Governance

Kao's ESG governance is carried out under the supervision of the Board of Directors, with the President & CEO, other Executive Officers, and each division and group company responsible for business execution. By incorporating objective and advanced perspectives from Outside Directors and experts, Kao has established a framework that facilitates precise decision-making by management, swift execution by each division, and the promotion of innovation.

Kao's ESG governance

We have a flexible and robust ESG governance structure in order to swiftly respond to the major changes taking place globally, aiming to expand business and to address social issues. Our ESG governance provides a system for supervising and promoting initiatives, incorporates environmental (E) and social (S) perspectives into Kao's management and business activities, and supports the realization of the Mid-term Plan "K27" as well as the mid- to long-term corporate value enhancement beyond this plan.

Under this system, the President and CEO, other Executive Officers, as well as divisions and group companies are responsible for executing business operations under the supervision of the Board of Directors. Characteristics of this system include the ability to ensure swift and targeted implementation and to promote the creation of innovation by incorporating third-party perspectives from Outside Directors and experts into management decisions and new businesses.

Supervision by the Board of Directors

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.

The Board of Directors ensures that it has the appropriate knowledge, experience, and competence to supervise ESG issues. In order to oversee overall management from multiple perspectives, we consider a balance of expertise and position environmental and social matters also as requiring specialized knowledge to address. Therefore, we appoint a number of Directors and Audit & Supervisory Board Members who are well-versed in these matters. The Board of Directors receives regular reports twice a year from the ESG Managing Committee, which deliberates and discusses ESG issues, and oversees the execution status. The Board of Directors also makes decisions on significant matters that meet the criteria for Board referral.

- Corporate Governance Report [Principle 4.1] Roles and Responsibilities of the Board (1)
  https://www.kao.com/global/en/corporate/policies/corporate-governance/
- Corporate Governance, The Board of Directors
  https://www.kao.com/global/en/corporate/policies/corporate-governance/directors/
- Integrated Report 2026, P56-57 Corporate Governance Structure
  https://www.kao.com/jp/investor-relations/library/reports/

Overview of the Incentive Compensation System

The Board of Directors determines the incentive compensation system and performance evaluation framework following deliberation by the Compensation Advisory Committee, whose majority members are Outside Directors. For individual performance evaluations of Directors, Outside Directors evaluate the President & CEO. The Compensation Advisory Committee evaluates other Directors through deliberation among its members.

Overview of the Incentive Compensation System and ESG Indicators

Short-term incentive compensation		Long-term incentive compensation* Reinforcement of Economic and ESG performance		
EVA-linked	35%	Variable portion	Business Growth Evaluation (5-point scale) • Net sales, profit, EVA (ROIC)	28%
Consolidated net sales / profit-linked	35%		ESG Activities Evaluation (7-point scale) • Achievement level of KLP (Kao *Kirei* Lifestyle Plan) targets: 17.5% • External evaluation results by major ESG rating agencies: 10.5%	28%
			Top Management Activities Evaluation (7-point scale) • Relative TSR evaluation: 7% • Employee Engagement Survey results: 7%	14%
Individual performance evaluations	30%	Fixed portion		30%

* Composition ratio (CEO example)

* Directors and Executive Officers, excluding Outside Directors, receive fixed and variable compensation. Outside Directors receive fixed (non-performance-linked) compensation only.

Kao believes that the enhancement of social value and environmental conservation value accompanied by economic rationality leads to the long-term enhancement of Kao's corporate value. Based on this belief, Kao integrates ESG into its management without decoupling it from capital discipline, and actively promotes related activities. At the company, with respect to the degree of achievement of key targets for ESG Activities Evaluation, the perspective of economic rationality has also been incorporated, and evaluation indicators reflecting this concept have been introduced and are being disseminated company-wide.

The ESG-related KPIs to be reflected in the compensation policy are discussed by the Compensation Advisory Committee for Directors and Executive Officers and approved by the Board of Directors. Starting from FY 2026, the ratio of short-term and long-term incentive compensation against base salary has been revised to 1:1:1.25 for the Representative Director, President and Chief Executive Officer. Long-term incentive compensation incorporates the "ESG Activities Evaluation indicators" (accounting for 28% of total long-term incentive compensation), of which the achievement of KLP's priority targets accounts for 17.5% and the results of external evaluations by major ESG rating agencies account for 10.5%. The achievement of KLP's priority targets is based on a multifaceted evaluation and consists of Decarbonization (CO_2 emissions reduction rate), Zero Waste (plastic recycling rate), percentage of female managers, and the number of serious compliance violations.

• Corporate Governance Report, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
https://www.kao.com/global/en/corporate/policies/corporate-governance/

• Integrated Report 2026, P64 Executive Compensation
https://www.kao.com/global/en/investor-relations/library/reports/

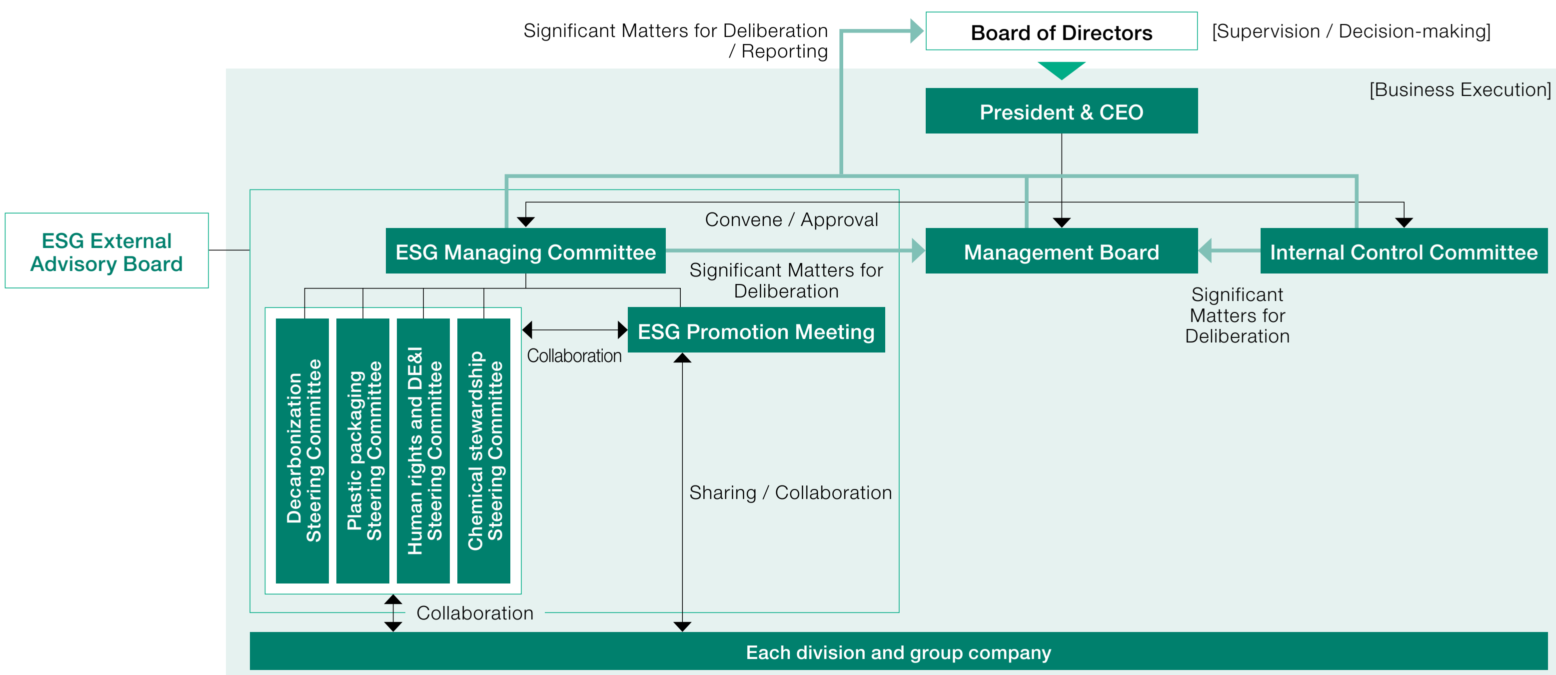
ESG management framework

The overall execution of ESG has a governance structure centered on the ESG Managing Committee chaired by the Representative Director, President and Chief Executive Officer. The ESG Managing Committee, which consists of management, discusses and decides on the direction of ESG-related activities, refers significant matters to the Management Board as appropriate, and reports the status of activities to the Board of Directors. The ESG Managing Committee positions key themes related to forward-looking financial impacts on the mid-term management plan, effects on capital markets and credit ratings, and future risks as its highest priorities. In addition, the ESG External Advisory Board, which is comprised of outside experts, provides reports and recommendations in response to consultations from the ESG Managing Committee, and reflects the third-party perspectives from management experts.

We have established the cross-functional ESG Promotion Meeting, which works to achieve the KLP, and the ESG Steering Committees, which steadily execute reliable and timely execution of priority issues. Based on the decision made by the ESG Managing Committee, the ESG Promotion Meeting promotes ESG-related activities throughout the Kao Group and monitors the progress of each division. The ESG Promotion Meeting is chaired by the Senior Vice President and the Executive Officer of the ESG division, and the meeting attendees are made up of the people responsible for business divisions, regions, functional Divisions, and corporate divisions. The ESG Steering Committee will promote initiatives based on the priority issues of decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship, respectively. Executive Officers are responsible as the owners of each issue and are granted a certain level of decision-making rights. The ESG Steering Committee works in conjunction with the ESG Managing Committee to ensure that initiatives are implemented promptly and reliably in each area.

ESG-related risk management is carried out by the Internal Control Committee (which meets twice a year and is chaired by the Representative Director, President and CEO) and the ESG Managing Committee (which meets six times a year and is chaired by the Representative Director, President and CEO), and opportunity management is conducted by the ESG Managing Committee.

ESG governance structure



Roles, structure, frequency of meetings and agenda of each organization

Organization	Roles	Structure	Performance (2025)	
			Frequency of meeting	Main deliberated items
ESG Managing Committee	Deliberate, discuss or report the following items that concern Kao as a whole: • Basic approach to and policy of ESG • ESG policy sharing, strategy, activities, external communications, etc. • Decisions on investments for promoting ESG activities • Trends, risks and opportunities related to social sustainability and ESG • Active stakeholder engagement by ESG Managing Committee members • Deliberation with the Board of Directors and regular reporting on the status of discussions	Chair: Representative Director, President and Chief Executive Officer Members: Representative Director, Senior Managing Executive Officers, Managing Executive Officers, Executive Officers Observers: Full-time Audit & Supervisory Board Members	Six times/ year	• Deliberated on and approved disclosure regarding quantitative assessments of financial impacts based on the TCFD • Deliberated on and approved the disclosure policy of the Kao Sustainability Report 2025, the details of disclosure including the progress made on KLP KPIs • Added and revised KPIs in the KLP, and deliberated on and approved new KPIs • Deliberated and decided on the ESG investment budget and investment projects • Deliberated on and discussed policies and operations for goal-setting management related to promoting ESG • Deliberated on proposals submitted by the ESG Steering Committees • Examined the proposals from the ESG External Advisory Board
ESG External Advisory Board	• Give advice and recommendations for issues raised by the ESG Managing Committee from outside viewpoints and based on a high level of expertise • Provide information to the ESG Managing Committee to enable the development and implementation of world-class plans • Provide opportunities for collaboration and cooperation with external parties • Evaluate Kao's ESG activities	Members: External influential experts • Rika Sueyoshi Representative Director, Ethical Association etc. Specialization: Ethical consumption, etc. • Ruma Bose CEO, Kayanee Specialization: Human rights, entrepreneurship support, etc. • Mike Jefferson Director, Verde Research and Consulting Ltd. Specialization: Waste management, Recycling systems, etc. • Noémie Bauer CSO, Pernod Ricard Specialization: Governance, Law, etc.	Twice/ year	• Proposed expectations for and risks to Kao based on the social climate • Evaluated the progress made in ESG and raised issues • Provided advice on revising Kao's materiality • Provided advice on promoting the procurement of sustainable raw materials • Provided advice for circular economy and advocacy activities • Provided advice for DE&I and human rights approaches and initiatives
ESG Promotion Meeting	• Implement the ESG Strategy to integrate it with business based on the direction decided by the ESG Managing Committee and its suggestions • Supervise and examine to implement key ESG actions • Compile the issues faced by each division and region in promoting ESG activities and propose solutions to the issues to the ESG Managing Committee	Chair: Executive Officer, Senior Vice President, ESG Members: Responsible persons, etc. at business divisions, functional divisions, corporate divisions and regions	Six times/ year	• Revised the mid- to long-term targets in the KLP and the progress and future plan for action themes in the KLP • The progress of the ESG Steering Committee • The draft of an ESG investment strategy • Proposed the direction of information disclosure in the Sustainability Report and other materials • Promotion of ESG activities in each division and region and identified issues

Organization		Roles	Structure	Performance (2025)	
				Frequency of meeting	Main deliberated items
ESG Steering Committee	Decarbonization	• Draw up a GHG reduction plan • Promote rapid decarbonization activities through centralized discussions on decarbonization response measures and business opportunities for mitigation and adaptation to achieve carbon zero in 2040 • Appropriately manage climate change risks based on the results of scenario analysis	Owner: Executive Officer, Vice President, R&D, Core Technology Research Center Members: Staff of R&D, Procurement, Manufacturing and Engineering, Chemical Business, ESG	Six times/ year	• Deliberated on and approved a GHG reduction strategy • Discussed the progress made to achieve decarbonization-related KPIs and approved an action policy to address issues • Deliberated on and approved a policy for the fixation of carbon dioxide
ESG Steering Committee	Plastic packaging	• Discuss activities related to plastic packaging, a key issue for KLP action "Zero Waste" to realize a circular society, in a centralized manner and promote activities strongly and promptly • Promote activities in conjunction with the Decarbonization Steering Committee, Water Conservation and Biodiversity	Owner: Managing Executive Officer, Senior Vice President, R&D Members: Staff of R&D, Procurement, Global Consumer Care Business, ESG	Eleven times/ year	• Formulated a draft policy and discussed and approved the actions regarding Innovation in Recycling initiatives (collection and recycling) • Formulated a draft policy and discussed and approved the actions regarding Innovation in Reduction initiatives (reducing the amount of materials used and using recycled materials) • Responded to the Plastic Resource Circulation Act of Japan
ESG Steering Committee	Human rights and DE&I	• Centrally promote and manage the Kao Group's human rights-related activities, including human rights due diligence, in accordance with the Kao Human Rights Policy • Centrally promote and manage the Kao Group's DE&I activities based on its DE&I Policy	Owner: Managing Executive Officer, Senior Vice President, Human Capital Strategy Members: Staff of Human Capital Strategy, Procurement, Manufacturing and Engineering, Global Consumer Care Business	Once/ month	• Promoted activities based on the human rights and DE&I Policy • Shared the risks identified in the human rights risk assessment and promoted activities at relevant divisions and subsidiaries • Promoted understanding of human rights and DE&I and developed awareness-raising initiatives for employees in anticipation of implementing activities along these lines • Built an internal global collaborative structure for implementing DE&I, and launched activities
ESG Steering Committee	Chemical stewardship	• Promote voluntary management of chemical substances throughout the product lifecycle by the GFC* Promotion Committee • Develop policies and reduction/phase-out plans for the use of raw materials used in products taking into account the progress of regulatory trends, science, and other factors by the Chemical Stewardship Council • Disclose information on our approach to the use of chemicals and the results of safety assessments, and communicate with stakeholders * Global Framework on Chemicals – For a Planet Free of Harm from Chemicals and Waste	Owner: Senior Executive Officer, Senior Vice President, Product Quality Management Members: Staff of ESG, R&D, and Product Quality Management	Once/ month	• Understood the European Green Deal and other regulatory trends in product raw materials and identified raw materials and products subject to such policy and regulations • Disclosed ingredients of high social concern among which are not used in Kao's consumer products • Discussed approaches for reducing the impact of chemical substances on the environment and human health throughout the product lifecycle and for disseminating information about these initiatives in an easy-to-understand way • Participated and contributed to the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (Cefic)

Note: Priority issues are promoted through the ESG Steering Committees, while focus themes requiring a cross-functional structure are advanced through dedicated projects as needed.