings for six consecutive years, a distinction awarded to only 23 out of approximately 22,100 companies assessed (source: CDP official website, April 16, 2026), and has been selected by Ethisphere as one of the "World's Most Ethical Companies" for 20 consecutive years, the only company in Asia to receive this recognition. If the level of supply chain mismanagement alleged by Oasis were in fact present, it would be unlikely for the Company to sustain such evaluations.

Accordingly, the "serious, valid concerns" cited by ISS are not supported when assessed against the full scope of our management framework and demonstrated track record.

3. Our View on the Appropriate Form of Verification and the Proposed Shareholder Investigation Framework

As described above, we believe that risk management, internal controls, and Board oversight in relation to supply chain matters are already functioning effectively. Accordingly, we do not consider a comprehensive third-party review premised on a failure of the Company's overall control framework to be necessary.

First, we are not opposed to verification itself. Where objective and specialized third-party review is warranted for fact-finding purposes in relation to the supply chain, we intend to conduct such reviews with an appropriately defined scope. With respect to the RGE Group, we plan to conduct a multi-faceted review through an independent investigative body that combines objectivity and expertise. This body has been selected based on a recommendation from an NGO recognized for its rigorous work in environmental and human rights issues. We expect to obtain the results of this review within approximately six months and will appropriately disclose the findings together with any necessary improvement measures.

Second, the key issue in this case is not whether an investigation should be conducted, but how it should be conducted and under what governance framework. Our concern is not with the need for verification, but with the investigation framework proposed in the shareholder proposal. Under this framework, a single interested shareholder defines the issues, determines the scope of the investigation, and nominates the investigators. While Oasis emphasizes the "independence" of the investigation, it has selected and proposed all three investigators itself. The unilateral nomination of investigators by a shareholder holding 12.5% of Kao's shares raises concerns from the standpoint of neutrality with respect to all shareholders.

Third, the central issue in this matter is not to appoint broad-ranging investigators based on an assumption of deficiencies in the Company's overall control framework, but to establish the facts and implement necessary improvements in a focused and effective manner. Accordingly, what is required is not a comprehensive investigation led by an interested shareholder, but an appropriately scoped, independent review with the necessary expertise and objectivity. Based on this approach, we will conduct third-party reviews in areas where verification is warranted and will appropriately disclose both the findings and any resulting improvement measures.

In this context, we believe that ISS's conclusion that a "shareholder-mandated investigation seems preferable" does not sufficiently take into account either the validity and specificity of our independent third-party review approach or the neutrality concerns associated with the selection of investigators under the proposed framework. What is important is to conduct well-designed, independent and expert review in areas where it is genuinely required, rather than to adopt an investigation framework led by an interested party.

For detailed factual information, data, and supporting evidence relating to the points discussed above, please refer to the "Supplementary Explanation of the Board of Directors' Opinion on the Shareholder Proposal," published on April 8, 2026. That document provides detailed explanations of the effectiveness of supply chain management and traceability, the track record and expansion plan of the grievance mechanism, sustainable procurement of pulp and paper, the governance structure and external evaluations, and the Company's specific commitments and future initiatives.

Conclusion and Contact Information

In conclusion, we respectfully request that our shareholders and readers of the ISS report base their judgment not on unilateral assertions by Oasis, but on verifiable facts and the interests of all shareholders.

For inquiries, please contact:

Kao Investor Relations: ir@kao.co.jp

Please also refer to the following materials:

- Notice of the Board of Directors' Opinion on the Shareholder Proposal (March 27, 2026)
- Notice of Convocation of the Extraordinary General Meeting of Shareholders (March 28, 2026)
- Supplementary Explanation of the Board of Directors' Opinion on the Shareholder Proposal (April 8, 2026)