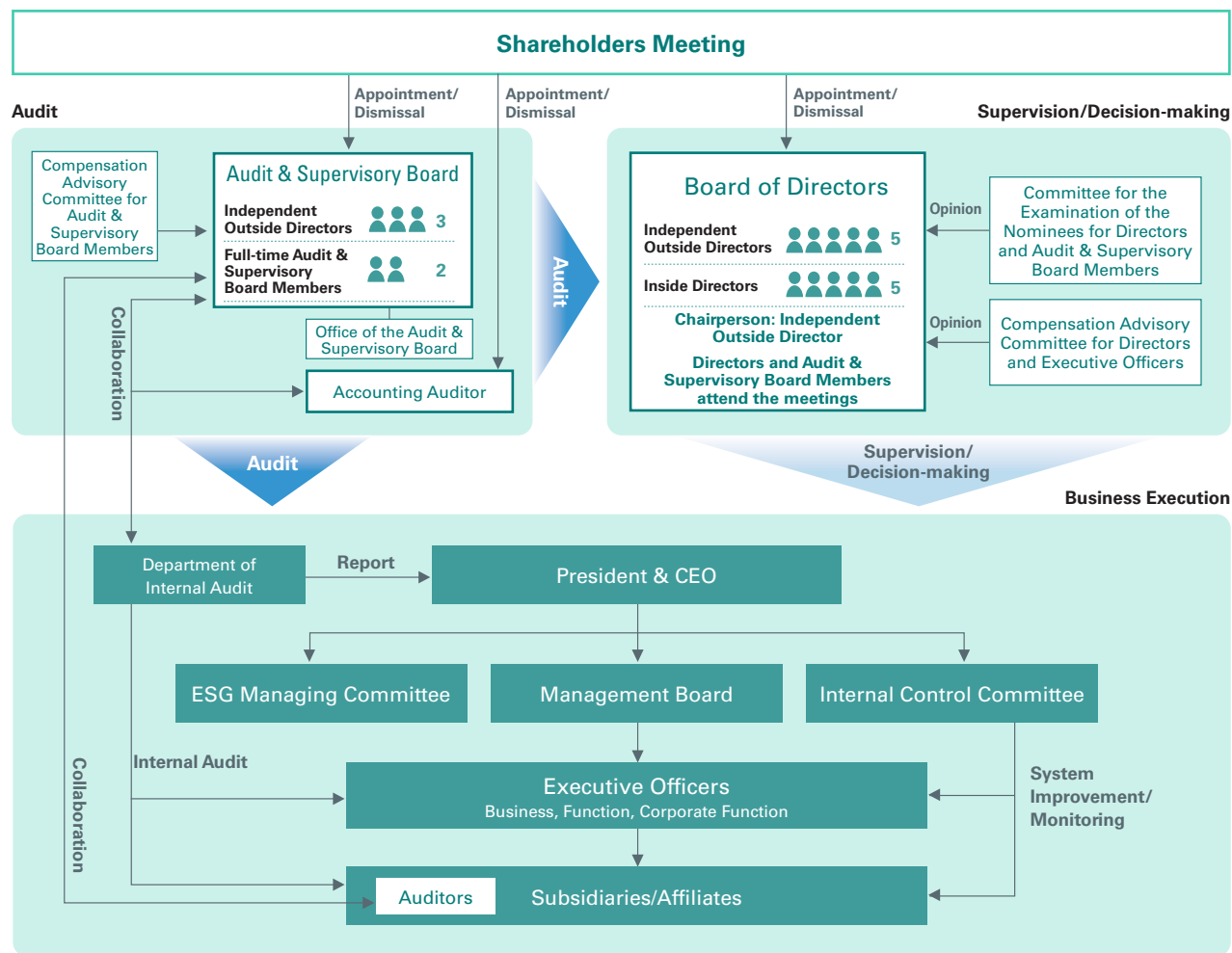


Corporate Governance GRI 2-9

Basic policy

In order to sustainably enhance corporate value over the long-term, Kao positions corporate governance as a top-priority management issue and continuously strengthens governance in both systems and operations. Kao's corporate governance is a framework for transparent, fair, prompt and decisive decisionmaking. It takes into account the perspectives of all stakeholders and responds in a timely and appropriate manner to changes that are increasingly diverse, complex, and difficult to predict so that we can contribute to society and continuously enhance corporate value. The foundations of our efforts to achieve this are establishing and operating the necessary management structures and internal control systems, implementing the necessary measures in a timely manner, and demonstrating accountability. In addition, we work to understand social trends at all times and actively engage in dialogue with stakeholders to review the status of corporate governance from time to time and implement appropriate and necessary countermeasures and improvements.

Corporate governance structure (As of March 24, 2023)



Corporate Governance GRI 2-9, 2-10, 2-11

Stance on balance among knowledge, experience and skills, and on diversity and the size of the Board of Directors

Kao stated the Vision of “Protecting future lives—Sustainability as the only path” in K25. In order to achieve this, the management team carries out operations in line with three policies; 1. Become an essential company in a sustainable world; 2. Transform

to build robust business through investment (Revitalize existing businesses and Create new businesses); 3. Maximize the power and potential of employees.

To supervise that the management team is executing business in accordance with the above policy, we believe it is important that Inside and Outside Directors and Audit & Supervisory Board Members can complement each other’s knowledge, experience and skills and the Board of Directors can demonstrate high effectiveness. We recognize that the Board of Directors can make better contributions toward driving business

and appropriate supervision and auditing when it has multifaceted perspectives informed by diversity in addition to knowledge, experience and abilities. We have a target for women to hold 30% of seats on the Board of Directors by 2025. We will reduce the size of the Board to achieve swift decision making, while taking care to maintain a good balance of diverse personnel. In addition, in order to ensure diversity and independence, outside members will occupy approximately half of the seats on the Board of Directors and Audit & Supervisory Board Members.

Skill matrix and attending organization

| | Name | Affiliation | | | Experience / Knowledge / Expertise | | | | | | | | | |
|-----------------------------------|-------------------|-----------------------|--------|---------------|------------------------------------|--------|-------------------------|-------------------|------------------------|----------|---------------------|-------|-------------------------|--------------------|
| | | Term of office | Gender | Nationality | Management | Global | Consumer goods industry | Chemical industry | Human capital strategy | Research | Environment/society | IT/DX | Legal / risk management | Finance/accounting |
| Directors | Michitaka Sawada | 14 years and 9 months | Male | Japan | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| | Yoshihiro Hasebe | 7 years | Male | Japan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| | Masakazu Negoro | — | Male | Japan | | ✓ | | ✓ | | | ✓ | | | ✓ |
| | Toru Nishiguchi | — | Male | Japan | | ✓ | ✓ | | | | | | | |
| | David J. Muenz | 1 year | Male | United States | | ✓ | ✓ | | | ✓ | ✓ | | | |
| | Osamu Shinobe | 5 years | Male | Japan | ✓ | | | | | | ✓ | | ✓ | |
| | Chiaki Mukai | 4 years | Female | Japan | | ✓ | | | | ✓ | ✓ | | | |
| | Nobuhide Hayashi | 4 years | Male | Japan | ✓ | ✓ | | | | | | | | ✓ |
| | Eriko Sakurai | 1 year | Female | Japan | ✓ | ✓ | | ✓ | ✓ | | ✓ | | | |
| | Takaaki Nishii | — | Male | Japan | ✓ | ✓ | ✓ | | ✓ | | | | | |
| Audit & Supervisory Board Members | Yasushi Wada | — | Male | Japan | | ✓ | | | | | ✓ | | ✓ | |
| | Sadanao Kawashima | 2 years | Male | Japan | | | | | | | | | | ✓ |
| | Hideki Amano | 6 years | Male | Japan | | ✓ | | | ✓ | | | ✓ | ✓ | |
| | Nobuhiro Oka | 5 years | Male | Japan | | | | | | | | ✓ | ✓ | |
| | Takahiro Nakazawa | 3 years | Male | Japan | | | | | | | | | ✓ | ✓ |

The areas of experience, knowledge, and expertise of each Director and Audit & Supervisory Board Member that are particularly expected of them are marked with a “✓.”

Corporate Governance GRI 2-9

Skill matrix and attending organization

| Name | Main reasons for marking “✓” | Attending organization | | | | | Attendance in FY2022 | |
|-----------|------------------------------|------------------------|---------------------------|---|---------------------------------|---|----------------------|-----------------------------------|
| | | Board of Directors | Audit & Supervisory Board | Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members | Compensation Advisory Committee | Compensation Advisory Committee for Audit & Supervisory Board Members | Directors | Audit & Supervisory Board Members |
| Directors | Michitaka Sawada | ✓ | | | ✓ | | 100%(14/14) | — |
| | Yoshihiro Hasebe | ✓ | | | ✓ | ✓ | 100%(14/14) | — |
| | Masakazu Negoro | ✓ | | | ✓ | | — | — |
| | Toru Nishiguchi | ✓ | | | | | — | — |
| | David J. Muenz | ✓ | | | | | 100%(11/11) | — |
| | Osamu Shinobe | Chair | | ✓ | ✓ | ✓ | 100%(14/14) | — |
| | Chiaki Mukai | ✓ | | Chair | ✓ | | 100%(14/14) | — |
| | Nobuhide Hayashi | ✓ | | ✓ | Chair | | 100%(14/14) | — |
| | Eriko Sakurai | ✓ | | ✓ | ✓ | | 100%(11/11) | — |
| | Takaaki Nishii | ✓ | | ✓ | ✓ | | — | — |
| Auditors | Yasushi Wada | ✓ | Chair | | | | — | — |
| | Sadanao Kawashima | ✓ | ✓ | | | | 100%(14/14) | 100%(9/9) |
| | Hideki Amano | ✓ | ✓ | ✓ | ✓ | Chair | 100%(14/14) | 100%(9/9) |
| | Nobuhiro Oka | ✓ | ✓ | ✓ | ✓ | ✓ | 100%(14/14) | 100%(9/9) |
| | Takahiro Nakazawa | ✓ | ✓ | ✓ | ✓ | ✓ | 100%(14/14) | 100%(9/9) |

Members attending each organization are marked with “✓”

Corporate Governance GRI 2-9

Reasons for selection based on experience/knowledge/expertise

| Experience/knowledge/expertise | Reasons for selection |
|---|---|
| Management | In order to effectively supervise the business execution by management and realize appropriate risk-taking and aggressive governance that encourages prompt and bold decision-making, it is necessary to have experience as top management. |
| Global | As part of its global strategies, we aim to provide one-of-a-kind value and shift to a local production for local consumption model. In order to properly offer advice and supervise the execution of these activities, it is necessary to have experience and insight in management positions outside Japan and at non-Japanese companies. |
| Consumer goods industry / chemical industry | In order to effectively supervise business execution through discussions with a bird's-eye view of our entire business domain and insight into future prospects, it is important to have a deep understanding of the business environment and market characteristics in the consumer goods and chemical industries. |
| Human capital strategy | Employees are our most important assets. In order to sustainably enhance corporate value, we have formulated and executed a human capital strategy based on our corporate strategy. It is necessary to supervise the adequacy and progress of this human capital strategy from expert knowledge and experience. |
| Research | Our research is the driving force behind the creation of innovative, high-value-added products and services and the enhancement of corporate value. It is necessary to supervise the maintenance and development of our research system and the effective utilization of the created technology assets. |
| Environment / society | In order to supervise the formulation and execution of ESG strategies that are integrated with our corporate strategies, it is necessary to have an understanding of global trends in ESG and specialized knowledge of environmental and social issues. |
| IT / digital transformation (DX) | In order to realize K25, we believe that it is essential to have innovative initiatives that actively utilize IT and digital transformation, such as new business creation, digital marketing and digital communications, which are not an extension of existing initiatives. (Utilize executive officers and external human capital to compliment supervision by the Board of Directors.) |
| Legal / risk management | It is an important challenge in management to recognize various risks in corporate activities, manage them appropriately, and respond strategically, proactively, and ex post facto to legal matters. |
| Finance / accounting | It is a natural responsibility to ensure the reliability of financial reporting. In order to sustainably enhance corporate value by conducting management in consideration of the improvement of profitability and capital efficiency, based on appropriate capital allocation from a company-wide perspective, it is necessary to have experience, knowledge, and expertise in finance and accounting. |

Succession Plan

Kao places its human capital strategy, including measures for successors to the President and CEO, as a top-priority issues in management. Continued deliberations on this topic are held among the Board of Directors and the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members. With regard to succession planning for the President and CEO, we have indicated the requirements for human capital with a view toward the management environment in the next generation, and we are updating our list of successor candidates. We are also using a skill matrix for developing each

candidate and are deliberating on the insight and experience to reinforce going forward.

In FY2022, the President and CEO indicated the status of succession planning as described above. After deliberation on this point, a response was given regarding the need to suitably deliberate and execute the plan for developing candidates, as well as to make continual updates based on the business environment and the status of candidate development. These matters were reported to the Board of Directors. In addition, with respect to evaluation of the effectiveness of this Committee, it was noted that there is a need to continue deliberations and provide opportunities for Committee members to understand candidates better.

Corporate Governance GRI 2-13

Board of Directors

The Board of Directors deliberates on major subjects regarding our management direction from multiple perspectives, and supervises the appropriate execution of management strategy based on diverse viewpoints. It also builds an environment to enable offensive management, by establishing an internal control system and risk management system.

In FY2022, we held an open-minded exchange of opinions about multiple topics including our vision for the Board of Directors and our human capital strategy. In addition, each month the Board receives business execution reports on the major topics deliberated by the Management Board.

Activities of the Board of Directors—Discussion and implementation of further strengthening supervisory functions and delegation of authority to executive organizations

In FY2022, the Board of Directors deliberated with a focus on the following issues:

| Theme | Details of deliberation |
|---|---|
| How the Board of Directors should function | <p>The Board of Directors discussed the ideal functions of its meetings and the following directions were confirmed: Kao's Board of Directors will conduct a substantial delegation of authority to the executive organizations, and further strengthen its monitoring function to encourage appropriate risk-taking by management and prompt and bold decision-making. In particular, the Board of Directors will effectively supervise the appropriate allocation of management resources, including human capital, and the adequate implementation of strategies by management. It also recognizes that it is the responsibility of the Board of Directors to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.</p> <p>Based on the direction we are aiming for, the Board of Directors also discussed the following issues.</p> <ul style="list-style-type: none"> • Revision of the criteria for submission of agenda items to the Board of Directors • Monitoring the progress and issues of the Mid-term Plan • Discussion of knowledge, experience, and skills required by the members of the Board of Directors |
| Human capital strategy | <p>Discussions were held on the portfolio of human resources and organizations to confirm whether strategies and plans for maximizing the power and potential of employees and maximizing the use of human resources are appropriately formulated and implemented. It was pointed out that the Company should define roles and human resource requirements that will be necessary for future growth, rather than as an extension of existing strategies, and secure human resources strategically by systematically developing employees and appointing them from outside organizations. We will continue to confirm that these measures are being implemented, leading to fruitful results. We also discussed the progress and the results of the Objectives and Key Results (OKR). We will confirm that members of the Group will increasingly take on a variety of challenges and that further collaboration will be promoted through dialogue.</p> |
| M&A strategies | <p>After indicating the direction of corporate strategy and business transformation based on the business environment and competitive situation, we discussed the areas, factors, and estimated scale that should be acquired through M&A to strengthen our business portfolio. We will continue to review the effectiveness of the strategy and progress of the plan.</p> |
| Sustainability (climate change risks/ human rights, etc.) | <p>The Board of Directors received reports on the latest trends and Kao Group's initiatives on major ESG issues, such as climate change risks and opportunities (TCFD compliance), sustainable palm oil procurement (including human rights), and biodiversity, and confirmed the status of their promotion.</p> <p>We also discussed the need for ESG to be included into growth strategies and profitability. We will continue to review issues related to sustainability.</p> |

Please refer to the Corporate Governance Report for matters to be deliberated by each committee.

<https://www.kao.com/global/en/corporate/policies/business-risks/>

Corporate Governance

Evaluation of the effectiveness of the Board of Directors

Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board of Directors, we conduct an annual evaluation in order to make improvements aimed at enhancing its effectiveness. We believe that it is effective for all members who participate in meetings of the Board of Directors to conduct an evaluation using a method that entails expressing their own opinions and engaging in free and open discussion. Accordingly, we are currently conducting self-assessment by participating members at a Board of Directors meeting. However, recognizing the usefulness of evaluation from an objective perspective, we continue to consider the introduction of third-party evaluations.

For the FY2022 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held in January 2023, a survey of the nine Directors and five Audit & Supervisory Board Members was conducted on the topics below. Feedback on the results was then provided before the meeting, during which the discussions and exchange of opinions were conducted.

Results of the FY2022 evaluation of effectiveness of the Board of Directors

1. Structure, status of operation and deliberations of the Board of Directors

| FY2021 Issues | FY2022 Initiatives | Evaluation | Future Initiatives |
|---|--|--|--|
| Further improvements are expected to ensure substantial discussion at meetings of the Board of Directors. | <ul style="list-style-type: none"> Sent materials before meetings and received questions in advance. Allocated half of the available meeting time to presentations and the other half to Q&As. | <ul style="list-style-type: none"> The Board operated effectively in general. There were times when the information in reports was too granular, resulting in unfocused discussion. Participants engaged in free, open, and constructive discussion, but in some cases, there was not enough time for substantial discussion. | <ul style="list-style-type: none"> Use a report format to clarify the key points for discussion and reports. Share Q&As with all participants in advance so that more time can be allocated to substantial discussion based on those Q&As. |

2. Agenda item selection and discussion

| FY2021 Issues | FY2022 Initiatives | Evaluation | Future Initiatives |
|---|---|--|---|
| Necessary measures will include deepening discussions of issues that impede the achievement of K25, measures to resolve those issues, and actions to be prioritized, as well as conducting regular verification with greater awareness of PDCA | <ul style="list-style-type: none"> Discussed M&A strategies and global strategies for achieving K25. Created and distributed a table showing the status of progress of K25. Had each of the businesses make reports. | <ul style="list-style-type: none"> Information on the progress of K25 was shared. Issues to be addressed in achieving K25 and interim summaries needed to be discussed in greater depth, including quantitatively. There was a need for stakeholder relations strategies. | <ul style="list-style-type: none"> Further visualize management indicators and deepen discussion of issues to be addressed in achieving K25 and interim summaries. Present reports at the Board of Directors meetings before and after IR activities. |
| Human capital strategy is a management issue for ongoing consideration, and it is necessary to deepen discussions of issues including the allocation, promotion and training of human capital needed for realizing K25 and the evaluation of executive staff. | Discussed human capital strategy reflecting business environment changes and business strategy (three times). | <ul style="list-style-type: none"> Human capital strategy was thoroughly discussed in FY2022. There was a need for further discussion regarding matters such as relation to business strategy. | Have Executive Officers engage in deeper discussion of human capital strategy, present reports and discussion at Board of Directors meetings. |

Although ongoing initiatives and improvements are needed for continuing verification and discussion of internal control, the FY2022 evaluation concluded that internal control was being properly supervised. Some participants felt that there was a need for priority discussion of structural reforms under Reborn Kao and progress on Another Kao including M&A and other matters in addition to the verification of K25 and human capital strategy.

For the results of the evaluation of effectiveness of Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and Compensation Advisory Committee for Directors and Executive Officers, please refer to the Corporate Governance Report.

<https://www.kao.com/jp/corporate/policies/corporate-governance/>

Corporate Governance GRI 2-18

The Audit & Supervisory Board

The Audit & Supervisory Board Members are entrusted by shareholders to audit Directors' execution of duties from an independent standpoint, aiming to achieve the sound and sustainable growth of the Kao Group and establish governance that meets the trust of stakeholders.

In FY2022, we conducted auditing activities with a shared sense of urgency and the necessity of reforms recognized by management with regard to the status of implementation of corporate strategy and the status of response to management environmental risks. We adopted a policy which recognizes that stakeholders are demanding a higher level of effective governance and an active disclosure of information.

Particularly important points in Audit & Supervisory Board Members' activities

Lively exchange of opinions

The Audit & Supervisory Board Members attend important meetings and put emphasis on the decision-making process for reaching resolutions, and express their opinions as appropriate.

Dialogue with people at the actual sites (*Genba*)

In addition, the Audit & Supervisory Board Members conduct on-site audits and interviews of each division and subsidiary and affiliates. By placing importance on dialogue with people at the *Genba*, they confirm the degree of how well corporate strategy is being shared and whether proactive efforts are being made. They also identify any issues that occur at the *Genba*. At least one Outside Audit & Supervisory Board Member has participated in approximately 70% of the interviews.



Visit and hearing by auditors at the Wakayama Plant

Composition and execution of duties of the Audit & Supervisory Board

The Audit & Supervisory Board consists of two Full-time Audit & Supervisory Board Members with internal execution experience and diverse knowledge and three Outside Audit & Supervisory Board Members with respective expertise and abundant experience.

In January 2022, the Office of the Audit & Supervisory Board (with five members) was newly established, to assist the Audit & Supervisory Board Members with their duties and to allow the members to serve concurrently as Auditors of subsidiaries.

Deliberations by the Audit & Supervisory Board

Number of meetings held: 9

Attendance rate: 100%

Duration: Average of 2 hours and 14 minutes

17 resolutions

Audit annual plan, audit report, etc.

38 matters considered

Audit findings, the effectiveness of the group governance, etc.

Evaluation of the effectiveness of the Audit & Supervisory Board: Discussions at the Audit & Supervisory Board based on the results of the questionnaire led to the conclusion that the system at the Board as a whole was functioning effectively during FY2022.

Corporate Governance

Major contents of the evaluation

- The Audit & Supervisory Board conducts frank exchanges of opinions.
- The agenda items are proactively selected matters to be considered.
- Information sharing and support by the newly established Office of the Audit & Supervisory Board have been also strengthened.

Going forward, we hope to deepen discussions on the skill matrix of the Audit & Supervisory Board, which aims for greater diversity.

| Key audit items | Audit method | Activity results and evaluation of effectiveness |
|--|---|---|
| Status of execution of duties by Directors | Attend meetings of the Board of Directors to confirm the status of deliberations | All Audit & Supervisory Board Members attended all meetings. All of them actively expressed their opinions. |
| | Attend important meetings such as the Management Board to confirm decision-making process and request explanations as necessary | Attendance rate was 100%, reviewed decision-making process and commented on matters to be considered. |
| | Exchange opinions with management | Representative Directors of Kao (5 times); Outside Directors (2 times); Executive Officers with titles (6 times); Representative Directors of important subsidiaries (3 times); Recognition of management issues and future governance were shared through frank exchanges of opinions. |
| | Conduct on-site audits and interviews of worksites, divisions, subsidiaries and affiliates within and outside Japan (including confirmation of priority audit items such as internal control.) | 114 times <ul style="list-style-type: none"> • Emphasized dialogue (1,136 comments from Audit & Supervisory Board members) • Confirmed improvement status at a later date after completion of action on audit findings. Shared details with Executive Officers along with excellent <i>Genba</i> initiatives. |
| | Attend the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and Compensation Advisory Committee for Directors and Executive Officers | 11 times |
| Effectiveness of the Group governance | <ul style="list-style-type: none"> • Systematize and improve the effectiveness of the Kao Group's structure of Audit & Supervisory Board Members. (Kao, subsidiaries, affiliates) • Improve the effectiveness of audit activities under Group management | <ul style="list-style-type: none"> • Commenced a system in which members of the Office of the Audit & Supervisory Board concurrently serve as auditors of subsidiaries • All Auditors of subsidiaries and affiliates regularly exchanged opinions to identify and review risks (6 times) • Introduced effectiveness evaluation of the Audit & Supervisory Board at important subsidiaries, and provided training to improve their skills |
| | <ul style="list-style-type: none"> • Exchange opinions between the Accounting Auditor and Audit & Supervisory Board Members and report accounting audit results at Board of Directors meetings | <ul style="list-style-type: none"> • Exchanged opinions (21 times); Reported at meetings of the Board of Directors (2 times) • Audit plan, accounting audit results, key audit items, nonassurance service management, audit quality, etc. • Held global meetings to exchange opinions with auditors within and outside Japan |
| Development and operation of internal control | Conduct on-site audits and interviews of worksites, divisions, subsidiaries and affiliates within and outside Japan | Confirmed results of self-inspections and external audit, and also the status of development and operation of internal control systems |
| | <ul style="list-style-type: none"> • Conduct interviews with the divisions in charge of the second line of internal control • Attend or check minutes of the Internal Control Committee and each affiliate committee • Check the response status of the Compliance Hotline | <ul style="list-style-type: none"> • Conducted quarterly or semi-annually • Self-inspections and monitoring are taking hold, and responses to issues to deal with have been handled appropriately in principle. • Timely reports are also made to Audit & Supervisory Board Members. |
| | Exchange information with the Department of Internal Audit which is the division responsible for internal auditing | 4 times |
| | Evaluate the construction and operation status of the internal control system using a checklist | Generally effective |
| Proactive disclosure | Evaluated the Company's disclosure status by investigating external requests and disclosure status. | <ul style="list-style-type: none"> • Recommended the points that can be evaluated and points for improvement when exchanging opinions with Management and to related departments. Confirmed the development of the promotion system and the information disclosure status. • Proactively disclosed activities of the Audit & Supervisory Board Members |

Corporate Governance GRI 2-19, 2-20

Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers

The compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is aimed at: (1) securing and retaining diverse, outstanding human capital to establish and enhance our competitive advantage; (2) driving concerted initiatives to promote sustainable enhancement of corporate value; and (3) sharing interests in common with shareholders. We have introduced a performance-based share remuneration plan with the aim of boosting awareness of contributing to improvements in our corporate value over the mid- to long-term.

With respect to long-term incentives, we conduct multifaceted evaluations based on three perspectives: business growth indicators and ESG activity indicators, alongside management indicators measured through evaluations in employee engagement surveys and other methods.

With respect to short-term incentives, we have adopted EVA to spur long-term enhancement in corporate value, and the consolidated net sales and profit indicators to promote our daily business activities and foster a sense of unity with our employees. From FY2023, the individual evaluation applied to all Directors except Outside Directors will be more flexible. The Company has also decided to introduce an evaluation confirmation process by Outside Directors and Outside Audit & Supervisory Board members to ensure objectivity and transparency.

| | | |
|--------------------------------------|---|---|
| Variable bonus | EVA-linked part | Short-term incentive compensation In addition to "EVA" and "consolidated net sales/income," reflect "individual evaluation" in variable bonuses |
| | Consolidated net sales/profit-linked part | |
| | Individual performance evaluations | |
| Performance-based share remuneration | | Long-term incentive compensation Evaluate in three perspectives: "business growth," "ESG activities," and "top management activities" |
| Base salary | | |

Summary of Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

| | Base salary | Short-term incentive compensation (Performance-based bonus) | Long-term incentive compensation (Performance-based share incentive) |
|---|---|--|---|
| Eligible for provision | <ul style="list-style-type: none"> Directors Executive Officers Auditors | <ul style="list-style-type: none"> Directors (Except for Outside Directors) Executive Officers | <ul style="list-style-type: none"> Directors (Except for Outside Directors) Executive Officers |
| Applicable period | — | 1 year | 5 years (2021–2025) |
| Method of provision | Amount determined in accordance with role and rank, and provided as fixed monthly compensation | Amount of bonus determined in accordance with degree of achievement of single fiscal-year targets and provided | Kao shares, etc., are delivered within a five-year target period covered by the current mid-term plan. |
| Clawback | No | No | In the case of a serious compliance violation by the individual in question during the period from the start date of coverage by the system to three years after the final delivery of shares and so on, the Company claims that the delivered shares and so on must be returned. |
| Performance evaluation period | — | 1 year | 5 years (2021–2025) |
| Coefficient / Determination of payout ratio | — | The payout ratio is determined within the range of 0–200% in accordance with the degree of achievement of each indicator. | The coefficient for the variable part is determined within the range of 0–200% in accordance with the degree of achievement of each indicator. |
| Compensation structure | — | Bonus amount by position when the payout ratio is 100% <ul style="list-style-type: none"> President and Chief Executive Officer: 50% of base salary Executive Officers with titles: 40% of base salary (except for the President and Chief Executive Officer) Other Executive Officers: 30–35% of base salary | The yearly share remuneration amount when the variable component coefficient is 100% About 30–50% of the base salary of the position |

Corporate Governance GRI 2-19, 2-20

Evaluation indicator and criteria for short-term incentive compensation

| Evaluation indicator | Weight ^{*1} | Evaluation criteria |
|---|----------------------|---|
| EVA | 25-35% | Degree of target achievement |
| Consolidated Net Sales and Income ^{*2} | 25-35% | Degree of target achievement / Degree of year-on-year improvement |
| Individual performance | 50-30% | Degree of individual OKR achievement |

*1 The weight of 3 indicators is determined by position.

*2 Gross profit less selling and general and administrative expenses

Evaluation indicator and criteria for long-term incentive compensation

| Evaluation indicator | Weight | Evaluation criteria |
|---------------------------|--------|---|
| Business growth | 40% | Business growth rate of net sales, profit, etc. |
| ESG activities | 40% | Evaluation by external indicators, and extent of achievement of internal goals (such as the Kirei Lifestyle Plan), etc. |
| Top management activities | 20% | Evaluation of management activities by Kao employees, etc. |

Method of provision of long-term incentive compensation

| Type | Composition ratio indicator | Method |
|---------------|-----------------------------|--|
| Fixed part | 30% | Deliver a set number of shares, etc. each year. |
| Variable part | 70% | Delivery of shares, etc. when executive officers resign from their post in accordance with the results achieved in initiatives and activities undertaken as part of the mid-term plan. |

Compensation structure for directors



*1 In the case of the Representative Director, President and Chief Executive Officer.

*2 In the case where the variable component coefficient and the payout ratio are both 100%.

Compensation paid to Directors in FY2022

| Classification / number of persons / aggregate amount of remuneration | Amount of remuneration by type (Millions of yen) | | | | | | |
|--|--|-----------------------------|--|-------------|-----------------------------------|--|---|
| | Classification | Number of persons (persons) | Aggregate amount of remuneration (Millions of yen) | Base salary | Short-term incentive compensation | Long-term incentive compensation Variable part | Long-term incentive compensation Fixed part |
| Directors (of Outside Directors) | | 10 (5) | 600 (75) | 406 (75) | 48 (—) | 110 (—) | 36 (—) |
| Audit & Supervisory Board Members (of Outside Audit & Supervisory Board Members) | | 5 (3) | 110 (43) | 110 (43) | — (—) | — (—) | — (—) |
| Total (of Outside Directors and Audit & Supervisory Board Members) | | 15 (8) | 710 (118) | 516 (118) | 48 (—) | 110 (—) | 36 (—) |

The variable part (performance-based part) of the long-term incentive compensation (performance-based share incentives) will be determined after the final year of our Mid-term Plan 2025, which covers the five fiscal years from 2021 to 2025, and therefore, the variable part (performance-based portion) is the amount recorded as a provision for the most recent fiscal year.

Compensation paid for individual directors in FY2022

| Name / aggregate amount of remuneration / corporate classification | Amount of remuneration by type (Millions of yen) | | | | | |
|--|--|--|--------------------------|-------------|-----------------------------------|--|
| | Name | Aggregate amount of remuneration (Millions of yen) | Corporate classification | Base salary | Short-term incentive compensation | Long-term incentive compensation Variable part |
| Michitaka Sawada | 130 | Submitting company | 104 | 0 | 18 | 8 |
| Yoshihiro Hasebe | 147 | Submitting company | 87 | 19 | 29 | 12 |

Only Director remuneration amounts totaling over 100 million yen are listed.