Effective Corporate Governance

"Walking the Right Path" is a value that we carefully cherish, based on the words of our founder, Tomiro Nagase, and it is deeply rooted in Kao's corporate culture. With this value as a foundation, we aim to achieve an effective corporate governance by complying with laws and ethics and practicing business activities with integrity.

Risks

- Damage to brand value and corporate value caused by legal and compliance violations, and business losses
- Decline in employee vitality, deterioration of the workplace culture and loss of competitiveness due to the departure of talented employees
- Stagnation of operations or withdrawal of investment due to compliance violations or human rights violations by business partners

Opportunities

- Business growth through the revitalization of *Yoki-Monozukuri*
- Improved competitiveness by recruiting and retaining talented personnel through the creation of a comfortable workplace
- Improved ability of companies to take on challenges by reinforcing appropriate employee behaviors and attitudes
- Enhanced corporate value by improving the reliability of brands and companies

Strategy, Metrics, targets and results, Initiatives

Strategy	Metrics	Targets	2025 results	Initiatives
Overall: (1) Building and operating a company-wide, autonomous compliance system	Number of serious compliance violations* (1) (3) (4) (5) (6) (7)	0 annually	0	Revision of the Kao Business Conduct Guidelines Compliance risk mitigation activities —Verification of the effectiveness of measures to prevent recurrence— (1) (4)
Overall: (2) Improving the level of activities by utilizing external evaluations	Kao recognition or achievement level by external ratings firms (Highest level: Selected as one of the World's Most Ethical Companies®) (2)	Highest evaluation level	Highest evaluation level	Annual confirmation of anti-bribery and conflict of interest avoidance (1) Selected as one of the World's Most Ethical Companies® for 20th consecutive years (2)
Risk reduction: (3) Establishing and accurately operating a reporting and consultation hotline	Number of compliance reports and consultations (3)	–	474	Compliance hotline and re-notification (3)
	Number of cases where a fact-finding investigation was conducted due to concerns about a violation (3)	–	339	
Risk reduction: (4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence	Number of corrective and recurrence prevention measures, such as reviewing business processes, raising awareness within the organization and giving verbal warnings to the target person (3)	–	133	Centralized management of compliance hotline case records (3)
	Number of disciplinary actions (dismissals, voluntary resignations) (3)	–	22	
	Number of legal proceedings related to anti-competitive behavior and bribery (1) (4) (7)	–	0	
Employee training: (5) Raising awareness of compliance through employee education				Education and promotion of the Kao Business Conduct Guidelines (1) (5) Promotion and establishment of employee compliance awareness (5) Kao Group initiatives to prevent harassment (5) BCG refresher test and compliance awareness survey (5)
External collaboration: (6) Promoting compliance and respect for human rights with business partners	Expenditure on industry organizations (7)	–	562 million yen	Collaboration with stakeholders (6) Advocacy activities (7)
External collaboration: (7) Anti-bribery and conflict of interest avoidance	Expenditure on lobbying activities and political contributions (7)	–	0 yen	Sharing our insights on compliance with outside groups (7)

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Financial impact

- Increased sales due to improved brand value
- Increased investment and business growth due to improved investor confidence
- Reduction in fines and legal costs due to compliance with laws and regulations
- Prevention of business losses by decreasing harassment, so reducing the number of employees with mental health problems and the number of employees leaving the company (preventing loss)

Environmental and social impact

- Suppression of social injustice through fair corporate practices
- Economic health through the prevention of corruption
- Improvement of working conditions and promotion of employee rights protection

Strategy

To reduce the risk and create opportunities for Effective Corporate Governance, we are implementing strategies that are unique to Kao, effective, and contribute to business growth and solving social issues.

Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Increased awareness of compliance in the wake of a series of management crises caused by a loss of trust due to corporate scandals
- Impact on corporate value and the evaluation of companies with compliance problems by investors, business partners and consumers, and the acceleration of the speed of diffusion of corporate reputation due to the development of an information society
- Diversification of working styles, the fluidity of human resources and the decrease in the working population have led to an increased focus on work environments and corporate/organizational culture, as well as the social issue of eliminating harassment

Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Damage to brand value and corporate value caused by legal and compliance violations, and business losses
- Decline in employee vitality, deterioration of the workplace culture and loss of competitiveness due to the departure of talented employees
- Stagnation of operations or withdrawal of investment due to compliance violations or human rights violations by business partners

Opportunities

- Business growth through the revitalization of *Yoki-Monozukuri*
- Improved competitiveness by recruiting and retaining talented human capital through the creation of a comfortable workplace
- Improved ability of companies to take on challenges by reinforcing appropriate employee behaviors and attitudes
- Enhanced corporate value by improving the reliability of brands and companies

Strategy

Kao has formulated the following strategies to respond to the identified risks and opportunities. Corporate governance is the foundation for all activities based on Walking the Right Path—one of the values of the Kao Way, the corporate philosophy—and is also an essential element for achieving the Mid-term Plan K27. Through the following strategies, we aim to achieve highly transparent and effective corporate governance by practicing business activities with integrity and honesty, in compliance with laws and ethics.

(1) Building and operating a company-wide, autonomous compliance system

We establish a foundation for legal compliance by building a company-wide, division- and region-specific autonomous compliance system and ensuring its proper operation, and we ensure that the actions of our employees and organization are appropriate.

Related initiatives: P209 Revision of the Kao Business Conduct Guidelines, P209 Compliance risk mitigation activities—Verification of measures to prevent recurrence, P209 Annual confirmation of anti-bribery and conflict of interest avoidance

(2) Improving the level of activities by utilizing external evaluations

By actively incorporating external perspectives and introducing new elements, we continuously raise the level of compliance activities throughout the organization.

Related initiative: P213 20 consecutive years on the World's Most Ethical Companies® list

(3) Establishing and accurately operating a reporting and consultation hotline

We aim to understand the situation of the organizational culture through the establishment and accurate operation of a reporting and consultation hotline, and by providing appropriate support and follow-up. This will enable us to identify and resolve compliance issues at an early stage.

Related initiatives: P209 Compliance hotline and re-notification, P210 Centralized management of compliance hotline case records

(4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence

In response to cases of compliance violations or suspected violations, we not only deal with individual incidents, but also identify and determine appropriate responses. The Compliance Committee reviews the appropriateness and effectiveness of these measures and then follows up on their implementation to ensure thorough enforcement.

(5) Raising awareness of compliance through employee education

We aim to raise awareness of compliance through employee education and regularly assess the state of awareness among employees by taking the necessary measures. This will effectively reduce compliance risks.

Related initiatives: P210 Education and promotion of the Kao Business Conduct Guidelines, P211 Promotion and establishment of employee compliance awareness, P212 BCG refresher test and compliance awareness survey, P212 Kao Group initiatives to prevent harassment

(6) Promoting compliance and respect for human rights with business partners

By promoting compliance and respect for human rights with our business partners, we aim to reduce the risk of external relationships involving Kao.

Related initiative: P212 Collaboration with stakeholders

(7) Anti-bribery and conflict of interest avoidance

We prevent bribery and avoid conflicts of interest in relationships with business partners, industry associations and other organizations by thoroughly assessing bribery risks, implementing internal guidelines and ensuring highly transparent business operations.

Related initiatives: P213 Advocacy activities, P214 Sharing our insights on compliance with outside groups

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Increased sales due to improved brand value
- Increased investment and business growth due to improved investor confidence
- Reduction in fines and legal costs due to compliance with laws and regulations
- Prevention of business losses by decreasing harassment, so reducing the number of employees with mental health problems and the number of employees leaving the company (preventing loss)

Environmental and social impact

- Suppression of social injustice through fair corporate practices
- Economic health through the prevention of corruption
- Improvement of working conditions and promotion of employee rights protection

Strategic resilience

Compliance is heavily dependent on the awareness and understanding of employees and organizations, so we are improving employee awareness and establishing a system that accurately understands the situation of individuals and organizations and responds appropriately. We are also building a scheme that will lead to company-wide improvements by taking fundamental measures based on cause analysis, including organizational structure and systems. In addition, we believe that a strategy that incorporates third-party organizations and external perspectives and aims to improve based on objective evaluation criteria will be resilient in the future.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to drive continuous improvement.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2021	2022	2023	2024	2025	Target value	Year
(1) (3) (4) (5) (6) (7)	Number of serious compliance violations*	0	0	0	0	0	0	Every year
(2)	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Every year

* Serious compliance violation: Compliance violations that have a significant impact on management and significantly damage corporate value

The above two are targets that express the realization of the Kirei Lifestyle Plan.

Metrics and results

Strategy	Metrics	Results			
		2022	2023	2024	2025
(3)	a. Number of compliance reports and consultations	488	647	434	474
(3)	b. Number of cases where a fact-finding investigation was conducted due to concerns about a violation	264	322	243	339
(3)	c. Number of corrective and recurrence prevention measures, such as reviewing business processes, raising awareness within the organization and giving verbal warnings to the target person	212	179	111	133
(3)	d. Number of disciplinary actions (dismissals, voluntary resignations)	15	30	18	22
(1) (4) (7)	e. Number of legal proceedings related to anti-competitive behavior and bribery	0	0	0	0
(4)	f. Fines and settlements related to anti-competitive behavior and bribery	0 yen	0 yen	0 yen	0 yen
(7)	g. Expenditure on industry organizations	436 million yen	535 million yen	573 million yen	562 million yen
(7)	h. Expenditure on lobbying activities	0 yen	0 yen	0 yen	0 yen
(7)	i. Political contributions	0 yen	0 yen	0 yen	0 yen

a. Trends in the content of reports

We received 474 reports and consultations (including from group companies outside Japan). While the number of reports and consultations had slightly stabilized in 2024, it increased again in 2025, reaching a level comparable to that of 2022.

The breakdown of the reports and consultations (excluding inquiries about personnel and accounting, compliance procedures, feedback, and cases of violations by other companies) in 2025 is as follows: about 29% are related to harassment, such as power harassment; about 28% are related to fraud and violations; about 16% are related to human relations; and about 16% are reports and consultations related to work and work attitudes in the workplace. These four categories account for about 89% of the total. More than 90% of reports of legal violations are made through the management line. No particular trends were observed in the organizations, worksites or occupations to which whistleblowers belonged.

b. Number of cases where the facts of a report or consultation were confirmed

Of these 474 reports and consultations, 339 were investigated due to concerns about compliance violations.

c. Number of corrective and recurrence prevention measures implemented

As a result of the fact-finding investigation, 133 cases were found in which some kind of corrective action or recurrence prevention measure was implemented, including a review of business processes, internal organizational awareness-raising and verbal warnings to the individual involved.

d. Number of substantiated harassment cases and disciplinary actions, including dismissals

There were 23 cases of harassment by individual employees, such as power harassment and sexual harassment, that were recognized and resulted in some form of punishment. In addition, there were 22 cases of misconduct, such as embezzlement, theft, and conflicts of interest, that resulted in disciplinary dismissal or voluntary resignation on a global basis.

e, f. Status of legal proceedings, fines, and settlements related to anti-competitive behavior and bribery

In FY2025, there were no violations of the anti-competitive behavior, anti-corruption and anti-bribery guidelines, guidelines for avoiding conflicts of interest, or anti-money laundering policy within the Kao Group.

g. Amount of expenditures to industry associations

The breakdown of expenditures to the main industry organizations are as follows.

Expenditures to major trade associations

Unit: million yen

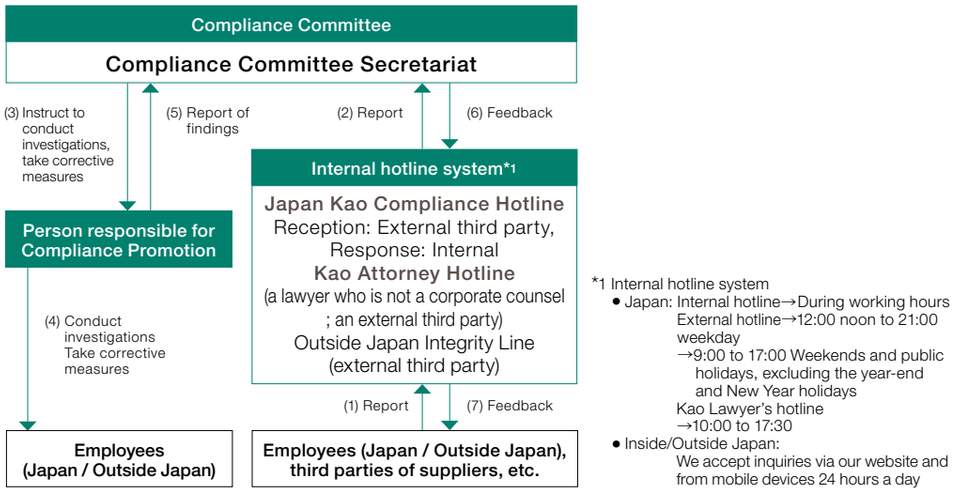
	Expenditures
Verband der Chemischen Industrie	40
Japan Soap and Detergent Association	35
Personal Care Products Council	34

Governance

The Legal Division is in charge of promoting Effective Corporate Governance. Specifically, Under the supervision of the Board of Directors, the Compliance Committee meets quarterly to formulate policies and annual plans, and to instruct the managers of each division and subsidiary to implement them. In addition, the committee receives an annual evaluation from the Board of Directors, and reviews and improves its activities. Furthermore, the secretariat meeting, which supports the activities of the committee, is held once a month to ensure a continuous promotion system. In addition, we have established a compliance reporting and consultation hotline that is shared across the entire group, and we have put in place a system that accepts reports of legal violations or suspected violations and carries out prompt investigations and corrective measures. This service also works in collaboration with the compliance promotion officers at each subsidiary to resolve issues.

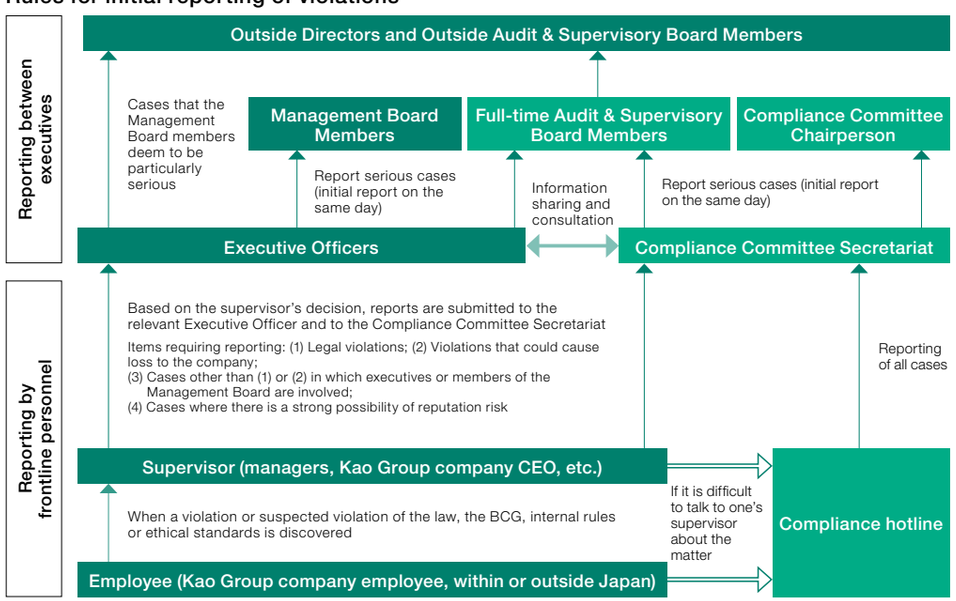
P62 Our ESG Vision and Strategy > Governance

Compliance hotline response system



*1 Internal hotline system
- Japan: Internal hotline→During working hours
  External hotline→12:00 noon to 21:00 weekday
  →9:00 to 17:00 Weekends and public holidays, excluding the year-end and New Year holidays
  Kao Lawyer's hotline
  →10:00 to 17:30
- Inside/Outside Japan:
  We accept inquiries via our website and from mobile devices 24 hours a day

Rules for initial reporting of violations



Risk and opportunity management

Policies

In implementing Effective Corporate Governance, Kao has established the following policies as guidelines for its daily operations and decision-making. For details, please see the website.

Activity goals for the practice of Walking the Right Path, one of the core values of the Kao Way

1. (1) Early detection and resolution of legal and ethical violations, etc., through reporting and consultation, and (2) Identification of company issues, etc.
2. Promoting understanding of the Kao Business Conduct Guidelines (BCG) through educational activities for employees, and promoting continuous growth and change
3. Maintaining the freshness of BCG and compliance-related regulations

* The three elements that constitute Walking the Right Path:
"Respect, fairness, empathy and purpose," "Lawful and ethical business" and "Corporate responsibility"

Kao Business Conduct Guidelines

The Kao Business Conduct Guidelines (BCG) are a code of conduct for putting the Kao Way, our corporate philosophy, into practice. While the basic ideas remain unchanged since the most recent revision in April 2019, the content was reviewed in 2025 based on social expectations and the Company's circumstances. The revised guidelines came into effect in January 2026 (see below).

- The BCG explicitly states that it prohibits bribery regardless of the affiliation of the other party, and prohibits facilitation payments, which are small payments made to individual government officials. The BCG and the Donation Guidelines also prohibit political contributions. In addition, Kao has established the Guidelines for Activities with External Organizations to ensure that such activities are conducted appropriately while confirming public benefit, compliance with social norms, and potential risks.
- In marketing and advertising, we ensure fair content and appropriate expressions based on facts, refrain from making exaggerated statements about our impact on society and the environment, and take into consideration a wide range of people, including those who may be considered socially vulnerable. In addition, we stipulate that information about competitors or their products is not provided to consumers.
- With respect to harassment, we affirm that we will not tolerate any harassment of employees or other business associates. This includes language or conduct that undermines or insults human rights and dignity.

Reference regulations in the Kao Business Conduct Guidelines

The following rules have been introduced to group companies to explain the details of the BCG items.

- **"Kao Guidelines for Avoiding Conflicts of Interest"**

Kao has introduced the "Kao Guidelines for Avoiding Conflicts of Interest" for group companies globally. The Guidelines stipulate that permission or notification must be obtained in cases where a person is personally involved in competitive or trading activities with Kao Group companies, invests in companies that engage in such activities, borrows money from or lends to Kao Group companies, or has a close relative involved in such activities.

- **"Kao Anti-Bribery Guidelines"**

In accordance with the BCG, Anti-Bribery Guidelines also stipulate that "we will not engage in any form of bribery or other corrupt practices, including dishonest business practices and 'facilitation payments,' in any region of the world." They also clearly state that "no political contributions shall be made, and donations shall be made in accordance with the 'Kao Global Donation Guidelines.'" Furthermore, in the event of a violation, an investigation will be conducted and, as necessary, appropriate disciplinary action will be taken.

We have set specific standards for the amount of entertainment and gifts that can be provided or received, and we require prior reporting. In Japan, the implementation status is summarized every six months and posted on the company intranet to share it with the *Genba* divisions, where it is also confirmed that the number of cases implemented and applications submitted are consistent with actual practices. In addition, the guidelines stipulate operational measures to prevent bribery, including the assessment of bribery risks when selecting business partners and renewing contracts.

- **"Global Anti-Money Laundering Policy"**

We have a clear stance on anti-money laundering.

- **"Kao Human Rights Policy"**

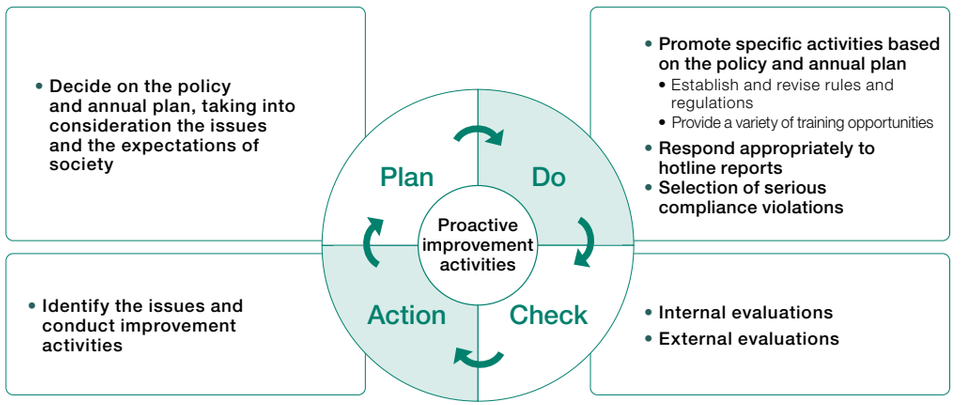
The policy was established in 2015 as the policy for respecting human rights within Kao Group.

- **"DE&I Policy"**

This policy, which was formulated in 2023, is a policy that advocates respect for diversity.

Management process

The status of our initiatives to address the risks and opportunities associated with Effective Corporate Governance is managed through the following processes: planning, implementation, evaluation, and improvement.



Plan (Planning)

Formulation of activity policies and annual activity plans, the Executive Officers' Meeting reporting to the Board of Directors as appropriate. Approval by the Compliance Committee chair.

Do

Promoting activities (establishing and revising regulations, providing training opportunities), and responding to reports.

- **Compliance hotline operational status**

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area. When operating the hotlines, companies confirm the whistleblower's wishes in accordance with the Rules for Operating Compliance Hotlines, the responsible persons who have previously pledged to maintain confidentiality regarding the reporting and consultation cases, take steps to respect the individual's privacy and strive to the maximum extent possible to ensure that whistleblowers suffer no retaliation or disadvantage as a result of their good-faith consultation. The identity of the whistleblower and details such as the specific reported matter will be handled as confidential information only by personnel involved in the compliance hotline and will not be shared with any third parties. In addition, when conducting an investigation of the persons concerned, in principle, we obtain the consent of the informant or person making the consultation first, and when

conducting an interview with the subject, we obtain the interviewer's signature on a written pledge that they will not search out or cause any disadvantage to the informant before conducting the interview. Anonymous inquiries are accepted, but whistleblowers are encouraged to identify themselves to facilitate a proper investigation. In addition, as noted above, we have clarified the rules for initial reporting of compliance violations and suspected compliance violations and established a framework for receiving reports from individual units at the *Genba* level.

• Selection process for serious compliance violations

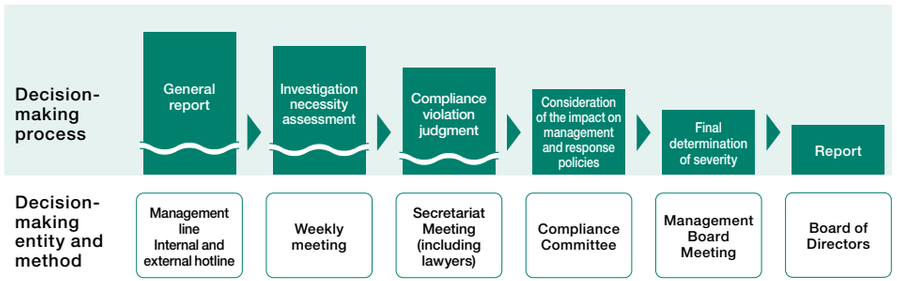
The serious compliance violations refer to compliance violations that have a significant impact on management and significantly damage corporate value. Based on the egregiousness of the violations (materiality / significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the impact of the violations both internally and externally, we will make decisions based on deliberations at the Management Board after internal review, and report the results to the Executive Officer's Meeting and the Board of Directors.

For the judgment, all cases reported by the compliance hotlines and management lines are reviewed at a weekly meeting to determine whether an investigation is necessary. Based on the investigation results and the discussions at the monthly Compliance Committee Secretariat Meeting, the Secretariat Meeting identifies matters that may recur or become widespread throughout the company as requiring particular attention while obtaining third-party assessments and recommendations from an outside attorney-at-law who attends the meeting as an advisor. We also identify potential serious compliance violations among violations of laws and ordinances. The department where an incident occurred will investigate its cause and background, as well as measures to prevent recurrence, and present a summary report at the Compliance Committee Meeting. After a process of receiving evaluations and recommendations from each committee member with respect to the report, the final impact on management and response policy will be examined. The final judgment of the severity is made at the Management Board.

* Please see the initiatives (P209-214).

KLP KPI Decision-making process for determining the applicability of serious compliance violations

For all reports and consultations, a final decision regarding the applicability of serious compliance violations is made, after investigating the need for an investigation and determining whether or not there has been a compliance violation, and considering the impact on the company and the response policy.



Check

Internal evaluations

• Opinions from the Board of Directors

The Board of Directors receives an annual activity report in the form of a report on the activities of the Internal Control Committee.

The Board of Directors also monitors and evaluates these activities. This evaluation and feedback are used for improvement through the PDCA (Plan, Do, Check and Act) cycle.

• Issues identified from compliance hotlines

At the monthly secretariat meeting, themes that may represent emerging issues for the company are identified based on the trend of incidents during the relevant period, and any necessary action is taken, including framework changes, internal education and awareness promotion, and so on.

• Issues identified from risk surveys

Kao conducts an annual compliance awareness survey, in addition to a company-wide risk survey that includes compliance risks such as corruption and bribery. We identify risk areas and specific risk scenarios based on the scores from each organization and free-form text responses, and take the necessary actions in cooperation with relevant divisions.

• Compliance awareness survey

To assess the health of the workplace environment, the Compliance Committee conducts annual surveys of group companies globally regarding the openness of each organization, etc.

Based on the organizational culture trends that we identify from these surveys, we create opportunities to hear more about specific workplace situations and take any action required.

• Linking employee compensation with compliance

A portion of the incentive compensation for management is determined based on ESG-related targets, and indicators are used to promote the Kao Way, compliance and sustainable business practices. Specifically, the KLP target of zero serious compliance violations is also used as an evaluation and compensation indicator for Executive Officers and Directors. In addition, if there is a violation of employment regulations, the Kao Business Conduct Guidelines, or other rules, standards or manuals established by the company, disciplinary action may be taken, including a suspension from work, demotion or dismissal (during implementation, we comply with relevant laws and regulations).

• Integration of compliance and the code of conduct into employee performance evaluation systems

Based on the action principles of the Kao Way ("We care for people & the planet," "We think from the *Genba*" "We trust, respect & need each other," and "We act with courage"), employees are evaluated based on whether they demonstrate the expected behaviors in their daily work. In addition, OKR, which is used to evaluate employee performance, is expected to set three categories: "Business Contribution," "ESG" and "One Team & My Dreams," and to depict the challenges of each individual in order to chart the course for Kao and for the realization of a sustainable society.

External evaluations

• Evaluation by an advisory attorney

A secretariat was established at Kao as a subordinate organization of the Compliance Committee, and secretariat meetings are held once a month with supervising members from the Compliance Department and other divisions. The attorney attends the secretariat meetings as an external advisor, and provides advice from a third-party perspective. Based on this advice, Kao identifies issues arising from reports and consultations and develops measures to prevent recurrence, thereby working to prevent serious violations before they occur.

In addition to receiving recommendations on specific initiatives as Stakeholder Engagement in the Kao Sustainability Report from 2021, we also receive advice on promotion activities at meetings and strive to make improvements.

• Feedback from third-party organizations, external evaluation organizations, etc.

By responding to Socially Responsible Investment (SRI) questionnaires that incorporate societal expectations, and by sharing information with other companies, we will identify and incorporate items on which we have not yet taken action into next year's activities as appropriate.

Action (Improvement)

Identification of issues and improvement activities based on the evaluation results above.

Initiatives

Kao is engaged in a variety of initiatives aimed at Effective Corporate Governance. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking. For information on our Corporate Governance initiatives, please see the following URL.

Corporate Governance
https://www.kao.com/global/en/corporate/policies/corporate-governance/

Strategy		Initiatives	
Overall	(1) Building and operating a company-wide, autonomous compliance system	Revision of the Kao Business Conduct Guidelines Compliance risk mitigation activities —Verification of the effectiveness of measures to prevent recurrence—	Annual confirmation of anti-bribery and conflict of interest avoidance
	(2) Improving the level of activities by utilizing external evaluations	Selected as one of the World's Most Ethical Companies® for 20th consecutive years	
Risk reduction	(3) Establishing and accurately operating a reporting and consultation hotline	Compliance hotline and re-notification	Centralized management of compliance hotline case records
	(4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence		
Employee training	(5) Raising awareness of compliance through employee education	Education and promotion of the Kao Business Conduct Guidelines	Promotion and establishment of employee compliance awareness
		Kao Group initiatives to prevent harassment	BCG refresher test and compliance awareness survey
External collaboration	(6) Promoting compliance and respect for human rights with business partners	Collaboration with stakeholders	
	(7) Anti-bribery and conflict of interest avoidance	Advocacy activities	Sharing our insights on compliance with outside groups

Compliance risk mitigation activities —Verification of measures to prevent recurrence—

Region: Global
Corresponding strategies: (1) (4)

Kao has clarified the lead divisions responsible for promoting compliance with the approximately 250 laws and ordinances that apply to our business. We confirm that activities are being carried out appropriately by having the departments in charge submit an action plan for activities in the first quarter of each year and a report on activities in the fourth quarter to the Compliance Committee Secretariat.

Of the compliance violations that have occurred, those that meet the criteria for malignancy based on the severity of the violation (materiality/significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the degree of impact of the violation within and outside the company are identified as serious potential compliance violations. For the cases identified, we investigate each case in depth, examine the causes of the occurrence, summarize the case, confirm measures to prevent recurrence, and work as an organization to address and improve the issues identified.

In 2025, approximately six months after the implementation of measures to prevent a recurrence of the “serious potential compliance violations” case selected in 2024, the Compliance Committee reviewed the implementation status of the measures and verified whether they were functioning effectively, based on information including the results of employee questionnaires.

Revision of the Kao Business Conduct Guidelines

Region: Global
Corresponding strategy: (1)

Since their establishment in 2003, the Kao Business Conduct Guidelines (BCG) have been revised periodically in response to changes in the business environment surrounding the company and developments within the Kao Group.

In this latest revision, taking into account the Charter of Corporate Behavior Implementation Guidance issued by Keidanren, the Guidelines aim to promote mutual prosperity with the supply chain while clarifying the company’s stance and reaffirming its commitment to respect for human rights. In addition, to further deepen employees’ understanding of the BCG, the structure has been designed to make the expected behaviors easier to understand by linking them to specific cases from the Kao Business Conduct Guidelines Casebook.

Furthermore, comments were solicited not only from the divisions responsible for each chapter but also from group companies outside Japan, and their input has been reflected in the revision.

Annual confirmation of anti-bribery and conflict of interest avoidance

Region: Global
Corresponding strategy: (1)

For the purpose of ensuring the effectiveness of anti-bribery and conflict of interest prevention measures, we reiterate the Kao Guidelines for Avoiding Conflicts of Interest and Kao Anti-Bribery Guidelines to the executives and employees of group companies within and outside Japan once a year. The status of reporting of relevant matters to the Compliance Committee Secretariat is then confirmed.

In addition, through the people in charge of the Global Consumer Care Business and Chemical Business, we investigate whether there are any concerns about the global situation regarding the function of the Anti-bribery (anti-corruption) Checklist used when selecting new cross-border distributors and intermediaries or renewing contracts with existing ones.

Compliance hotline and re-notification

Region: Global
Corresponding strategy: (3)

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area. Employees who can report or

consult include not only Kao employees, but also temporary employees, limited-term employees and employees of subcontractors who are stationed on-site at the workplace.

For access to the reporting and consultation hotline, a system is in place that allows employees to contact the company from their personal smartphones by scanning the two-dimensional barcode on posters displayed at worksites. In addition, on company-issued smartphones, an icon for compliance-related content is displayed on the home screen by default so that compliance information can be accessed at any time.

Centralized management of compliance hotline case records

Region: Global

Corresponding strategies: (3)

The Kao Group records and stores reports and consultations related to compliance in a database and strives to understand the compliance status of the entire group. In 2025, a future vision was formulated with the aim of leveraging AI to support the management of case-handling progress. Going forward, we will continue to enhance and refine the system in collaboration with the Digital Strategy Division, we will identify signs of compliance issues and take actions at an early stage.

Education and promotion of the Kao Business Conduct Guidelines

Region: Global

Corresponding strategies: (5)

We will strive to maintain open workplace environments in which each employee is strongly committed to preventing compliance violations, and in which any identified issues are promptly reported and appropriately addressed. We will also continue to foster employee-friendly workplaces where employees respect and consider one another's perspectives.

To achieve this, each employee must be aware of the consequences of violating compliance, such as incurring damage to and loss of trust in Kao. In addition, managers must be aware of compliance risks that may arise in their own work areas and continuously take measures to reduce them.

Furthermore, in order to create a workplace where everyone can work with peace of mind, employees must be aware of the importance of accepting the diversity of co-workers and of speaking and acting with consideration for others.

Based on this approach, Kao provides education as appropriate in accordance with the systematic training programs shown below. Through this education, we provide opportunities for employees to enhance their awareness and encourage them to recognize compliance as something that is directly relevant to them personally. We also urge employees to make effective use of the compliance hotlines that we provide when they are unsure of the best course of action to take. Regarding the compliance hotline, we ensure that employees are aware of and able to use the internal whistleblowing system by providing training and intranet communications on BCG's principles of Corporate ethics, the content of the rules for operating compliance hotlines, and how to use the hotline. We also address it as a topic in compliance case studies on our intranet when sharing feedback from the compliance awareness survey.

Kao Group employees take compliance training designed to learn their role when those roles change significantly, including when they join the company, when they are promoted to managerial positions and when they assume responsibility for subsidiaries outside Japan. In addition, we provide training such as prevention of corruption, prevention of bribery, prevention of harassment, and compliance with competition laws including appropriate payments, in formats and content tailored to the needs of the organization in response to requests from divisions.

Furthermore, we regularly provide opportunities for all employees to reflect on compliance, and conduct BCG refresher tests and compliance awareness surveys every year. Education related to laws and ordinances is also planned and conducted by designated managing divisions.

As part of our awareness-raising activities, we use compliance messages from the chair of the Compliance Committee and division managers to convey the importance of considerate speech and behavior, as well as of a transparent organizational culture. In addition, we use posters with cartoons to convey topics that should be communicated to all employees in a timely manner in response to actual incidents that have occurred, so that employees can develop a sense of crisis and awareness of issues.

Kao Compliance Training

Region	Theme	Target group	Objectives	Frequency
Globally common	New Employee Orientation	New employees	Learn about Kao's approach to compliance and BCG	Upon joining the company (written pledge)
	Training for managers	Japan: New managers Outside Japan: Managers	Group work to build managers' awareness of compliance risk reduction	Japan: At time of promotion to manager Outside Japan: Every 3 years
	BCG refresher test + compliance awareness survey	Directors, Audit & Supervisory Board Members and Executive Officers / Managers / Non-manager employees	BCG re-learning and identification of divisions with high compliance risks	Yearly
	Compliance message	Managers / Non-manager employees	Regularly reinforce the importance of compliance Additionally, division leaders directly communicate the message to employees to make compliance relevant to them personally	Yearly
	BCG Casebook	Managers / Non-manager employees	Study the BCG using specific cases	Review after BCG revisions
	Compliance case studies	All employees	Study compliance points to keep in mind through cases at Kao and other companies	Japan: Every month Outside Japan: Twice a year (April, October) ; monthly from 2026
Japan	New information dissemination	All employees (including subcontractors in factories and offices)	Learn about compliance-related points of concern through cartoons showing examples from the company and other companies, and practice with a sense of urgency	In a timely manner
	Directors, Audit & Supervisory Board Members and Officers Training Sessions	Executive officers and above	Learn about compliance risks from a management perspective	Yearly
Outside Japan	Integrity Workshop	New employees	Learn the content of the BCG in a group discussion format, with examples related to each of the points	Once within 3 years of joining the company

Promotion and establishment of employee compliance awareness

Region: Global
Corresponding strategy: (5)

Compliance message

To encourage employees to view compliance activities as directly relevant to them, top management sends out compliance messages to promote compliance activities globally.

In 2025, through the Chairperson of the Compliance Committee's message, "Don't take it for granted. Express your 'Thank you' to one another, and together, let's create 'A World of Thank You!'," we conveyed the importance of expressing gratitude and showing mutual respect.

Along with this message from the Chairperson of the Compliance Committee on posters, compliance messages and other communications were shared across the group by the Heads of global functional divisions and each Regional Head, as well as the President & CEO of each company.

Compliance case studies

In Japan, we generally prepare a case study once a month and publish it on the company intranet. The themes are based on reports received at the compliance hotlines and actual cases that have occurred at the company or other companies. They are incorporated into case studies in a

timely manner to share problems and issues and to provide an opportunity for employees to deepen their understanding of issues and challenges, and view events and risks as their own personal matters.

Outside of Japan, English-language versions of global case studies are conducted twice a year (April and October) at group companies. (From 2026, this program will be rolled out globally.)

BCG refresher test and compliance awareness survey

Region: Global
Corresponding strategy: (5)

We conduct a BCG refresher test and compliance awareness survey every year for all global employees to provide regular opportunities to reflect on compliance and raise awareness on an ongoing basis. The implementation rate for the BCG refresher test in 2025 was 95%. The BCG refresher test consists of six questions in total, and the questions review the basic BCG concepts.

In addition, the compliance awareness survey included 20 questions, with optional free-response sections to gather employee opinions on the questions and understand the background of their responses. The questions cover a range of topics, including the degree of penetration and effectiveness of awareness-raising activities, communications from directors and superiors regarding compliance, the situation regarding reporting and consultation, and the situation and atmosphere in the workplace (including opinions on improvement measures).

With regard to these results, we checked the correlation between the engagement survey, job stress assessment, and number of reports and consultations in the organization, which are conducted at the same time in each division/company by the human capital development division, and confirmed that the background of the score and the response to it were being made in the organization, and provided feedback to the entire company. In addition, by comparing the responses with those of previous years, we were able to confirm that the situation in each organization as a whole is improving.

In regions outside Japan, we also confirmed that the situation and issues in each organization are improving, and the necessary measures are being taken to further improve the situation.

Kao Group initiatives to prevent harassment

Region: Global
Corresponding strategy: (5)

The Kao Group has announced and declared its human rights policy, which states that it supports and respects international norms regarding human rights that should be enjoyed by all people in the world, as well as national action plans (NAPs) on business and human rights in each country. This policy not only applies to all executives and employees of the Kao Group (Kao Corporation, its subsidiaries and affiliates), but also requires business partners, suppliers and other stakeholders to respect and not infringe on human rights.

We have a system in place to ensure that not only are corrective measures taken and recurrence prevented in response to consultations about harassment that occurs within the company, but that reports are also made to superiors based on the manual in the case of customer harassment from outside the company. Through these efforts, we ensure that employees do not have to face issues alone, and we can engage sincerely with the other party and take the necessary steps toward resolution.

In 2025, the President once again delivered a video message on the prevention of harassment, emphasizing that Kao does not tolerate harassment under any circumstances and that the company is committed to protecting employees who have experienced harassment.

Collaboration with stakeholders

Region: Global
Corresponding strategy: (6)

The BCG makes it clear that it encourages its business partners to understand, empathize with and act on the BCG. We believe that there is a serious risk that compliance violations by business partners can lead to quality issues and loss of trust in Kao products, and so we are implementing initiatives that prioritize focusing on suppliers of raw materials, contract manufacturers and business partners engaged in product

manufacturing on the Kao Group premises.

In particular, because business partners' failure to safeguard employees' human rights, leading to dissatisfaction, is a major factor in compliance violations, we are carrying out operations with stakeholders on a daily basis with respect for human rights.

We hold meetings with business partners as part of our specific activities. At our annual meetings with raw material suppliers and product manufacturing contractors, we explain Kao's procurement policies, including compliance, and introduce our compliance hotline. In addition, for business partners to whom we contract product manufacturing work at Kao Group sites, we introduce our compliance hotline and also raise awareness about respecting human rights, including a compliance perspective when asking them to respond to human rights risk surveys by Sedex and when giving feedback.

P138 Responsibly Sourced Raw Materials > Collaboration with stakeholders, P232 Respecting Human Rights > Conducting human rights risk surveys internally and for suppliers and contractors

Advocacy activities

Region: Global

Corresponding strategy: (7)

Kao believes that addressing global environmental and social issues requires collaboration and cooperation with diverse partners. Therefore, we engage in collaborative activities with industry associations and maintain engagement with policymakers.

Governance

In our advocacy activities, we adhere to the "Guidelines on External Organization Activities," which applies to the entire Kao Group.

The responsibility department, which leads each activity, regularly assesses, reviews, and monitors participation according to the guidelines, and reports the status of these confirmations to the Corporate Planning Division.

Dealing with disagreements

If there is a discrepancy between Kao's stance on measures against climate change and other environmental and social issues, and the stance and activities of the participating organizations or initiatives, or if we believe that the activities of these organizations or initiatives are insufficient, we will engage in activities such as collaborating with other companies to strengthen measures. If the discrepancies or insufficiencies are significant, we will consider withdrawing from these organizations or initiatives.

Expenditures

In Kao's advocacy activities, we annually confirm that, except for membership fees to industry associations, we do not make donations to political campaigns, political organizations, lobbying activities, non-taxable organizations, or other organizations that influence political campaigns, public policy, or laws. (See P204 for the results)

Twenty consecutive years on the World's Most Ethical Companies® list

Region: Global

Corresponding strategy: (2)

In March 2026, Kao was recognized as one of the World's Most Ethical Companies® by the U.S. based think tank, the Ethisphere. Kao is one of six companies that have won the award for 20 consecutive years since it was established in 2007. In 2026, out of the 136 companies selected, only three companies in the Health & Beauty Care category, which Kao belongs to, were awarded.

This award is based on the following five factors: (1) efforts in corporate ethics and compliance; (2) environmental and social impact; (3) culture of ethics; (4) governance; and (5) third-party management. This recognition reflects the fact that the spirit of walking the right path passed down from our founder continues to be implemented by all Kao Group members in our day-to-day operations through the practice of the Kao Way and the BCG. Kao continues to incorporate activities that need to be strengthened into the following year's activities based on the evaluation in the Benchmark Score Report received after winning the award, which is shared with other award-winning companies.

Sharing our insights on compliance with outside groups

Region: Japan

Corresponding strategy: (7)

To help develop future corporate legal talent, the Head of Legal Division gives lectures at universities and university law schools on corporate legal affairs and corporate governance. In 2025, a total of seven lectures on general corporate law, compliance, and corporate governance were delivered at the faculties or law schools of five universities.

The person in charge of compliance also visited another company at its request and delivered a lecture on compliance in January.

Employees' opinions

Promoting Compliance in the EMEA Region

Heiko Maile
Vice President, REO, Legal & Governance EMEA Region

In my view, effective governance is governance that:

- Prevents misconduct and reduces operational and legal risks
- Enhances the quality of decision-making through clear processes and controls
- Builds trust with employees, customers, authorities, and investors
- Supports sustainable growth rather than short-term gains

A strong governance model strikes a balance between speed and control, enabling sound business decisions while ensuring that actions remain ethical, well documented, and subject to review.

Effective corporate governance is the framework through which a company is directed and controlled to ensure responsible decision-making, transparency, and long-term value creation. It is not only about complying with laws and policies, but also about fostering a culture of integrity that enables management to make decisions while remaining accountable to stakeholders.

Governance must be globally consistent while remaining workable at the local level. With regulatory frameworks, enforcement intensity, and business practices differing across regions, effective governance means adapting implementation to local realities while aligning the organization with common standards without lowering expectations.

To further strengthen this objective, we have developed an online Business Conduct Guidelines training program designed for employees' on-demand use and linked it to the One Kao site. At the same time, we also offer in-person training sessions in a classroom setting.

Based on internal needs, we continue to strengthen our training portfolio across a wide range of topics, including BCG refresher tests, competition law training, dawn raid response training, personal data protection, trademarks/IP, social media law, product claims and labeling, copyright and intellectual property protection, anti-bribery, and confidential information protection.

Going forward, we will continue to update and deliver the latest training programs while incorporating new topics as needed.

We will also further deepen our understanding of the company's policies, rules, and related guidelines to ensure appropriate decision-making and proper documentation.

Our goal is to remain the most ethical company beyond 2026.

Stakeholder engagement

Renewed attention to the elimination of traditional forms of sexual harassment

Naotaka Kawamata
Attorney-at-Law,
Marunouchi Sogo Law Office

Kao's response to the views expressed last year

The Kao Group does not position compliance activities as initiatives limited to internal operations. In addition to making the "Kao Way" and the "Kao Business Conduct Guidelines" publicly available, the Group has been promoting broader compliance efforts by encouraging business partners to understand and support the transaction-related provisions of these guidelines, thereby advancing initiatives across the entire supply chain. In light of discussions on the amendment to the Act on Comprehensive Promotion of Labor Policies, which is scheduled to come into effect during the year and will mandate measures against customer harassment, a message from top management was also communicated to employees last April, reaffirming that harassment constitutes a violation of human rights and declaring that "harassment will not be tolerated under any circumstances and employees will be protected." Awareness-raising activities were subsequently carried out based on this message. Furthermore, as part of our commitment to promoting initiatives across the entire supply chain, we have also proactively informed partner companies of our compliance reporting hotline.

Against the backdrop of a social environment in which a number of incidents and accidents have occurred that have significantly changed public awareness of harassment, reports from outside the company increased by eight year on year to a total of 72 cases. We regard this as a result of the increased awareness of the reporting hotline. Of these, 12 reports were related to compliance violations within partner companies or business partners that were reported to Kao. While we cannot directly intervene in the internal affairs of our business partners, we have worked with them to address and respond to the matters reported.

At the end of last year, the Kao Business Conduct Guidelines were revised in response to changes in the social environment. Beyond merely revising the Guidelines, Kao will continue to work to ensure that employees once again understand their underlying principles, recognizing that respecting colleagues and treating one another with courtesy and consideration are essential to eliminating harassment-like behavior throughout the organization, including across the supply chain.

- Japanese
https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/sustainability2025-all.pdf
- English
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2025-e-all.pdf

At Kao, a secretariat has been established as a subordinate body of the Compliance Committee. A secretariat meeting is held once a month, with members including representatives from various departments, such as the Compliance Department. I attend these secretariat meetings as an external advisor.

As a result of ongoing efforts by companies to eliminate harassment, what may be described as "classical" or textbook examples of sexual harassment and power harassment have, at least on the surface, largely disappeared in recent years. Accordingly, it appears that many companies have shifted their focus toward more advanced measures, such as awareness-raising initiatives addressing insensitive remarks stemming from a lack of gender awareness.

At Kao's Compliance Committee (Secretariat), various awareness-raising initiatives have been undertaken to eliminate harassment. In addition, efforts have been made to promote changes in employee awareness through the concept of "civility" (courtesy and consideration), and to encourage employees to "speak up." Through these proactive activities, employee awareness has gradually improved, and trust in the Compliance Committee (Secretariat) appears to be increasing.

However, amid increased media attention on traditional forms of sexual harassment, I

have the impression that such conduct is once again surfacing within companies. It is unlikely that these classical forms of sexual harassment had been eradicated; rather, they had merely remained latent beneath the surface. It is conceivable that they have re-emerged, triggered in part by media coverage. For example, in closed environments where personnel transfers are rare, employees in vulnerable positions may have coped with inappropriate remarks or conduct by those in senior or managerial roles, lacking in civility, by becoming desensitized and resorting to silently accepting and enduring the harassment as a means of self-protection. Against this backdrop, media coverage may have encouraged individuals to muster the courage to “speak up.” In addition, increased workforce mobility in recent years has brought in new members, which may have led to a renewed recognition that practices previously taken for granted are, in fact, inappropriate.

At Kao as well, as in many other companies, there appears to be a tendency for traditional forms of sexual harassment to surface. From the perspective of the Compliance Committee (Secretariat), it is necessary, now more than ever, to promote changes in employee awareness through the concept of “civility” (courtesy and consideration), and to continue encouraging employees to “speak up.” In the previous sustainability report, reference was made to the establishment of compliance throughout the supply chain. It is reported that there were 13 reports from subcontractors in 2024 and 12 in 2025. Given their position, subcontractors might find it hard to speak up to Kao (and its employees), just as Kao employees may feel hesitant to voice concerns to senior or managerial staff. Accordingly, it is important that Kao employees engage with supply chain partners with a sense of civility, and that an environment be further developed in which subcontractors can more easily “speak up.”