

**Last updated on March 22, 2024**  
**Kao Corporation**  
Yoshihiro Hasebe, President and CEO  
Contact: Legal  
+81-3-3660-7111  
TSE Code: 4452  
[www.kao.com/global/en/](http://www.kao.com/global/en/)

**I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

**1. Basic Views**

In order to sustainably enhance corporate value over the long term while working to realize a Kirei World in which all life lives in harmony, which is our purpose of our corporate philosophy “The Kao Way”, and to become an essential company in a sustainable world, 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 decision-making. 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.

**[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

Kao Corporation (hereinafter referred to as “the Company”) implements all principles in accordance with those established in the Corporate Governance Code.

<Definitions>

As used in these matters to be disclosed, the definitions of the following terms shall be as follows:

“Management” means Executive Directors and Executive Officers.

“Senior Management” means Executive Officers with titles.

**[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]**

Disclosures under this item are described in the “Kao Corporate Governance Policy (hereinafter referred to as the "Policy")” and “Disclosure Based on the Principles of the Corporate Governance Code” in later of this report. As a result of the establishment of the Policy on July 5, 2023, Disclosure Based on the Principles of the Corporate Governance Code has been revised.

The Policy is available on the Company’s website.

[www.kao.com/global/en/corporate/policies/corporate-governance/](http://www.kao.com/global/en/corporate/policies/corporate-governance/)

**[Actions to implement management that is conscious of cost of capital and stock price]**

Regarding Actions to implement management that is conscious of cost of capital and stock price, please refer to the [Principle 5 2] Establishing and Disclosing Business Strategy and Business Plan on Disclosure Based on the Principles of the Corporate Governance Code.

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The following updates have been implemented.

- [Principle 3.1(v)] Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management
- [Supplementary Principle 3.1.3] Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties
- [Principle 4.6, 4.9, Supplementary 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc.

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## 2. Capital Structure

Foreign Shareholding Ratio: More than 30%

### [Status of Major Shareholders]

(As of December 31, 2023)

Name / Company Name	Number of Shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	87,855,600	18.86
Custody Bank of Japan, Ltd. (Trust Account)	33,376,757	7.17
SMBC Nikko Securities Inc.	11,450,304	2.46
STATE STREET BANK WEST CLIENT - TREATY 505234	8,854,067	1.90
JP MORGAN CHASE BANK 385632	7,702,098	1.65
JAPAN SECURITIES FINANCE CO., LTD.	6,869,100	1.47
Nippon Life Insurance Company	6,691,215	1.44
THE BANK OF NEW YORK 134104	6,602,805	1.42
JPMorgan Securities Japan Co., Ltd.	6,540,701	1.40
STATE STREET BANK AND TRUST COMPANY 505223	6,440,124	1.38

Controlling Shareholders (except for Parent Company)	None
Parent Company	None

#### Supplementary Information **Updated**

- The number of shares in the list above may include the number of shares held in trusts or subject to share administration.
- The ratio of shareholding for each shareholder above has been calculated based on the number of issued shares excluding treasury shares.

- The amendment to the large shareholdings report filed by BlackRock Japan Co., Ltd. and 11 other persons on April 20, 2022, which is open to the public, stating that they held shares of the Company as shown below as of April 15, 2022. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
BlackRock Japan Co., Ltd. and 11 other persons	34,539	7.27

- The large shareholdings report filed by Mitsubishi UFJ Trust and Banking Corporation and two other persons on January 5, 2024, which is open to the public, stating that they held shares of the Company as shown below as of December 25, 2023. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Mitsubishi UFJ Trust and Banking Corporation and two other persons	23,814	5.11

3. The amendment to the large shareholdings report filed by Nomura Securities Co., Ltd. and two other persons on January 19, 2024, which is open to the public, stating that they held shares of the Company as shown below as of January 15, 2024. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Nomura Securities Co., Ltd. and two other persons	26,173	5.62

4. The amendment to the large shareholdings report filed by Sumitomo Mitsui Trust Asset Management Co., Ltd. and another person on March 6, 2024, which is open to the public, stating that they held shares of the Company as shown below as on February 29, 2024. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Sumitomo Mitsui Trust Asset Management Co., Ltd. and another person	28,893	6.20

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	December 31
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

None

#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
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Details of the information about Audit & Supervisory Board Members are reported on the Japan Audit & Supervisory Board Members Association's website.

[www.kansa.or.jp/support/el009\\_130711\\_2.pdf](http://www.kansa.or.jp/support/el009_130711_2.pdf)

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	0 (Not stipulated)
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors [Updated]	8
Number of Outside Directors [Updated]	4
Number of Independent Directors [Updated]	4

Outside Directors' Relationship with the Company (1) [Updated]												
Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Osamu Shinobe	From another company									△		
Eriko Sakurai	From another company									△		
Takaaki Nishii	From another company									○		
Makoto Takashima	From another company									△		

\*Categories for "Relationship with the Company"

\*"○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

\*"●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the listed company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

Outside Directors' Relationship with the Company (2) [Updated]			
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Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Shinobe	○	Mr. Shinobe previously had executive authority at ALL NIPPON AIRWAYS CO., LTD., but ceased to have such authority from April 2017. ALL NIPPON AIRWAYS CO., LTD. provides public transportation services as an airline company, and the Kao Group engages in regular transactions with ALL NIPPON AIRWAYS CO., LTD. and its group companies in terms of the directors, officers and employees of the Company using its services as a means of transportation in making business trips, however, the amounts involved in such transactions account for less than 0.1% of the ALL NIPPON AIRWAYS group's consolidated net sales and the Kao Group's consolidated net sales for the latest fiscal year, respectively. While there are transactions to	(i) He has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections of an international airline which carries both cargo and passengers where safety and security took top priority. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. Since March 2022, he has demonstrated outstanding leadership as the Chairperson of the Board in enhancing the effectiveness of the Board of Directors toward enhancing the corporate value. The Company expects him to continue to

		<p>sell Kao Group’s products to ALL NIPPON AIRWAYS group, the amounts involved in such transactions account for less than 0.1% of the ALL NIPPON AIRWAYS group’s consolidated net sales and the Kao Group’s consolidated net sales for the latest fiscal year, respectively. He previously had executive authority at the Japan Institute of International Affairs, but ceased to have such authority from June 2023. The Company pays membership fees to the Institute; however, the ratios of the amount involved in such transactions account for less than 0.1% of the Institute’s ordinary income and the Kao Group’s consolidated net sales for the latest fiscal year, respectively.</p>	<p>supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight. <del>and for this reason nominates him as a candidate to continue as an Outside Director. If this proposal is approved, it is expected that Mr. Shinobe will be</del> He was reappointed as the Chairperson of the Board of Directors and newly appointed as the Chairperson of the Compensation Advisory Committee for Directors and Executive Officers at the Board of Directors meeting following AGM held on March 22, 2024.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>
Eriko Sakurai	○	<p>Ms. Sakurai previously had executive authority at Dow Chemical Japan Limited, but ceased to have such authority from July 2022. As a Japanese subsidiary of a US chemical manufacturer, Dow Chemical Japan Limited manufactures, imports, and sells various chemical products and provides technical services. The Kao Group conducts transactions related to the purchase of raw materials, etc. with the corporate group to which Dow Chemical Japan Limited is affiliated; however, the amounts involved in such transactions account for less than 0.1% of such group’s consolidated net sales and less than 0.5% of the Kao Group’s consolidated net sales for the latest fiscal year..</p>	<p>i) She has a wealth of experience in global companies, including many years of corporate management at the Japanese subsidiary of a US chemical manufacturer with global business operations, as well as supervision of management as an Outside Director at several major manufacturers and financial institutions. Based on her experience in the chemical industry, she also has a high level of expertise in the Chemical Business, which comprises the two key pillars of the Kao Group together with the Consumer Products Business. From this perspective, she has been actively giving opinions and making proposals at Board of Directors meetings. In addition, she has been providing advice based on her experience in planning and executing human resources strategies such as remuneration, developing and</p>

			<p>placement of human capital in global business. The Company expects her to continue to supervise the management of the Kao Group as an Independent Outside Director by leveraging her wealth of experience and high level of insight. She was newly appointed as the Chairperson of the Committee for the Examination of the Nominees for Directors and Audit &amp; Supervisory Board Members at the Board of Directors meeting at the Board of Directors following AGM held on March 22, 2024.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to her, and also that she has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>
Takaaki Nishii	○	<p>Mr. Nishii previously had executive authority at Ajinomoto Co., Inc., but ceased to have such authority from June 2022. The Ajinomoto Group is engaged in business that uses amino acids as raw materials, and there are raw material purchasing and other relations between the Ajinomoto Group and the Kao Group. However, the amounts involved in such transactions accounted for less than 0.5% of the Ajinomoto Group’s consolidated net sales and less than 0.1% of the Kao Group’s consolidated net sales for the latest fiscal year, respectively. He also has executive authority at FINET, INC. The Kao Group pays usage fees for services provided by FINET, INC.; however, the amounts involved in such transactions accounted for less than 0.1% of FINET, INC.’s net sales and the Kao Group’s consolidated net sales for the latest fiscal year, respectively.</p>	<p>i) He has been involved in corporate management for many years at a food manufacturer with global business operations, and has displayed strong leadership in transforming the company’s corporate culture and continuously enhancing corporate value. He has also held important positions in the human resources department and overseas subsidiaries, and has extensive knowledge of human capital strategies and business outside Japan. From this perspective, he has been actively giving opinions and making proposals at Board of Directors meetings. In addition, he has been providing advice on how to supervise the Board of Directors based on his experience in implementing effective governance reforms. The Company expects him to continue to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of</p>

			<p>experience and high level of insight.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>
Makoto Takashima	○	<p>Mr. Takashima previously had executive authority at Sumitomo Mitsui Banking Corporation, but ceased to have such authority from April 2023. Although the Kao Group has transactions with the Sumitomo Mitsui Financial Group, such as the use of corporate credit cards, the ratios of the amount involved in such transactions account for less than 0.1% of the Sumitomo Mitsui Financial Group’s consolidated ordinary income and the Kao Group’s consolidated net sales for the latest fiscal year, respectively. In addition, although the Kao Group has regular banking transactions with and borrows from the Sumitomo Mitsui Financial Group, the amount borrowed by the Kao Group from the group as of the end of the latest fiscal year accounts for less than 1.5% of the total consolidated assets of the Kao Group.</p>	<p>i) He has considerable experience, expertise, and ability in global corporate management that responds to change, including many years of experience in international operations and corporate planning at a major financial institution, followed by service as a manager in the changing business environment of the global financial industry. The Company expects him to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight.</p> <p>ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson **[Updated]**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee for Directors and Executive Officers
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	0	1
Outside Directors	4	4
Outside Experts	0	0
Other	1	0
Chairperson	Outside Director	Outside Director

**Supplementary Explanation**

The Company has established the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers which fulfill functions similar to the nominating committee and compensation committee of a "company with committees."

Details of each committee are described in "Policy 2.2 Voluntary Establishment of Committees" and "Disclosure Based on the Principles of the Corporate Governance Code" [Principle 3.1 (iii)] Directors' Remuneration, [Principle 3.1 (iv)] Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit & Supervisory Board Members and the Appointment and Dismissal of Senior Management.

In addition, the composition of the committee members was reviewed in order to promote specialized and focused deliberations in each committee.

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	0 (Not stipulated)
Number of Audit & Supervisory Board Members	5



Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments
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■ Cooperation between Audit & Supervisory Board Members and the Accounting Auditor  
 Audit & Supervisory Board Members work together with the Accounting Auditor and the Department of Internal Audit to improve the effectiveness of audits.

For more information, please see 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3
Outside Audit & Supervisory Board Members' Relationship with the Company (1) <b>[Updated]</b>	

Name	Attribute	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Hideki Amano	CPA														
Nobuhiro Oka	Attorney-at-law										○				
Saeko Arai	CPA														

\*Categories for "Relationship with the Company"

\* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past;

\* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. An Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Hideki Amano	○	None	(i) Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at a major auditing firm as a member of management, he has served as an Audit & Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Nobuhiro Oka	○	Mr. Oka serves as a Professor at the Keio University Law School, and is involved in business execution. The Company conducts joint research and transactions related to the advisory of research guidance with Keio University; however, the amounts of such transactions account for less than 0.1% of the university's income from education activities and the Kao Group's net sales for the latest fiscal year, respectively.	(i) He, in his career as an attorney and a university professor, has obtained considerable professional expertise and experience in relation to corporate legal affairs and corporate governance. Having served as an audit & supervisory board member of principal subsidiary of the Company since 2014, he also has expertise in relation to the business of the Kao Group. He has served as an Audit & Supervisory Board Member of the Company since March 2018, conducting effective audits from a professional perspective including group governance. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to him, and also that he has the necessary independence based on the

			“Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Saeko Arai	○	None	(i) Ms. Arai has served as an outside director and outside audit & supervisory board member for several companies, leveraging her extensive knowledge of accounting and finance as a certified public accountant to support corporate management such as establishing internal control systems. In addition to management experience as CFO of a venture company, she also has extensive international experience, including serving as a representative of a U.S. corporation. The Company has determined that she will be able to use these experience and knowledge in the auditing of the Group. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to her, and also that she has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.

**Independent Directors/Audit & Supervisory Board Members** [Updated]

Number of Independent Directors/Audit & Supervisory Board Members	7
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**Matters relating to Independent Directors/Audit & Supervisory Board Members**

All Outside Directors and all Audit & Supervisory Board Members of the Company meet qualification for Independence and the Company has reported these members to the TSE as Independent Directors/Audit & Supervisory Board Members.

■ **The Company’s Policy for Independence of Outside Directors/Outside Audit & Supervisory Board Members**

The Company has adopted at a meeting of its Board of Directors the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation”, with the unanimous consent of its Audit & Supervisory Board Members. The purpose of establishing these Standards is to provide clear criteria for an outside director/Audit & Supervisory Board Member to qualify as an independent director/Audit & Supervisory Board Member.

Please read these Standards on the Company’s website.

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance\\_002.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf)

■ **Regular Exchange of Information Solely among Independent Outside Directors and Outside Audit & Supervisory Board Members**

To promote discussions from diverse perspectives, independent Outside Directors and Outside Audit & Supervisory Board Members hold meetings exclusively to exchange information and share

awareness of issues related to the Company’s management and the activities of the Board of Directors, development of future Senior Management, and other matters. Also, newly appointed members who attended the meeting expressed their view that they were reassured by the fact that outside members can make their proposals directly to the Company through frank exchanges of opinions undertaken at the meeting.

**[Incentives]**

Incentive Policies for Directors	Performance-based Remuneration
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**Supplementary Explanation**

It is described in the following “Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration” in Remuneration for Directors.

Recipients of Stock Options	
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**Supplementary Explanation**

The Company grants stock options to applicable stock option grantees for the purpose of further increasing the Company’s corporate value by aligning the interests of the stock option grantees with those of the shareholders of the Company. The Company selects as stock option grantees Inside Directors and Executive Officers, who are in charge of management and conform to this purpose.

## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Director
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### Supplementary Explanation

The remuneration, etc., paid to Directors and Audit & Supervisory Board Members for FY2023  
(million yen)

Category	Number of Members	Aggregate Amount of Remuneration, etc.	Components of Remuneration			
			Base Salary	Short-term incentive compensation (performance-based bonus)	Long-term incentive compensation (Performance-based share incentive plan)	
					Variable portion	Fixed portion
Directors (including, in parentheses, Outside Directors)	12 (5)	674 (89)	490 (89)	82 (-)	66 (-)	36 (-)
Audit & Supervisory Board Members (including, in parentheses, Outside Audit & Supervisory Board Members)	6 (3)	120 (47)	120 (47)	- (-)	- (-)	- (-)
Total (including, in parentheses, Outside Directors and Outside Audit & Supervisory Board Members)	18 (8)	794 (136)	610 (136)	82 (-)	66 (-)	36 (-)

Notes:

1. The above numbers of Directors/Audit & Supervisory Board Members include two Inside Directors and one Inside Audit & Supervisory Board Member who resigned at the conclusion of the 117th Annual General Meeting of Shareholders held on March 24, 2023.
2. The variable portion of the long-term incentive compensation (performance-based stock compensation will be finalized as the fiscal year under review falls on the final year of the Mid-term Plan “K25.” Initially, the applicable period was set to five fiscal years up to the fiscal year ending December 31, 2025. However, since the Mid-term Plan “K27” was announced, the period is expected to be changed to three fiscal years up to the fiscal year ended December 31, 2023. As the amount of provision for long-term incentive compensation recognized for the current fiscal year is 112 million yen, while the amount of reversal of provision for prior years based on the degree of achievement of “K25” is 46 million yen, the difference between them is shown in the table above.

For Directors of foreign nationals, we plan to pay cash equivalent to the variable portion of long-term incentive compensation (performance-based stock compensation).

3. The maximum amounts of remuneration, etc. are as follows:

- (1) Maximum aggregate amount of monetary remuneration, etc., to be paid to Directors:

An annual amount of 630 million yen (as resolved at the 101st Annual General Meeting of Shareholders held on June 28, 2007). The Company had 15 Directors (including two Outside Directors) at the time such resolution was adopted. Such maximum aggregate amount includes the maximum annual amount of 100 million yen to be paid to Outside Directors (as resolved at the 110th Annual General Meeting of Shareholders held on March 25, 2016) but does not include the salary amounts, etc. to be paid to Directors who also serve as employees of the Company, for their service as employees. The Company had seven Directors (including three Outside Directors) at the time such resolution was adopted.

Based on a resolution adopted at the 115th Annual General Meeting of Shareholders held on March 26, 2021, the Company has introduced a performance-based share incentive plan for its Directors (excluding Outside Directors) and its Executive Officers, which shall be applicable separately from the maximum aggregate amount of monetary remuneration, etc., for the Directors. Under this share incentive plan, trust money of up to 3.65 billion yen is contributed concerning the fiscal years subject to the Company’s mid-term plan (the initial period to be covered being the period of five fiscal years from the fiscal year ended December 31, 2021 to the fiscal year ending December 31, 2025), and the Company’s shares are acquired through a trust and are then vested, etc., through the trust, based on the evaluation indicators consisting of growth potential evaluation indicators (such as the degree of growth in overall business sales and profit, etc.), ESG potential evaluation indicators (such as evaluation by external indicators), and management potential evaluation indicators (such as evaluation of management activities by the Company’s employees). The Company had four Directors (excluding Outside Directors) at the time such resolution was adopted.

(2) Maximum aggregate amount of remuneration, etc., to be paid to Audit & Supervisory Board Members:

An annual amount of 120 million yen (as resolved at the 113th Annual General Meeting of Shareholders held on March 26, 2019). The Company had five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) at the time such resolution was adopted.

4. Aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members by the Company's subsidiaries, etc., other than the aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members:

Remuneration paid to one Outside Audit & Supervisory Board Member for his service as an Audit & Supervisory Board Member of Kao Group Customer Marketing Co., Ltd. was 4 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods <b>Updated</b>	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The purpose of the Company's compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is as follows:

- Securing and retaining diverse and excellent talent to establish and improve competitive advantages;
- Promoting prioritized measures for continuous increases in corporate value; and
- Sharing interests in common with shareholders.

Remuneration of Directors, other than Outside Directors, and Executive Officers consists of (a) a base salary, (b) a bonus as short-term incentive compensation, and (c) performance-based share incentive plan as long-term incentive compensation, and is designed to provide an impetus for continuing annual improvement in business results and medium-to-long-term growth. Linkage of remuneration to business results increases with rank and takes into account the responsibilities of each position and individual performance. An overview of the components of remuneration is as follows:

##### (a) Base salary

A base salary is paid as fixed monthly remuneration in an amount determined in accordance with duties as a Director or Executive Officer and rank.

##### (b) Bonus as short-term incentive compensation

When the bonus payment rate is paid at 100%, the bonus is set at 50% of the base salary for the President and CEO, 40% of the base salary for the Executive Officers with titles other than the CEO and 30% to 35% of the base salary for other Executive Officers. In order to achieve "profitable growth," the Company determines the bonus payment rate by looking at sales and profit results against the single-year target, improvement from the previous year's results, business results that reflect the achievement level of single-year target EVA, which is a management index that the Company holds in high regard as an indicator to measure the degree of corporate value, and the results of individual evaluation. The bonus payment rate is set within a range of 0% to 200%.

The net sales and profit targets have been made consistent between Directors, other than Outside Directors, and Executive Officers and employees so that they can work together to achieve them. These targets are different from the figures in the announced forecasts, taking into account a certain level of relevance and consent as the companywide goals. On the other hand, regarding the EVA target, the Company has set target based on publicly announced performance forecasts as executive performance indicators (The target value for bonus calculation may exceed the announced performance forecast.). In the process of individual evaluation, the Company has put in place a process of evaluation by Outside Directors and Outside Audit & Supervisory Board Members to ensure objectivity and transparency of the evaluation.

The single-year targets for these evaluation indicators for the fiscal year under review were sales (sales calculated based on the accounting standards used before the adoption of IFRS 15) of 1,676.0 billion yen, profit (gross profit minus selling, general administrative expenses) of 124.8 billion yen, with EVA single-year target of 24.2 billion yen. The actual results were sales of 1,634.8 billion yen, profit of 93.7 billion yen, and EVA of 14.9 billion yen. In addition to the above, the percentage

improvement from the results of the previous fiscal year is used as an evaluation indicator for sales and profit. The rate of business performance-based remuneration based on these results for the fiscal year under review came in at 58.59%.

(c) Performance-based share incentive plan as long-term incentive compensation

Company shares, etc., are delivered to Directors, other than Outside Directors, and Executive Officers based on factors such as the degree of achievement of the key performance targets adopted under the Mid-term Plan “K25.” (Initially, the applicable period was set to five fiscal years up to the fiscal year ending December 31, 2025. However, since the Mid-term Plan “K27” was announced, the period has been changed to three fiscal years up to the fiscal year ended December 31, 2023.) This performance-based share incentive plan comprises two parts: a variable portion in which Company share, etc. is delivered in accordance with the degree of achievement of targets adopted under the mid-term plan, etc., and a fixed portion in which a certain number of Company share, etc. is delivered annually. The purpose of the variable portion of the system is to provide an impetus for achieving the targets of the Company’s mid-term plan as well as to increase the link between performance and compensation over the medium to long term. The purpose of the fixed portion of the system is to strengthen shared interest with the Company’s shareholders by promoting the holding of shares by the Directors, other than Outside Directors, and Executive Officers. The variable portion accounts for 70% of shares delivered, with the fixed portion accounting for 30%. When the variable coefficient for the variable portion of the system is at 100%, the yearly share remuneration amount is set at approximately 30% to 50% of a base salary.

The variable portion is delivered after the Director, etc. retire, reflecting their achievement level. The fixed portion is delivered after the end of each fiscal year. A portion of the amount is delivered in Company shares and the remainder is delivered in the amount of Company shares cashed within the trust for delivering shares.

In calculating the variable coefficient, in order to promote “contributing to an ‘enriched sustainable society’ and growing the businesses of the company through proactive engagement in ESG activities and investment,” which is the goal of “K25,” “growth potential evaluation (degree of growth in overall business sales and profit, etc.)”; “ESG potential evaluation (evaluation by external indicators, status of realization of internal indicators, etc.)”; and “management potential evaluation (evaluation of management activities by our employees, etc.)” are used as evaluation indicators and evaluations are made based on the degree of achievement. Depending on the results of evaluating these indicators, the range will be from 0% to 200% and the shares will be issued after the performance is confirmed. Through an overall evaluation of these indicators based on the degree of achievement as of the end of FY2023 and subsequent assessments by the Compensation Advisory Committee for Directors and Executive Officers, the variable coefficient for “K25” has been determined at 80% by the Board of Directors.

Compensation for the Outside Directors and Audit & Supervisory Board Members, who hold a position independent from the Company’s business execution function, is limited to a fixed monthly salary.

The Company has no retirement bonus system for the Directors or Audit & Supervisory Board Members.

At a Board of Directors meeting, the Company revised the ratio of performance-based remuneration to total remuneration for Directors, excluding Outside Directors, and Executive Officers subject to shareholders’ approval of “Partial Revision of the Amount and Other Terms and Conditions of Performance Shares, etc. for Directors, etc.” at the 118th Annual General Meeting of Shareholders to better incentivize them to contribute to enhancing corporate value and achieving performance targets.

Details of revisions to the ratios of short-time incentive compensation (bonus) and long-term incentive compensation (performance-based stock compensation)

Category	Short-term incentive compensation (bonus)		Long-term incentive compensation (performance-based stock compensation)	
	Before revision	After revision	Before revision	After revision
President and CEO	50% of base salary	100% of base salary	30% to 50% of base salary	30% to 100% of base salary
Executive Officers with titles (excluding President and CEO)	40% of base salary	50% to 70% of base salary		
Other Executive Officers	30% to 35% of base salary	30% to 50% of base salary		

*\*The levels of base salary will not be revised in FY2024.*

In calculating the coefficient of variation for long-term incentive compensation, in order to become a company with "Global Sharp Top" business as stated in "K27" and to promote aggressive governance to achieve this goal, the Company will use the existing evaluation indicators of "growth potential evaluation (degree of growth of overall business sales and profits, etc.)," "ESG potential evaluation (evaluation by external indicators, status of realization of internal indicators, etc.)," "management potential evaluation (evaluation of management activities by our employees, etc.)" are used as evaluation indicators and evaluations are made based on the degree of achievement. In addition, the Company will introduce new evaluation indicators of "EVA (economic value added)" and "TSR (total shareholder return)" and conduct evaluation based on the degree of achievement of those indicators. Moreover, non-Japanese directors, to whom long-term incentive compensation had been paid in cash, have been added to the scope of this system in order to motivate them to further increase the share price.

#### Process for Determining the Amount of Remuneration

The compensation system and compensation standards for the Directors and Executive Officers, including details of individual remuneration for the Directors are examined by the Compensation Advisory Committee for Directors and Executive Officers and determined by the Board of Directors. The Compensation Advisory Committee for Directors and Executive Officers comprises the Company's Representative Director, President and CEO, and all of the Company's Outside Directors. As such, over half of the Committee's members are independent. The chairperson is elected from among the Outside Directors.

In determining the details of compensation for individual Directors for the current fiscal year, the Compensation Advisory Committee for Directors and Executive Officers performed a comprehensive review of the draft proposal, including consistency with the objectives of the Company's remuneration for Directors prior to submitting its report, and based on the results of the Board of Directors' confirmation of the details of the Committee's review and report, the Board of Directors has determined that the compensation details are consistent with the objectives of the Company's remuneration for Directors, etc.

Compensation standards for Audit & Supervisory Board Members are determined by discussions of the Audit & Supervisory Board. Furthermore, the Company has established a Compensation Advisory Committee for Audit & Supervisory Board Members, and examines the validity and transparency in the decision-making process of compensation amounts for Audit & Supervisory Board Members from an objective perspective. The committee is composed of all Outside Audit & Supervisory Board Members, the President and CEO, and one Outside Director. The chairperson is elected from among the Outside Audit & Supervisory Board Members.

Compensation standards for Directors, Executive Officers, and Audit & Supervisory Board Members are determined each year after ascertaining standards at other major manufacturers of a similar size, industry category, and business type to the Company and other companies that are comparable to the Company in terms of the direction of management strategies and business form, using officer compensation survey data from an external survey organization. In the future, when deemed necessary based on the Company's executive structure and the market level of



compensation for Directors, we may consider revising the maximum amounts of monetary remuneration (630 million yen annually (including 100 million yen per year for Outside Directors, and excluding salary amounts, etc. to be paid to Directors who also serve as employees of the Company for their service as employees) and submit a proposal of the revision to an Annual General Meeting of Shareholders of the Company to seek for shareholders' approval.

**[Supporting System for Outside Directors and Outside Audit & Supervisory Board Members]**

To allow for active discussions at meetings of the Board of Directors, the Board of Directors Secretariat provides Outside Directors and Outside Audit & Supervisory Board Members with sufficient explanations by distributing materials on matters such as the background, purposes, and content of the respective agenda items, as necessary, prior to the meeting of the Board of Directors.

Outside Audit & Supervisory Board Members are supported by staff who assist their duties. Furthermore, under this support system, administrative divisions such as the Department of Internal Audit, and the Legal Department and Finance & Accounting Department provide the Outside Audit & Supervisory Board Members with assistance upon their request.

**[Status of Persons who have retired from Representative Director and President, etc.]**

Name of Consultants, Advisors, etc. who have retired from Representative Director and President, etc. <b>[Updated]</b>
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Name	Title/Position	Description of Tasks	Form and Conditions of Services (Full-time, Part-time, Paid or Unpaid, etc.)	Date of Retirement from President, etc.	Term
Michitaka Sawada	Special Advisor	Activities of external organizations and government agencies (not involved in the Company's management)	Part-time, no compensation	December 31, 2020	Two years (No renewal)

Total number of Consultants, Advisors, etc. who have retired from Representative Director and President, etc.	1
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Others
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**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **[Updated]****

■Outline of the Current Corporate Governance Structure

The Company has introduced, within the framework of a “Company with an Audit & Supervisory Board\*,” the Executive Officer system in order to separate the supervision function from the execution function. Following the conclusion of the 118th Annual General Meeting of Shareholders held in March 2024, the Company has: eight (8) Directors, including four (4) Outside Directors; five (5) Audit & Supervisory Board Members including three (3) Outside Audit & Supervisory Board Members; and 31 Executive Officers (including Executive Officers concurrently serving on the Board of Directors. As of March 22, 2024). All Outside Directors and all Outside Audit & Supervisory Board Members maintain their neutrality, independent from the Company’s management. In order to improve the transparency and other aspects of discussions in the Board of Directors, an Independent Outside Director has become the chairperson of the Board after the 108th Annual General Meeting of Shareholders held in March 2014. The term of office for Directors and Executive Officers is one (1) year.

Information on the Company’s Corporate Governance Structure and Initiatives is available on the Company’s website.

[www.kao.com/global/en/corporate/policies/corporate-governance/structure/](http://www.kao.com/global/en/corporate/policies/corporate-governance/structure/)

\*Information concerning reasons for adopting a company with an Audit & Supervisory Board, please see "Policy 2.1 Company with Audit & Supervisory Board”

• **Board of Directors**

Activities of the Board of Directors in FY2023

Title	Name	Attendance Rate
Director, Chair	Michitaka Sawada	100% (15 out of 15 meetings)
Representative Director	Yoshihiro Hasebe	100% (15 out of 15 meetings)
Representative Director	Masakazu Negoro	100% (11 out of 11 meetings)
Director	Toru Nishiguchi	100% (11 out of 11 meetings)
Director	David J. Muenz	100% (15 out of 15 meetings)
Outside Director	Osamu Shinobe	100% (15 out of 15 meetings)
Outside Director	Chiaki Mukai	100% (15 out of 15 meetings)
Outside Director	Nobuhide Hayashi	100% (15 out of 15 meetings)
Outside Director	Eriko Sakurai	100% (15 out of 15 meetings)
Outside Director	Takaaki Nishii	100% (11 out of 11 meetings)
Full-time Audit & Supervisory Board Member	Yasushi Wada	100% (11 out of 11 meetings)
Full-time Audit & Supervisory Board Member	Sadanao Kawashima	100% (15 out of 15 meetings)
Outside Audit & Supervisory Board Member	Hideki Amano	100% (15 out of 15 meetings)
Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (15 out of 15 meetings)
Outside Audit & Supervisory Board Member	Takahiro Nakazawa	100% (15 out of 15 meetings)

\* During FY2023, 15 meetings of the Board of Directors were held. After Mr. Masakazu Negoro, Mr. Toru Nishiguchi and Mr. Takaaki Nishii took office as Directors, and Mr. Yasushi Wada took office as Audit & Supervisory Board Member, 11 meetings of the Board of Directors were held.

Major topics discussed by the Board of Directors

In FY2023, the Board of Directors, in accordance with the Board of Directors' approach confirmed in FY2022, focused its deliberations on the following points.

<How the Board of Directors should function>

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 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 to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.

➤ Monitoring of the progress of the Mid-term plan and issues

The Board of Directors monitored business indicators and the progress of the Kao Group's Mid-term plan "K25" at monthly meetings, and held an interim review of K25 to discuss structural reforms and growth strategies. As a result of the interim review of K25, the Kao Group Mid-Term Management Plan "K27" was re-formulated, and discussions and implementation of structural reforms are in progress.

➤ Human capital strategy

The Board of Directors confirmed the recognition of issues in the human capital strategy and the

direction of response to the issues found therein and discussed the human capital strategy to realize the Company's growth strategy. It was pointed out that it is necessary to further deepen the discussion on the requirements, training, and acquisition of human resources to take charge of the growth strategy. The Board will continue to ensure that time is set aside for discussion and that the growth strategy is implemented. The Board also continue to deliberate on the progress and results following the introduction of the new human capital revitalization system OKR (Objectives and Key Results), which encourages employees to take on new challenges. The Board will ensure that diverse challenges in various Group locations will increase and expand, and that further collaboration will be promoted through dialogue.

➤ Sustainability (Climate Change Risks/Human Rights, etc.)

The Board of Directors received reports on the Kao Group's initiatives, including global ESG trends and the incorporation of "decarbonization" and "biodiversity" strategies into business plans, and confirmed their promotion status. The Board will continue to review issues related to sustainability.

➤ Establishment and Operation of Internal Control System

The Board of Directors was confirmed that the internal control system has been established and is operating without any major problems.

In addition to the above, monthly reports on execution are made by directors who concurrently serve as executive officers, and reports on matters deliberated by the Management Board are made by the executive officer in charge.

• **Audit & Supervisory Board**

The activities of the Audit & Supervisory Board are described in "Disclosure Based on the Principles of the Corporate Governance Code" [Principle 4.4] Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board

• **Accounting Auditor**

The Company executed an audit contract with Deloitte Touche Tohmatsu LLC with respect to audits required under the Companies Act and the Financial Instruments and Exchange Law.

The names of the certified public accountants (CPA) who engaged in the audit for FY2023 (ended December 31, 2023) and the composition of the assistants in the audit are as follows:

Name of the CPAs engaged in the audit:

Designated Limited Liability Partner/Engagement Partner: Junichi Yamanobe, Koji Inoue and Yuichiro Nakashima

Composition of assistants in the audit:

15 CPAs and 44 others

The accounting firm, Deloitte Touche Tohmatsu LLC as the Company's Accounting Auditor, ensures, in accordance with applicable laws, regulations, etc., that none of its employees who become involved in the audits of the Company will be involved in such audit for more than 7 accounting periods and a lead engagement partner is not involved for more than five consecutive accounting periods. The Company executed an audit contract with Deloitte Touche Tohmatsu LLC with respect to audits required under the Companies Act and the Financial Instruments and Exchange Law, and pays remuneration to the accounting firm in accordance with this contract.

Response to Accounting Auditors:

In order to ensure the reliability of disclosure information related to the Company's financial results and the quality of our audits, the Company understands the audit plan formulated by the Accounting Auditors and ensures sufficient audit time. Accounting Auditors cooperate with the President & CEO and Executive Officers responsible for overseeing accounting and finance, Audit & Supervisory Board Members, and the Department of Internal Audit through regular meetings and information exchanges. In the event that Accounting Auditors discover fraud, the Accounting Auditors immediately report to the Company, and works with Audit & Supervisory Board Members and the Department of Internal Audit, to implement an appropriate response system.

Appointment of Accounting Auditors:

The Audit & Supervisory Board gathered information from the Accounting Auditors on the quality of audits, including the independence of the Accounting Auditor, the auditing system, and the

status of implementation of audits. The Audit & Supervisory Board also exchanged opinions at joint meetings with Company's Accounting and Finance Department and Department of Internal Audit, and then evaluated the appropriateness of the reappointment of the Accounting Auditors. As a result, the quality control system is in place, ongoing improvement activities are being implemented, and the auditing system within the auditing firm is also functioning effectively. The integrated auditing system for domestic Group companies is also functioning, and the provision of information to Audit & Supervisory Board members is also good. The Audit & Supervisory Board confirmed that information sharing was good for each overseas Group company by establishing a cooperative system with each Accounting Auditor. Furthermore, risk awareness using IT and appropriate proposals and advice for improving audit efficiency are being made, and effective communication with related departments is also being attempted.

Based on these results and the status of the response to the pre-approval process for non-assurance services, the Audit & Supervisory Board determined that it was appropriate to reappoint Deloitte Touche Tohmatsu LLC, recognizing the audit methods, results, and quality as appropriate. The Audit & Supervisory Board also exchanged opinions on the continuing audit period and rotation of the current auditing firm.

Collaboration between Audit & Supervisory Board Members, the Accounting Auditor, the Department of Internal Audit, and Outside Directors

Audit & Supervisory Board Members and the Department of Internal Audit which is in charge of internal audit receive explanations from the Accounting Auditor on audit plans, priority audit items and accounting audit results (quarterly review and annual audit) and major audit considerations, and exchange opinions with the Accounting Auditors on a regular and necessary basis.

The Audit & Supervisory Board Members and the Accounting Auditors hold meetings to exchange opinions with domestic and overseas companies' Accounting Auditors and share issues of each company. For non-assurance services provided by Accounting Auditors and group companies, policies and procedures are stipulated in the regulations, and these services are performed based on a process approved in advance by the Audit & Supervisory Board Members.

The Audit & Supervisory Board Members share with all Directors, including the Outside Directors, the audit plans and audit findings of the Accounting Auditors at meetings of the Board of Directors and at meetings for exchange of opinions. Furthermore, when deemed necessary by the Directors, the Audit & Supervisory Board Members are provided with opportunities to exchange information directly with the Accounting Auditors to ensure efficiency and sufficient collaboration.

The Audit & Supervisory Board Members and the Department of Internal Audit exchange opinions on audit plans, findings from on-site hearings, internal audit results, etc., not only at regular meetings (four times a year) but also as necessary. In addition, the Vice President of the Department of Internal Audit attends meetings of the Audit & Supervisory Board and meetings for exchange of opinions among Group auditors as appropriate. In addition, the Vice President of the Department of Internal Audit attends meetings of the Audit & Supervisory Board and the Conference of Auditors for Domestic Group Companies as appropriate.

The Department of Internal Audit strives for mutual cooperation with the Accounting Auditors, sharing information as appropriate on the maintenance and evaluation of internal control over financial reporting and the status of internal audit activities.

#### ■ Summary of Directors and Officers Liability Insurance

The Company has entered into a directors and officers liability insurance contract with an insurance company, as provided for in Article 430-3, Paragraph 1 of the Companies Act, insuring the Directors, Audit & Supervisory Board Members, and Executive Officers, etc., of the Company and the Kao Group. This contract covers compensation for damages and legal costs that may be incurred by the insured if they receive a claim for damages as a result of their actions (including omissions) committed by them in connection with their duties as officers, etc. of the Company and the Kao Group. However, the contract does not cover damages arising from actions taken by the insured with the knowledge that they were in violation of the law, so as not to impair the appropriate execution of duties by the insured. Insurance premiums are covered by the Company and the Kao Group.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company has made continuous efforts to improve its corporate governance structure in order to respond changes in the business and management environment. The Company will continue to examine the issue of corporate governance structure improvement as part of its managerial challenges. The Company considers it appropriate to make efforts to improve its corporate governance structure through establishing the Committee for the Examination of the Nominees and the Compensation Advisory Committee for Directors and Executive Officers , on the basis of its current structure as a “Company with an Audit & Supervisory Board\*” which has the Board of Directors (consists of four (4) Inside Directors and four (4) Outside Directors) and the Audit & Supervisory Board (consists of two (2) Inside Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members.)

The reasons for the Company's selection of a company with Audit & Supervisory Board are described in "Policy 2.1 Company with Audit & Supervisory Board.

The policy is available on the Company's website below.

[www.kao.com/global/en/corporate/policies/corporate-governance/](http://www.kao.com/global/en/corporate/policies/corporate-governance/)

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights Updated

	Supplementary Explanations
Early Notification of General Shareholder Meeting	<p>The Company strives for the early disclosure of the convocation notice of its Annual General Meeting of Shareholders (“AGM”) every year so that our shareholders can fully examine agenda items of AGM. Prior to the dispatching of the printed convocation notice, on February 22, 2024, the Company uploaded and disclosed it on the Timely Disclosure Network of the Tokyo Stock Exchange and on the Company’s website for the AGM to be held on March 22, 2024.</p> <p>(<a href="http://www.kao.com/global/en/investor-relations/stock-information/shareholders-meeting/">www.kao.com/global/en/investor-relations/stock-information/shareholders-meeting/</a>)</p> <p>The printed copy of convocation notice was dispatched on March 7, 2024.</p>
Allowing Electronic Exercise of Voting Rights	<p>The exercise of voting rights by electromagnetic means was started at the Annual General Meeting of Shareholders held in 2006.</p>
Participation in Electronic Voting Platform	<p>The use of an electronic voting right exercise system for institutional investors (“Platform” operated by ICJ, Inc.) was also started at the Annual General Meeting of Shareholders held in 2006. Furthermore, in order to encourage the exercise of voting rights by the foreign shareholders, who hold close to 50% of the Company's total shares, the Company conducts surveys on shareholders who actually own the shares and provides them with the summary of the notice of Annual General Meeting of Shareholders in English. The Company also encourages the exercise of voting rights by Japanese Institutional Investors at analyst meeting and interviews for full-year financial results.</p>
Providing Convocation Notice in English	<p>English translation (summary) of the convocation notice is published on the Company’s website on the same day as Japanese.</p>
Other	<p>&lt;Determination of an Appropriate Date for the Annual General Meeting of Shareholders&gt;</p> <p>The Company decides on a date for its Annual General Meeting of Shareholders within the three-month period after the fiscal year-end by designing a schedule premised on providing sufficient time for deliberation by shareholders who have received a convocation notice and ensuring a sufficient number of days for an audit of the financial statements by the Accounting Auditor then considering factors including securing an assembly hall with the capacity to hold the attendees and days when Directors and Audit &amp; Supervisory Board Members, including Outside Directors/Audit &amp; Supervisory Board Members, and Executive Officers can attend.</p> <p>&lt;Providing Appropriate Information to Shareholders&gt;The Company works to enhance the content of its convocation notices for Annual General Meetings of Shareholders by conducting regular revisions to proactively incorporate information considered conducive to appropriate judgments by shareholders, in addition to items required by law. Also, it provides institutional investors and others with explanation as necessary. At the Annual General Meeting of Shareholders, the Company provides shareholders with easy-to-understand explanations of the main parts of the business report, major issues and the medium-to-long-term outlook using projected images and a thorough question-and-answer session.</p> <p>&lt;Response in the Event a Considerable Number of Votes are Cast against a Proposal by the Company&gt;</p> <p>For proposals against which a considerable number of votes have been cast at the Annual General Meeting of Shareholders, after conducting an analysis of the causes, including confirmation of matters such as benchmarks for the exercise of voting rights by institutional investors, the Company works to gain understanding of its stance through explanations to institutional investors by sending letters or conducting direct dialogues. In addition, the Company takes the advice and opinions of institutional investors seriously and uses them to reconsider and improve items related to such proposals against which votes were cast.</p>

	<p>&lt;Delegation of Powers of the General Meeting of Shareholders to the Board of Directors&gt;  The Company enables the delegation of certain powers of the Annual General Meeting of Shareholders, such as issuing an interim dividend and exempting Directors and Audit &amp; Supervisory Board Members from liability, to the Board of Directors. Such delegation is premised on the attendance at Meetings of the Board of Directors (eight(8) Directors and five (5) Audit &amp; Supervisory Board Members) of the seven (7) outside members, who consist of four (4) Independent Outside Directors, and the three (3) independent Outside Audit &amp; Supervisory Board Members, representing half of attendees, thus maintaining a structure for conducting checks from the perspective of shareholders.</p> <p>&lt;Posting Videos from Annual General Meeting of Shareholders&gt;  The Company has posted videos of the business report including the presentation by the chairperson on the Company's website. The videos are available only in Japanese. (<a href="http://www.kao.com/global/en/investor-relations/stock-information/shareholders-meeting/">www.kao.com/global/en/investor-relations/stock-information/shareholders-meeting/</a>)</p>
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## 2. IR Activities [Updated]

	Supplementary Explanations	Explanation by Representative(s) of the Company
Preparation and Publication of Disclosure Policy	The Company has established and published Disclosure Guidelines which set forth its commitment to strict compliance with the Companies Act, the Financial Instruments and Exchange Law, the rules set down by the Tokyo Stock Exchange (TSE) and other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines have been updated, which takes into account fair disclosure. The Company's Disclosure Guidelines are published on the Company's website. <a href="http://www.kao.com/global/en/investor-relations/disclosure/">www.kao.com/global/en/investor-relations/disclosure/</a>	
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings are held on the date of the announcement of full-year and interim financial results. A business management overview and management policy are reported and explained by the President and CEO, and the actual and expected corporate performance are reported and explained by the officer, Responsible for Management Finance (Accounting and Finance, Business Structure Reforms, Procurement, Human Capital Strategy). For the first quarter and the third quarter, the Company holds conference calls. As part of a constructive dialogue with a view to enhance the corporate value, small meetings between the President and CEO and analysts and institutional investors are held. Furthermore, the Company holds briefings on new strategies, initiatives, and businesses whenever necessary.	Yes
Regular Investor Briefings for Overseas Investors	To hold constructive dialogues with a view to enhance the corporate value and to facilitate the exercise of voting rights, the President and CEO engages in direct dialogue with various institutional investors and holds timely dialogue with various institutional investors on topics such as ESG and other matters. Also, other members of the management engage in direct dialogue with institutional investors in Asia adequately, and they explained the Company's management policy, as well as matters such as the managerial environment and business performance and outlook, and answered questions subsequently asked by investors. In recent years, the Company continues to hold meetings using online tools. In addition, the executive officer in charge and IR staff participate in conferences hosted by securities companies as appropriate, and hold dialogues with various institutional investors regarding management policies and business performance.	Yes
Posting of IR Materials on Website	Reports of financial results, annual securities reports, quarterly reports, quarterly securities reports, notices of convocation of shareholders meetings, integrated report, and presentation materials at shareholders meetings and financial results briefing sessions are published on the Company's website. Furthermore, reports of financial results, notices of	

	<p>convocation of shareholders meetings and presentation materials at financial results briefing sessions are translated into English and published on the Company's website. Presentation materials at shareholders meetings in Japanese and English are disclosed promptly at the same time on the Company's website. From fair disclosure perspectives, Q&amp;As from various meetings such as interim and full-year financial results briefings and conference calls are disclosed in script in Japanese and English. Financial results briefings videos are posted on the website as well.</p> <p>In September 2021, the investor information website was redesigned to expand public information and improve convenience, and the Company has continued to add and update information since then.</p> <p>Investor information in Japanese: <a href="http://www.kao.com/jp/investor-relations/">www.kao.com/jp/investor-relations/</a> Investor information in English: <a href="http://www.kao.com/global/en/investor-relations/">www.kao.com/global/en/investor-relations/</a></p>
Establishment of Department and/or Manager in Charge of IR	Corporate Strategy performs IR functions, aiming to reinforce strategic disclosure of information, communicate with securities analysts and institutional investors, hold events and disclose information on the website. A total of seven members respond to IR issues at the head of one Vice President.
Other	<p>&lt;Measures aimed at Shareholders&gt; Since 2021, the Company has been holding online events to inform more shareholders about Kao's "Yoki-Monozukuri" and ESG initiatives.</p> <p>&lt;Measures aimed at institutional investors&gt; The Company conducts exchanges of opinions with multiple institutional investors in Japan and outside Japan regarding how to promote constructive dialogues and ESG and makes use of such exchanges to improve information disclosure and daily IR activities. Also, the Company held a seminar on Kao Group Mid-term Plan 2020 (K20).</p> <p>&lt;Published Integrated Report&gt; The Company releases the Kao Integrated Report, which covers both financial and non-financial information. Kao's Financial Report is also available in PDF format. Integrated Report <a href="http://www.kao.com/global/en/investor-relations/library/reports/Financial-Report">www.kao.com/global/en/investor-relations/library/reports/Financial-Report</a> <a href="http://www.kao.com/global/en/investor-relations/library/financial-report/">www.kao.com/global/en/investor-relations/library/financial-report/</a></p> <p>&lt;External Evaluation&gt; The Company received Commendation Award in 2023 Internet IR Award by Daiwa Investor Relations Co. Ltd and Companies' Website Ranking "AAA Website" by Nikko Investor Relations Co., Ltd.</p>

### 3. Measures to Ensure Due Respect for Stakeholders [Updated]

Supplementary Explanations	
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Kao Way, an essence of the Company's corporate philosophy, declares, "As one, we create a Kirei life for all - providing care and enrichment for the life of all people and the planet; As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all." The "Vision" section of the Kao Way further states, "To be closest to the individual and beyond their expectation; By deeply knowing and understanding our world and its people, we aim to improve people's lives beyond their expectations for a future where humans and nature thrive together."</p> <p>Furthermore, the Principles of Corporate Ethics in "Kao's Business Conduct Guidelines" state, "Kao Corporation seeks to be an honest and exemplary company, guided by sensible and fair actions and driven by a fundamental adherence to</p>



	<p>ethical principles that go beyond mere compliance with laws to earn the true respect of all stakeholders. The Business Conduct Guidelines also give specific guidance about respecting the standpoint of stakeholders.</p>
<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>&lt; Evaluation of ESG Measures &gt;  Selected for the A List for climate change, forest, and water by CDP and Supplier Engagement Leader by CDP  The Company has been selected as the A List for climate change, forest, and water by CDP based on the CDP's environmental response survey of the companies surveyed worldwide seven years in a row. The Company has been included in the climate change A List for the fifth time, the forest A list for the fourth time, and the water security A List for the seventh time. Also, the Company has been recognized, for the seventh consecutive year, as a Supplier Engagement leader for its initiatives in reducing carbon emissions and tackling climate change across its supply chain by CDP, an international non-profit organization that drives companies and governments to reduce their greenhouse emissions.</p> <p>*CDP: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.</p> <p>Included in Stock Indices for ESG Investing</p> <ul style="list-style-type: none"> <li>• FTSE4Good Index</li> <li>• FTSE Blossom Japan Index</li> <li>• FTSE Blossom Japan Sector Relative Index</li> </ul> <p>Index developed by FTSE Russell, a unit of the London Stock Exchange Group. Companies that satisfy its environment, social, and governance standards are selected for the index.</p> <ul style="list-style-type: none"> <li>• MSCI ESG Leaders Indexes</li> <li>• MSCI Japan ESG Select Leaders Index</li> <li>• MSCI Japan Empowering Women (WIN) Select Index</li> </ul> <p>Indexes developed by U.S.-based MSCI. Companies with excellent environment, social, governance (ESG) ratings are selected for the indexes.</p> <p>For information on other external evaluations, please visit the following website.  <a href="http://www.kao.com/global/en/sustainability/pdf/recognition/">www.kao.com/global/en/sustainability/pdf/recognition/</a>  Details on Kao's sustainability-related initiatives can be found at following websites.  Kao Sustainability Report:  <a href="http://www.kao.com/global/en/sustainability/pdf/">www.kao.com/global/en/sustainability/pdf/</a></p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Company has established Disclosure Guidelines which set forth its commitment to timely, accurate, and impartial disclosure of information to shareholders, investors, and all stakeholders in strict compliance with the Companies Act, the Financial Instruments and Exchange Law, the rules set down by the Tokyo Stock Exchange (TSE) where the Company's shares are listed, as well as other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines have been updated, which takes into account fair disclosure.  <a href="http://www.kao.com/global/en/investor-relations/disclosure/">www.kao.com/global/en/investor-relations/disclosure/</a></p>
<p>Other</p>	<p>&lt;Measures to Promote Diversity &gt;  Recognizing that the vitality born from diversity supports our business growth, the Company expresses its aim and principles of action in the Kao Way, the Company's corporate philosophy, and shares it widely. The Company established and disclosed its Diversity, Equity, and Inclusion (DE&amp;I) Policy in 2023. For individuals and the Company to grow together, we aim to strengthen the organization by bringing together employees of diverse backgrounds, respecting each other, and accepting each individual's perspective and way of thinking; and to create an environment where each individual can maximize his/her ability and individuality. The Company discloses information on its initiatives through the Sustainability Report, Kao Integrated Report, and other reports.</p> <p>Please see below for Sustainability Report, Integrated Report and Diversity, Equity</p>

and Inclusion Policy.

- Kao Sustainability Report

[www.kao.com/global/en/sustainability/pdf/](http://www.kao.com/global/en/sustainability/pdf/)

- Kao Integrated Report

[www.kao.com/global/en/investor-relations/library/reports/](http://www.kao.com/global/en/investor-relations/library/reports/)

- Diversity, Equity and Inclusion Policy

[www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/](http://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/)

With regard to core positions, the Company securing diversity by thoroughly evaluating and promoting them based on individual abilities that do not rely on attributes.

With regard to promotion of women to managerial positions, among other efforts, the Company has set a target to have a proportionate ratio of female managers in Kao Group companies in Japan to the ratio of female employees in Kao Group companies in Japan by 2030, creates a compatible environment for diverse work methods and encourages female manager candidates to participate in outside cross-industry study groups. On December 31, 2023, the percentage of female employees in Kao Group companies in Japan was 56.0% and the percentage of female employees in managerial positions in Kao Group companies in Japan was 24.6% (22.4% last year).

With regard to non-Japanese employees, the Company strives to secure excellent human resources regardless of nationality, such as by setting a certain target value. The Company has set a target to have a proportionate ratio of non-Japanese managers in Kao Group companies in Japan to the ratio of non-Japanese employees in Kao Group companies by 2030. On December 31, 2023, the percentage of non-Japanese employees in Kao Group companies in Japan was 0.6% and the percentage of non-Japanese employees in executive positions in Kao Group companies in Japan was 0.4%.

With regard to mid-career hires, the Company intends to actively recruit specialist human resources from outside the company in order to acquire experience and knowledge that are not available within Kao and to aggressively develop new businesses in the future, the Company is going to actively recruit specialists from outside the Company. On December 31, 2023, the percentage of mid-career employees in Kao Group companies in Japan was 36.3% and the percentage of mid-career employees in managerial positions in Kao Group companies in Japan was 18.0% (18.5% last year). The Company has set a target to have a proportionate ratio of mid-career employees in managerial positions of Kao Group companies in Japan to the percentage of mid-career employees in Kao Group companies in Japan.

#### <Evaluation of Initiatives to Promote Diversity>

Kao Group's philosophy and initiatives to promote diversity and inclusion, as well as the organizational culture in which employees can play active roles regardless of gender or other attributes, have been highly evaluated. In 2018, the Company was included in MSCI Japan Empowering Women Index (WIN)\*<sup>1</sup>, and in 2019, 2020, 2021, 2022 and 2023 selected for inclusion in the Bloomberg Gender-Equality Index\*<sup>2</sup>. Also, the Company was selected as a "Nadeshiko Brand\*<sup>3</sup>" in 2013, 2015, 2018 and 2020 and "Semi-Nadeshiko Brand" in 2019 and 2021. Also, the Company was selected "Diversity Management Selection 100 Project\*<sup>4</sup>" in 2013, the year it was established and in 2019, received the Prime Minister's Award for "Leading Companies Where Women Shine\*<sup>5</sup>."

\*<sup>1</sup> MSCI Japan Empowering Women Index (WIN): Index by U.S.-based MSCI: Companies with outstanding assessments for empowering women and promoting gender diversity are selected from among the MSCI Japan IMI Top 500 Index.

\*<sup>2</sup> Bloomberg Gender-Equality Index: Index developed by U.S.-based Bloomberg to track the performance of those companies most committed to transparency in gender reporting and to advancing women globally.

\*<sup>3</sup> Nadeshiko Brand: The Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry jointly select and publicize enterprises listed on the first section

of the Tokyo Stock Exchange that are exceptional in encouraging women's success in the workplace from 2013.

\*<sup>4</sup> Diversity Management Selection 100: The Ministry of Economy, Trade and Industry selects enterprises that create innovation and conduct business which leads to creation of value, by utilizing various human resources and by giving them opportunities to fully show their competence.

\*<sup>5</sup> Leading Companies Where Women Shine: The Gender Equality Bureau Cabinet Office publicly recognizes companies that disclose information about their policies, initiatives, and results of promoting women to managerial and executive positions, and from this information demonstrate outstanding achievements.

#### <Measures to Promote the Health of Employees>

Based on the Kao Group Health Declaration established in 2008, the Company is engaged in health management mobilizing a robust organizational framework led by a dedicated department and involving the participation of the employer, the health insurance union and industrial healthcare staff and also the Company provides equitable health support opportunities for employees and their families. In addition, the Company is promoting practical health promotion activities in which employees and their families participate by incorporating products and health solution services developed from analysis of basic internal and external health information and health care knowledge into the Company's health management. Outstanding initiatives are made available outside the company through the Kao GENKI Project. In 2022, the Company renewed the Kao Group Health Declaration, declaring that the Company will expand its activities beyond employees and their families to corporations, local governments, and consumers.

Due to the positive evaluation of the Company's measures and results, it was selected as a "Health and productivity management brand" ninth time and also recognized by METI, for the eighth consecutive year, as a Certified Health and Productivity Management Organization (White 500) for its outstanding practice of health-conscious management.

Also, in March 2021, the Company won the Development Bank of Japan Inc.'s highest rating in its "DBJ Employees' Health Management Rated Loan Program" as a company that is particularly superior in terms of its consideration for the health of its employees. This is the third time Kao has been given this highest rating. The last time was in 2012 when the Program was first introduced. Kao successfully procured financing under preferential conditions as provided by the Program.

\*Loans with discounted interest rates according to the Rating

DBJ evaluates the health management efforts of corporations and applies three different interest levels based on the result of the evaluation.

#### <Most Ethical Company in the World>

Kao was Selected as the "World's Most Ethical Companies 2023" of the U.S. think tank Ethisphere Institute. Kao is the only Japanese company that has been selected for 18 consecutive years since the award was established in 2007.

\*World's Most Ethical Companies: The Ethisphere Institute is a leading international think tank focused on developing and sharing best practices in business ethics and corporate social responsibility. For the World's Most Ethical List, it surveys and evaluates companies the world over in five categories: ethics and compliance programs, corporate citizenship and responsibility, culture of ethics, governance and third-party management.

The Kao Group upholds the founder's value of "walking the right path" at the core of all corporate activity. Kao's Business Conduct Guidelines are also shared throughout the Kao Group around the world as a code of corporate conduct for putting the Kao Way into practice. The Company uses and practices these guidelines as a foundation to return to when we are unsure of our decisions, as a guideline for our daily work, and as the basis for realizing sustainable development of the Company and society.

## IV. Matters Related to the Internal Control System

### **Basic Views on Internal Control System and the Progress of System Development**

The Company has established an Internal Control Committee chaired by the President and CEO. An important task of the committee is to develop a management structure, organization and system that facilitates legally compliant, efficient, sound and highly transparent management that aims to consistently enhance corporate value, and for this objective, the Company implements the following systems:

#### **1. Systems to Assure Appropriate Business Operations of the Company**

The Board of Directors made the following resolution with respect to the “Policy regarding the Development of the Internal Control System” on January 1, 2023.

##### Basic Policy Regarding the Internal Control System

The Company has established an Internal Control Committee chaired by the President and Chief Executive Officer. An important task of the committee is to develop a management structure, organization and system that facilitates legally compliant, efficient, sound and highly transparent management that aims to consistently increase corporate value, and for this objective, the Company implements the following systems:

(1) A system to ensure that execution of duties of Directors and employees of the Company and its subsidiaries conforms to laws and the Articles of Incorporation

Directors, Executive Officers and employees of the Company and its subsidiaries (Kao Group) should act with integrity based on “Kao’s Business Conduct Guidelines (BCG),” which governs compliance with laws, the Articles of Incorporation, internal rules and social ethics. The Compliance Committee, chaired by the Director or Executive Officer in charge of compliance, promotes Kao Group’s compliance as a whole. On the basis of the provision of BCG which declares Kao’s position to reject any relationship with anti-social forces, the Company promotes cooperation with governmental agencies, etc. and collection and management of information regarding anti-social forces and establishes and maintains its internal system. Monitoring by the department in charge of internal control/committee, internal audit by the Department of Internal Audit as well as notices and reports to the Compliance Reporting Hotline from concerned parties in and outside the Company enable Kao to quickly gauge the state of compliance, work to quickly resolve any issues that arise, and take appropriate steps to prevent the recurrence of similar cases.

(2) A system for retention and management of information concerning Directors’ execution of their duties

Information (minutes, decision records and their relevant materials, account books and records, and other information and the like) related to the Directors’ execution of their duties is properly retained and managed according to the document retention and management policies and other related policies. The Directors, Audit & Supervisory Board Members and employees designated by them may access such information at any time.

(3) Rules and other systems concerning management of risk of losses by the Company and its subsidiaries

With regard to the risk of losses, the Company regards potential negative impact on management targets and business activities as “risks” and the manifestation of such risks as a “crises,” and has established systems for appropriate risk and crisis management. Based on the Risk and Crisis Management Policy, the Risk & Crisis Management Board, chaired by the Director or Executive Officer in charge of risk and crisis management, ascertains the progress of cross-divisional Company-wide risk management and establishes a plan for the preparation and application of risk and crisis management activities. Based on this policy and plan, departments concerned with risk or subsidiaries appropriately manage risk by ascertaining and assessing risks, formulating and implementing necessary countermeasures, and other activities. In addition, after deliberation by the Management Board, the President and Chief Executive Officer specifies major Company-wide risks as corporate risk and appoints a person to appropriately manage such risk. When a crisis occurs, the Company responds promptly by establishing an organization for countermeasures centered on this person in charge for corporate risk, and on departments concerned with risk or subsidiaries for other types of risk. In addition, depending on the magnitude of the impact on the Group as a whole, the Company also establishes a countermeasures headquarters with the President and Chief Executive Officer or other person as its general manager. Management of the abovementioned risks and crises is reported to and discussed at the Meeting of the Board of

Directors or the Management Board on a regular basis as well as in a timely fashion whenever necessary.

(4) A system to ensure that Directors of the Company and its subsidiaries efficiently execute their duties

After determining the direction to be focused on in a mid-term business plan, the Board of Directors reflects such direction in the mid-term plans of each department and subsidiary. The mid-term plans are reviewed annually by the Board of Directors and the Management Board, and necessary adjustments are made in response to the progress of the plans and changes in the business environment. The Management Board reviews, monthly or whenever appropriate, the progress of the revenue and expenditure plan and other important business plans of each division and subsidiary, extracts the main issues and then implements measures in response. In order to separate supervision and execution functions and to ensure the effectiveness of these functions and to accelerate execution, the decision rules for the Board of Directors and the Management Board including items that arise from subsidiaries are established and reviewed as necessary.

(5) A system to ensure the appropriateness of business operations in the Company and its subsidiaries

The Internal Control Committee and related committees promote various policies to make sure that the business activities of the Kao Group conform to laws and the respective Articles of Incorporation. In addition, they promote and monitor efforts to ensure the appropriateness and efficiency of business operations throughout the Kao Group, and report regularly to the Board of Directors. Representative Directors, Directors and Executive Officers in charge of business operations provide guidance for the development of appropriate internal control systems for subsidiaries, according to their respective duties.

(6) A system concerning reporting to the Company regarding execution of duties of Directors of the Company's subsidiaries

The Company applies the Subsidiaries rules (Policy Manual) to all subsidiaries, which require prior approvals of or reporting to the Company. The Company requires them to gain prior approvals or make a report on important management matters to the Board of Directors, Management Board or an executive officer who are in charge of the subsidiary in accordance with such rules as well as the decision and reporting rules for the Board of Directors and Management Board. In addition, Directors of the Company's subsidiaries, regularly or as necessary, discuss or report to the periodic meetings held every month in principle and established by each business area or functional area which supports business. Also, the Department in charge of internal control and the Department of Internal Audit regularly or as necessary, monitor the state of implementation of prior approvals or reporting based on the rules.

(7) A system to ensure the reliability of financial reports

In order to ensure the reliability of financial reports, the Company evaluates, improves and documents in writing the state of the Company's internal control system and the process of business operations based on the principles of the Internal Control Committee and the Board of Directors confirms these activities regularly.

(8) Employees to be assigned if Audit & Supervisory Board Members request staff to assist in their duties

In the event that a request is made by Audit & Supervisory Board Members for the assignment of staff to provide assistance to conduct their audits effectively, the Directors should assign employees after discussing the selection of specific personnel with the Audit & Supervisory Board Members.

(9) Independence of employees in the preceding paragraph from Directors and ensuring effectiveness of instruction by Audit & Supervisory Board Members to such employees

In assignment, evaluation, transfer and disciplinary action of or to employees who assist in the duties of Audit & Supervisory Board Members, the prior consent of the Audit & Supervisory Board Members should be obtained. Instructions by the Audit & Supervisory Board to such employees should not be restricted unreasonably, and such employees must follow the instructions.

(10) A system for Directors, Executive Officers and employees of the Company and Directors, Auditors and employees, etc. of the Company's subsidiaries to report to Audit & Supervisory Board Members of the Company

Audit & Supervisory Board Members may attend meetings of the Management Board, the Internal Control Committee and related committees, and may access the minutes, decision records and other documents of important meetings at any time. They may also receive activity reports from the head of each division and subsidiary regularly or as necessary. In addition, Directors, Executive Officers and employees of the Company and Directors, Auditors and employees of subsidiaries, etc. should promptly report to Audit & Supervisory Board Members when any fact that may potentially cause significant harm to the Company or to its subsidiaries or any fact of a serious violation of laws or the Articles of Incorporation occurred or when those fact were reported. Compliance Committee reports information delivered to Compliance Hotline and Department of Internal Audit reports audit results to Audit & Supervisory Board Members regularly or as necessary. Auditors of subsidiaries share audit results with Audit & Supervisory Board Members of the Company at the Conference of Auditors for Domestic Group Companies held periodically.

(11) A system to ensure that those who made such reports in the preceding paragraph shall not receive any disadvantageous treatment due to his/her submission of the reports  
Directors and employees of Kao Group who made reports to Compliance Hotline or to Audit & Supervisory Board Members, etc. shall not receive any disadvantageous treatment due to his/her submission of the reports and the Company stipulates prohibiting any disadvantageous treatment in Kao Business Conduct Guideline and ensures compliance of this rule.

(12) Policy concerning payment or reimbursement of expenses pertaining to execution of duties by Audit & Supervisory Board Members including advance payment of expenses and reimbursement procedure, etc.  
In the event of requests for appropriation to the fiscal year budget for the payment of expenses and other expenditures arising in the execution of the duties of Audit & Supervisory Board Members, a budget is accordingly provided. When expenses provided for in the budget arise, or when the necessity arises for the execution of non-budgeted emergency or additional auditing or other duties and Audit & Supervisory Board Members charge expenses pertaining to execution of their duties or debt disposal, the Company shall promptly accept such requests, except in the cases set forth in Article 388 of the Companies Act.

(13) A system to ensure that audits by Audit & Supervisory Board Members are conducted effectively  
In order to conduct efficient and effective audits, Audit & Supervisory Board Members shall maintain close cooperative relationships, including the exchange of information, with the Accounting Auditor, Department of Internal Audit, the departments and committees in charge of internal control, the auditors of subsidiaries, etc., and the departments in charge of internal audits. In addition, Audit & Supervisory Board Members are entitled to hold meetings with Representative Directors, Outside Directors and representative directors of important subsidiaries, independently receive support from outside specialists such as lawyers and certified public accountants when necessary.

(14) Implement of a system to ensure the appropriateness of business operations

The Board of Directors conducts periodic reviews of implement of a system to ensure the appropriateness of Kao Group's business operations, and includes the summary of state of implement in the business report.

## **2. Outline of Management of Systems to Assure Appropriate Business Operations of the Company**

Based on the above policies, the Company has established an Internal Control Committee chaired by the Representative Director, President and CEO to set up and properly operate its internal control system. Principal efforts made during this fiscal year, which are considered to be important in terms of internal control, include the following:

### **Efforts Concerning Compliance**

The Compliance Committee, chaired by the Managing Executive Officer responsible for compliance, promotes and facilitates initiatives, involving both domestic and overseas Kao Group companies, such as by improving relevant regulations, including the Kao Business Conduct Guidelines (BCG), which is the code of conduct for implementing the Kao Way, as well as by carrying out educational and awareness activities and setting up and properly operating the Compliance Hotline.

The following efforts are made in order to reduce material compliance risks:

- In the event of a compliance violation, the Company has implemented through system to immediately report to the senior management or Audit & Supervisory Board Members. For all reported/consulted incidents, we confirm and assess how these incidents have been addressed, while taking into account the evaluation and suggestions, from a third-party perspective, of an outside attorney who attends the monthly Compliance Committee Secretariat Meeting as an advisor. For the incidents that require special attention, we identify the incidents that could constitute material compliance violations and conduct a root cause analysis. We then implement countermeasures against these incidents in cooperation with the departments in which such potential compliance violations took place in a bid to prevent their recurrence. The Compliance Committee, which is convened quarterly, confirms the status of countermeasures taken by the departments in which the incidents took place or the departments that are principally in charge of the issues involved, to reduce the risk of similar incidents taking place in any other departments.
- The Compliance Hotline (counselors and lawyers) is put in place both outside and inside the Company. During the current fiscal year, we received 639 reports and consultations (including inquiries). For all reported and consulted incidents, we conducted fact-finding investigations into the incidents where investigations were requested, and resolved each incident one by one, while implementing necessary measures based on the awareness that there are issues that we should address to maintain a positive workplace climate as the Company. We have also worked to foster an "open corporate climate" that would make it easier for people both inside and outside the Company to voice their opinions, thereby preventing the spread and prolongation of compliance violations.
- In an effort to prevent compliance violations, Chairperson of the Compliance Committee posted poster conveying the importance of raising one's voice, and the managers of each organization sent out compliance messages to maintain and raise the compliance awareness of each and every one of their employees. The managers of each organization sent out compliance messages to maintain and raise the compliance awareness of everyone. Further, a BCG verification test and compliance awareness survey was conducted on all global Kao Group employees (excluding temporary and part-time employees). In addition, the Company provides enlightening information on compliance case studies via the intranet of Kao Group, and in Japan, it builds compliance awareness using posters with a four-frame cartoon printed on them.
- Tasks were identified based on the analysis of evaluation items obtained from the principal external evaluation organizations. The improvement measures for these tasks were added to future activity plans.

Practical examples for FY2023 include: (1) outsourcing the Compliance Hotline to an outside service provider to make it easier for whistleblowers to voice their opinions (by opening the Hotline for longer hours and also on weekends and holidays), (2) implementing a process to verify, after a certain period of time, whether the measures to prevent the reoccurrence of compliance violations that have been conducted by the department where the compliance violations occurred which dig into the root cause of such violations have been effective, (3) sharing the information about reported/consulted incidents, communicating the lessons learnt

from these incidents, and implementing activities to encourage the exchange of opinions among the employees within an organization so they can recognize the differences in opinions with others, (4) creating and putting up posters themed on compliance in multiple languages as an effort to keep all employees informed of compliance information issued by the Company, and (5) continuing to conduct self-evaluation on compliance activities to identify issues and consider taking measures to improve the situation in the future.

### **Efforts Concerning Risk and Crisis Management**

By identifying risks that have a particularly large impact on management and require enhanced responses, as “corporate risks,” we determined the themes and owners of such risks (those responsible to address these themes: Executive Officers) at the Management Board.

Specifically, we worked to strengthen measures for risk themes, including major earthquakes, natural disasters and BCP; serious quality issues; geopolitical risk; cyber-attacks and protection of personal information; and reputation risk. Through the investigation into these risk themes, we identified material risks that hamper the achievement of the Mid-term Plan “K27,” confirmed the progress of these measures and issues on a global scale, and made clear the issues that constitute material risks or bottleneck issues.

While we had addressed the global COVID-19 pandemic by establishing the Emergency Response Headquarters (headed by the President and CEO) in 2020, we dissolved the Emergency Response Headquarters in February 2023 in view of the changes in characteristics of the virus and the state of infections, etc., to transition to a stage where we treat COVID-19 as endemic.

### **Efforts Concerning Subsidiary Management**

The executive officers in charge provide guidance on the establishment and operation of the internal control system to subsidiaries in accordance with the segregation of duties.

Overseas subsidiaries are required to internally share information concerning any material risks and the measures to be taken, at the time of management meetings at such subsidiaries. In addition, risks that may be identified by the respective subsidiaries based on instructions given by the Company are reported to the Company’s departments that are principally in charge of the matters involved, along with the measures to be taken.

At periodic meetings established based on the businesses and the functions for supporting such businesses, agenda items have been submitted and reports made whenever necessary, based on the criteria for submission of agenda items. In addition, the Company confirmed that proposals and reports have been made in accordance with regulations, etc., by receiving checklists from each department responsible for internal control and by conducting site visits by the Department of Internal Audit.

Regarding important matters of subsidiaries, agenda items were submitted and reports were made from subsidiaries to the Company whenever necessary, in accordance with the Subsidiary Management rules, known as the “Policy Manual,” that set forth matters for which the subsidiaries should obtain prior approval from or report to the Company. Based on the “Policy Manual,” all matters pointed out by the Department of Internal Audit are shared among directors and officers of the relevant subsidiaries, at the time of management meetings at such subsidiaries, along with the measures to be taken and the results thereof and are reported to the Company’s departments that are principally in charge of the matters involved.

## **2. Basic Views on Eliminating Anti-Social Forces**

The Company has made the following declaration in Kao's Business Conduct Guidelines, as well as stating establishment of system in above Basic Policy Regarding the Internal Control System. The Company has familiarized all employees of Kao Group companies with this policy and posted Kao's Business Conduct Guidelines on the Company's website.

We shall not engage in any activities which are detrimental to society. Furthermore, we shall resolutely resist pressure by any individual, group or organization to support such activities.

- We shall maintain a resolute attitude against activities which are unlawful or contrary to the public welfare.
- We shall not participate in any activities that are illegal or contrary to the public welfare regardless of any competing pressure to do so.



- We shall reject any relationship with groups that act contrary to the public welfare, and shall not yield to any attempt of blackmail or threat. We shall not involve ourselves in any activities or conduct which offends social norms or morality, such as money laundering, offers of illegal interest, etc.

On the basis of provision above, the Company promotes cooperation with governmental agencies etc. and collection and management of information regarding anti-social forces and establishes and maintains its internal system under normal circumstances.

Please see the reference material “Status of Corporate Governance System” in the “Appendices” at the end of this policy.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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The Company has not submitted a proposal for anti-hostile takeover measures to the Annual General Meeting of Shareholders. However, the Company considers the adoption of anti-hostile takeover measures to be a crucial management issue and is giving ongoing consideration to preparations for a hostile takeover with a close attention to the legal system, public trends and other matters.

The Company wants its shareholders to hold its stock for the long term, and therefore believes that it should provide profit to long-term shareholders by raising its corporate value over the long term through vigorous business activities that increase EVA as well as by enhancing shareholder returns through dividends and other measures. The Company believes that by increasing corporate value and enhancing shareholder returns, it will raise its stock price and market capitalization, thus making it difficult to conduct a hostile takeover that is counter to shareholder profit.

The Company believes that concurrently increasing trust in its Management by gaining understanding from all stakeholders of its contributions to society through activities for sustainability and other measures is a major deterrent to hostile takeovers.

In addition, in the event of a tender offer for the Company’s stock, the Company will request an explanation of measures for improving the corporate value of the Kao Group from the tender offer or and disclose its own stance to shareholders.

### 2. Other Matters Concerning to Corporate Governance System

#### ■Outline of Organization for Timely Disclosure

Internal policies regarding timely disclosure of the Company’s information is as follows:

#### 1. Basic Position of Timely Disclosure

To earn the trust and support of society, the Company is committed to timely, accurate and fair disclosure of information to its shareholders, investors and all other stakeholders. The Company strictly adheres to the Japanese Companies Act and the Financial Instruments and Exchange Law and other regulations, as well as the regulations set down by Tokyo Stock Exchange(TSE), Inc., and promptly discloses information in accordance with the Securities Listing Regulations. In addition, the Company proactively discloses information of social relevance pertaining to the Kao Group.

#### 2, Internal System of Timely Disclosure

The Company has established a system which the secretariat of Disclosure Committee consolidates the management of material corporate information including all the decisions, occurrence of material facts and earnings information of the Company and of the Company’s subsidiaries. The Disclosure Committee reviews whether certain material corporate information should be disclosed pursuant to the Securities Listing Regulations of TSE in consultation with relevant divisions such as Accounting & Finance, Legal, Public Relations, R&D and Production. If necessary, the Committee decides the contents, time and methods of disclosure after getting an approval of Representative Director and CEO, or if absent, one of the other Representative Directors or Corporate Information Handling Officer registered at TSE.

In principle, Representative Director or its assignees discloses information by TDnet, and press

conference and posting of news release if necessary, in accordance with the decision by the Committee. The information registered at TDnet will also be promptly posted on the Kao website. The Public Relations manages the disclosed information.

The system for the secretariat of Disclosure Committee to collect material corporate information is as follows:

(1) Decisions by the Company

The secretariat shall be informed of all proposals and reports at the meetings of Management Board and Board of Directors of the Company. All decisions that are required to be disclosed shall always be made at the meetings of Management Board and Board of Directors of the Company. Therefore, the secretariat is aware of all the decisions.

(2) Occurrence of Material Fact

Immediately after any of the officers and employees of the Company has the knowledge of occurrence of a material fact or the possibility thereof, he or she is required to inform the secretariat of such information.

(3) Earnings Information

Accounting and Finance Division prepares earnings information of the Company, which is concurrently audited by the Accounting Auditor of the Company. Management Board and Board of Directors of the Company deliberate earnings information and its main items with analytic data before disclosure thereof.

Burden of the end of term audit by Accounting Auditor is reduced by conducting interim audits, which enables the Company to accurately and timely disclose earnings information.

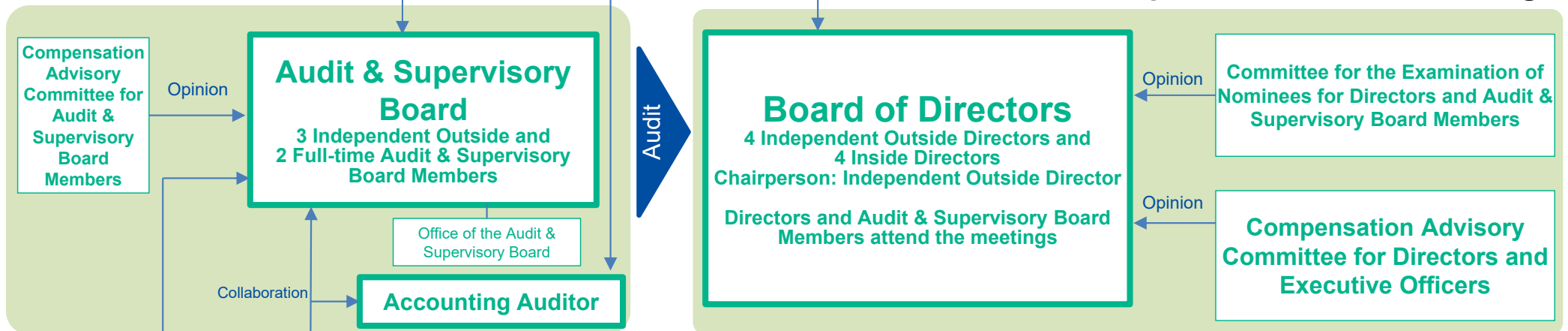
(4) Information regarding Subsidiaries

Immediately after any of the officers and employees of the Company in charge of subsidiaries has the knowledge of occurrence of a material fact or the possibility thereof regarding subsidiaries for which he or she is responsible, he or she is required to inform the secretariat of such information.

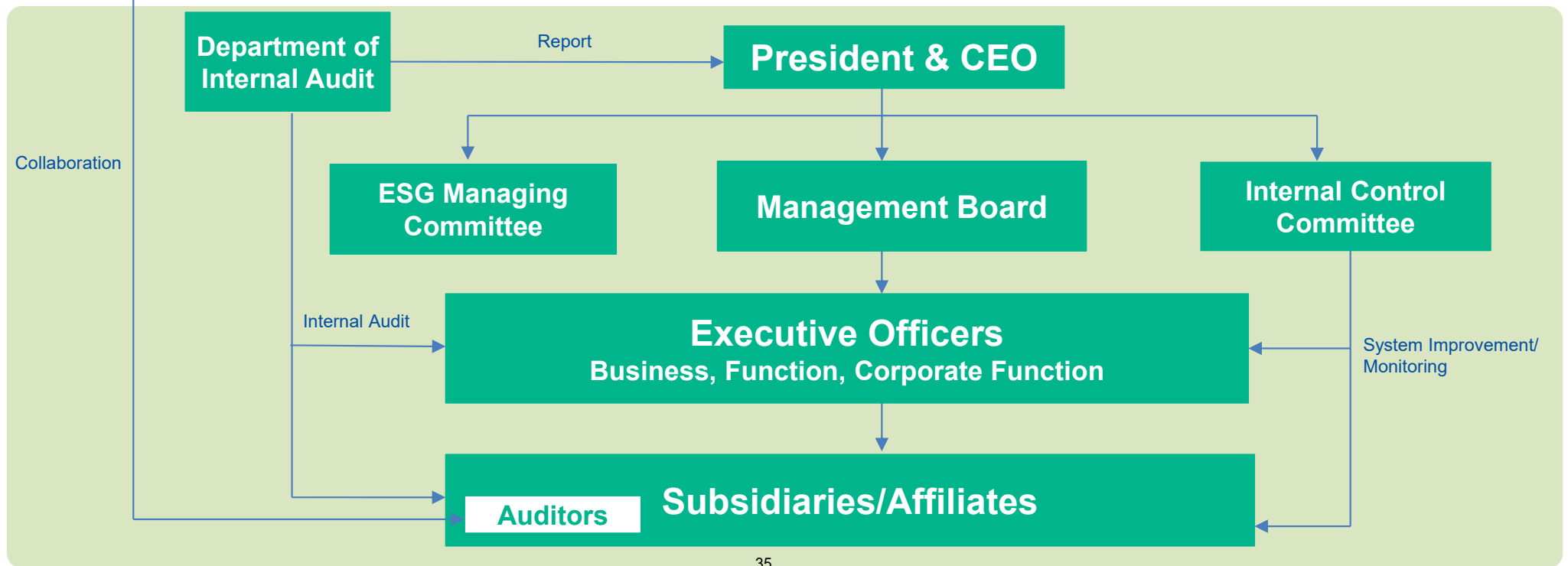
## Shareholder Meeting

### 【Audit】

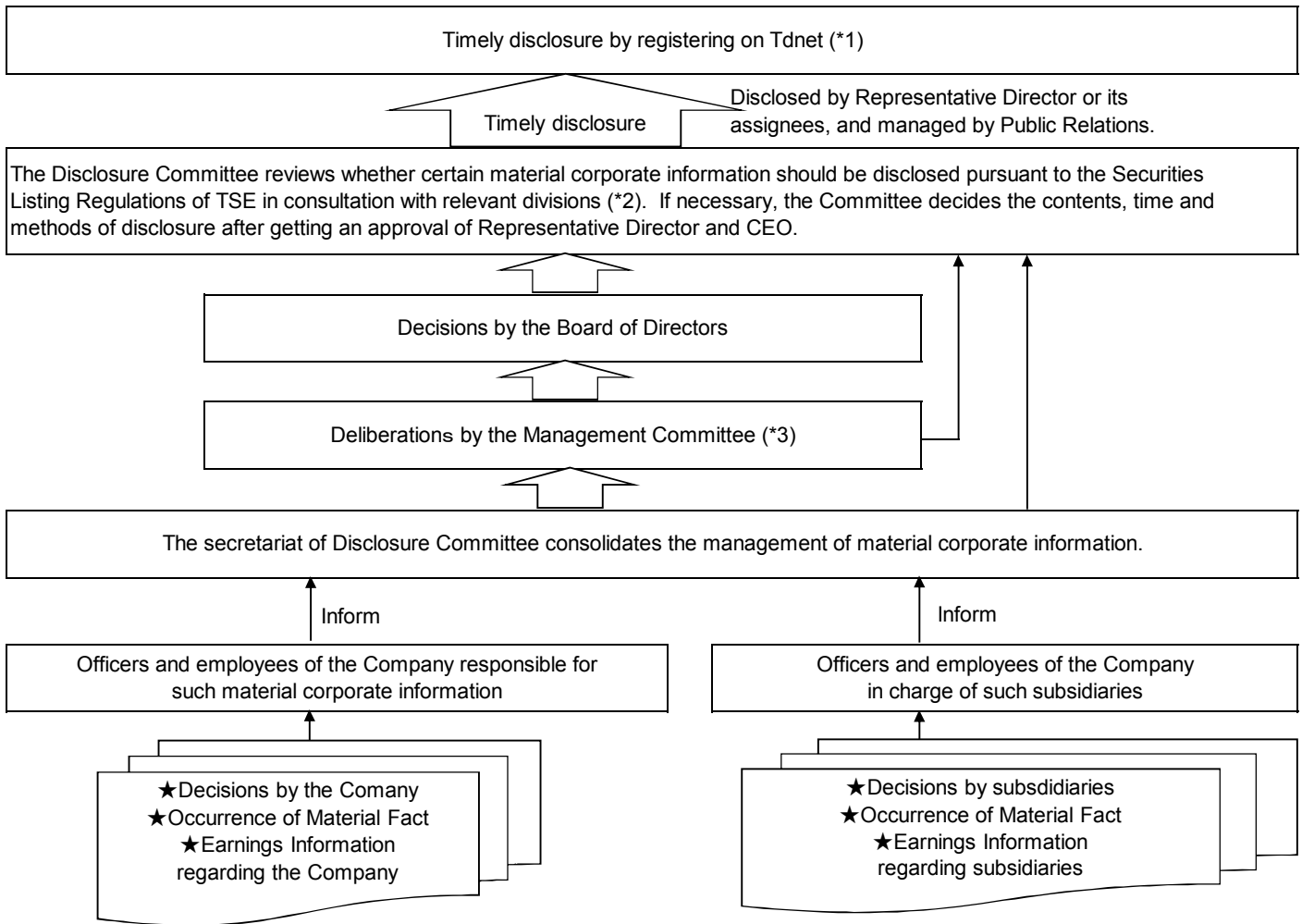
### 【Supervision/Decision-Making】



### 【Business Execution】



# Timely Disclosure System



\*1 Disclosure by press conference and posting of news release, if necessary, in addition to registering at TDnet and posting on the Kao website.

\*2 Relevant divisions consulted by Disclosure Committee are Accounting & Finance, Legal, Public Relations, R&D and Production etc.

\*3 The Management Committee is a board which deliberates the most important issues other than the Board of Directors.

The Disclosure based on the principles of the Corporate Governance Code other than those described in the Kao Corporate Governance Policy (hereinafter referred to as the "Policy") are as follows.

The Policy is available on the Company's website.

[www.kao.com/global/en/corporate/policies/corporate-governance/](http://www.kao.com/global/en/corporate/policies/corporate-governance/)

## Disclosure Based on the Principles of the Corporate Governance Code

### [Principle 1.4] Cross-Shareholdings\*

Based on the policy described in "Policy 5.1.3 Cross-Shareholdings," the rationality of continuing to hold cross-shareholdings and the review of the number of shares resulted in 42 strategic stockholdings as of the end of December 2023 (the total amount on the balance sheet increased from ¥6,156 million to ¥6,668 million). Of these, for listed stocks, two were all sold in 2023. Regarding unlisted stocks, the Company acquired two new stocks in 2023. Prior to the corporate governance code became effective in 2015, the Company held 83 issues (¥9,384 million) as of December 31, 2014.

All voting rights at annual general meetings of shareholders held during 2023 by companies in which the Company holds shares were used to approve proposals, because there were no proposals that raised concerns of damage to the corporate value of the relevant company.

*\*Cross-Shareholdings: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.*

### [Principle 1.7] Related Party Transactions

In addition to the items listed in "Policy 5.1.4 Related Party Transactions," to obligate Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Kao Group to act with priority on the interests of the Kao Group, the Company has established the "Kao Guidelines on Preventing Conflicts of Interest" after their approval by the Board of Directors. Because the Company has no major shareholders who hold 10% or more of its stock, the Kao Group has not established procedures for approval of transactions with major shareholders.

### [Supplementary Principle 2.4.1] Measures to Promote Diversity

The Company's approach to ensuring diversity and its efforts to promote it, as well as its human resources development policy to ensure diversity, are described in "Policy 5.3.2 Promotion of Women, Non-Japanese and Mid-career Employees" and "III Implementation of Measures for Shareholders and Other Stakeholders 3. Measures to Ensure Due Respect for Stakeholders (Other, Measures to Promote Diversity)."

### [Principle 2.6] Roles of Corporate Pension Funds as Asset Owners

As described in "Policy 5.6 Roles of Corporate Pension Funds as Asset Owners."

### [Principle 3.1(i)] Corporate Philosophy, Mid-term Business Plan

#### • Corporate Philosophy

"The Kao Way" has been prescribed as a corporate philosophy which constitutes the foundation of the business activities of the Kao Group.

#### (1) Mission

As one, we create a Kirei life for all – providing care and enrichment for the life of all people and the planet

As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all.

The Japanese word kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.

#### (2) Vision

To be closest to the individual and beyond their expectation

By deeply knowing and understanding our world and its people, we aim to improve people's lives beyond their expectations for a future where humans and nature thrive together.

- (3) Values
  - 1) Integrity as the only choice
  - 2) *Yoki-Monozukuri* in plan & action
  - 3) Innovation for today & tomorrow

- (4) Principles
  - 1) We care for people & the planet
  - 2) We think from the *Genba*
  - 3) We trust, respect, and need each other
  - 4) We act with courage

(For further details regarding “The Kao Way,” please see [www.kao.com/global/en/corporate/purpose/kaoway/](http://www.kao.com/global/en/corporate/purpose/kaoway/))

#### • Mid-term Business Plan

On August 3, 2023, the Company formulated and announced K27, which revised the Kao Group Medium-Term Management Plan (K25). The management policy set in "K25" remains unchanged, but the specific growth axis has been clarified.

Thus far, the Kao Group has developed its business for nearly 130 years, mainly in the areas of cleanliness, beauty, and health, according to the changes of the times. Today, faced with compelling social issues such as the global pandemic and global environmental issues, the responsibilities and roles of companies are undergoing significant changes. For the future, the Kao Group will take on new challenges with the aim of establishing an economy where all of the following are realized: the wholehearted satisfaction and enrichment of the lives of people globally and the sustainability of the world.

As part of this effort, we will aim to create a new business that is not an extension of a conventional business, but instead is in the new area of “Save lives, protect people.” This challenge involves starting an “Another Kao” business that contributes to solving people’s urgent problems by making the most of our core technology that we have not to date been able to use fully.

By contributing to an “enriched sustainable world” and growing the businesses of the company through proactive engagement in ESG activities and investment, the Kao Group will aim to be an essential company in a future world.

#### Outline of Kao Group Mid-term Plan K27

- Vision
  - Protecting future lives
  - Sustainability as the only path
- Concept
  - Kirei—Making Life Beautiful
- K27 Basic Policy
  - 1. Become an essential company in a sustainable world
  - 2. Transform to build robust business through investment
  - 3. Maximize the power and potential of employees

Introduce ROIC company-wide, decisively implement structural reforms and aim to be a company that sustains “Global Sharp Top\*” businesses.

\*Global sharp Top: Contributes as global No.1 with leading-edge solutions that address the critical needs of customers.

#### Target of Kao Group Mid-term Plan K27

- ROIC: 11.0% or more
  - EVA: 70.0 billion yen or more
  - Operating Income: Record-high operating income (FY2019 211.7 billion yen)
  - Sales outside Japan\*: 800.0 billion yen or more
- \* Sales outside Japan are based on the location where the sales were recognized.

(For further details regarding “K27,” please see P23 onward of earning conference presentation material [www.kao.com/global/en/investor-relations/library/presentations/](http://www.kao.com/global/en/investor-relations/library/presentations/))

#### [Principle 3.1(ii)] Basic Views on Corporate Governance

As described in “Policy 1 Basic Views on Corporate Governance.”

#### [Principle 3.1(iii)] Directors' Remuneration

The policy and process for determining executive compensation are described in "Policy 4.1 Policy and 4.2 Decision Process."

For further information, please see “Disclosure of Policy on Determining Amounts and Calculation Methods, II.

Business Management Organization and Other Corporate Governance System regarding Decision-making, Execution of Business, and Oversight in Management.”

### Compensation Advisory Committee for Directors and Executive Officers

The status of attendance, and specific agenda items are as follows.

	Title	Name* <sup>2</sup>	Attendance Rate
Chairperson	Outside Director	Nobuhide Hayashi	100% (8 out of 8 meetings)
Member	Outside Director	Osamu Shinobe	100% (8 out of 8 meetings)
Member	Outside Director	Chiaki Mukai	100% (8 out of 8 meetings)
Member	Outside Director	Eriko Sakurai	100% (8 out of 8 meetings)
Member	Outside Director	Takaaki Nishii	100% (7 out of 7 meetings) *
Member	Representative Director	Yoshihiro Hasebe	100% (8 out of 8 meetings)

\* During FY2023, 8 meetings of the Compensation Advisory Committee for Directors and Executive Officers were held. After Mr. Takaaki Nishii took office as Director, 7 meetings of the Committee were held.

\*<sup>2</sup> On July 5, 2023, the composition of the Compensation Advisory Committee for Directors and Executive Officers was reviewed with the purpose of promoting specialized and intensive deliberations in the Committee. Before the change to the composition of the Committee, there were three meetings that were held of which Mr. Michitaka Sawada, Mr. Hideki Amano, Mr. Nobuhiro Oka, and Mr. Takahiro Nakazawa attended all three of them. In addition, there were two meetings of the Committee held since the appointment of Representative Director Masakazu Negoro and before the review of the composition of the Committee on July 5, 2023, of which he attended both of them.

Major topics discussed by Committee members:

In FY 2023, the committee members discussed the overall nature of executive compensation and the level of compensation. The committee also exchanged opinions on policies for revising the compensation structure to achieve “K27” management goals and enhance corporate value. The committee also discussed the amount of executive compensation for FY2024 and revision of Performance-based share incentive plan, and decided on the content of the report to the Board of Directors.

### Compensation Advisory Committee for Audit & Supervisory Board

Described in "Policy 2.2.3 Compensation Advisory Committee for Audit & Supervisory Board."

The status of attendance, and specific agenda items are as follows.

	Title	Name	Attendance Rate
Chairperson	Outside Audit & Supervisory Board Member	Hideki Amano	100% (1 out of 1 meetings)
Member	Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (1 out of 1 meetings)
Member	Outside Audit & Supervisory Board Member	Takahiro Nakazawa	100% (1 out of 1 meetings)
Member	Outside Director	Osamu Shinobe	100% (1 out of 1 meetings)
Member	Representative Director	Yoshihiro Hasebe	100% (1 out of 1 meetings)

Major topics discussed by Committee members:

The amount of remuneration for Audit & Supervisory Board members for FY2023 was deliberated prior to deliberation by the Audit & Supervisory Board.

### [Principle 3.1(iv)] Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit & Supervisory Board Members and the Appointment and Dismissal of Senior Management

• Nomination Policy

It is described in “Policy 3.2 Composition of the Board of Directors” and “3.7 Structure of the Audit & Supervisory Board and Execution System.”

Furthermore, Senior Management are nominated with emphasis on their understanding of the business environment and of the status of the Kao Group’s businesses and management in order to deal with such environment necessary to plan the business strategies, and on their experience and ability to display strong leadership in quickly and properly executing the business strategies set by the Board of Directors.

•Nomination Procedure

It is described in “Policy 3.3 Appointment and Term of Office of Directors” and “3.8 Appointment and Term of Office of Audit & Supervisory Board Members.”

The frequency of meetings of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members in FY2023, the status of attendance, and specific agenda items are as follows.

	Title	Name	Attendance Rate
Chairperson	Outside Director	Chiaki Mukai	100% (3 out of 3 meetings)
Member	Outside Director	Osamu Shinobe	100% (3 out of 3 meetings)
Member	Outside Director	Nobuhide Hayashi	100% (3 out of 3 meetings)
Member	Outside Director	Eriko Sakurai	100% (3 out of 3 meetings)
Member	Outside Director	Takaaki Nishii	100% (3 out of 3 meetings)
Member	Outside Audit & Supervisory Board Member	Nobuhiro Oka	100% (3 out of 3 meetings)

Furthermore, with the appointment by the Chairperson, President and CEO attends the meeting to contribute by submitting necessary and sufficient documents for an examination (including a summary of the new management structure, incorporating a classification of duties of the Directors and Executive Officers, in addition to materials related to the subjects of the examination) to each member of the Committee and work to enhance the examination by making arrangements such as creating opportunities for nominees and the Committee members to meet beforehand.

Major topics discussed by Committee members:

In FY2023, the committee members discussed the composition of the Board of Directors, the structure of the Board of Directors and Audit & Supervisory Board Members, and the CEO's succession plan and submitted reports to the Board of Directors. Committee members discussed the skills, diversity, and term of office requirements of directors and Audit & Supervisory Board Members. The committee members also discussed the CEO's succession plan with regard to the development plan for the candidates for the CEO who were selected based on the personnel requirements, how to narrow down the candidates in the future, and the points of contact between the candidates and the Board of Directors.

Further, the procedure for determining the dismissal of Directors and Audit & Supervisory Board Members is in accordance with the Companies Act. In case that the CEO, Directors and Audit & Supervisory Board Members should be dismissed, the Committee would be convened timely and conduct deliberations. Then, it would report to the Board of Directors for further deliberations and resolutions.

With regard to Senior Management, the titles and responsibilities of all nominees of Executive Officers are reported to the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and decisions are subsequently made by the Board of Directors. In case that Senior Management should be dismissed, the Board of Directors conducts deliberations in a timely manner.

**[Principle 3.1(v)] Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management**

The Company states the reasons for the election of candidates for all candidates for Directors and Audit & Supervisory Board Members in the Notice of Convocation of the annual general meeting of shareholders. The following are the reasons for the election of eight (8) Directors and one (1) Audit & Supervisory Board Member elected at the 118th Annual General Meeting of Shareholders held on March 22, 2024. In addition, the reasons for the appointment of other four (4) Audit & Supervisory Board Members are described below.

As of March 22, 2024

Position	Name	Age	Gender	The reasons for the election of candidates
Directors	Yoshihiro Hasebe	63	M	Over many years, Mr. Hasebe has been involved in R&D activities, which is the driving force behind “Yoki-Monozukuri,” the provision of innovative products that contribute to creating a world where all life can coexist and flourish. He has also taken leadership in carrying out strategic digital transformation in his role as Senior Vice President, Strategic Innovative Technology, Global. In January 2021, he was appointed as Representative Director,



				<p>President and Chief Executive Officer. In line with Kao's vision of "protecting future lives," he is strongly promoting the building of businesses that go beyond extensions of conventional businesses, as well as the enhancement of operational productivity by using digital technology and maximizing the power and potential of employees. In 2023, the Company reviewed the Kao Group Mid-term Plan "K25" and formulated "K27," which aims to sustain "Global Sharp Top" businesses while decisively implementing structural reforms. The Company has determined that he will be able to contribute to further enhancing the corporate value of the Kao Group by using his leadership as well as his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution.</p>
	Masakazu Negoro	64	M	<p>Mr. Negoro has for many years been involved in the Chemical Business, which comprises the two key pillars of the Kao Group together with the Consumer Products Business, and has contributed to the global expansion of the Chemical Business. He also has experience in management of the Company's overseas subsidiaries related to the Chemical Business. In January 2019, he assumed the position of Senior Vice President, Procurement, Global. Based on the Policies for Procurement, he has worked with business partners to ensure traceability of the entire supply chain and promoted activities to solve social issues such as natural resource protection, environmental conservation, safety, and human rights. In addition, as the officer in charge of accounting and finance, he has engaged in constructive dialogue with stakeholders at Earnings Conferences and other events. In 2023, the Company introduced Return on Invested Capital (ROIC) in each business and strengthened business portfolio management to deepen Economic Value Added (EVA) management, as well as promoted structural reforms that will serve as the foundation for achieving "K27." Having determined that he will utilize the aforementioned experience and knowledge, to contribute to enhancing the corporate value of the Kao Group.</p>
	Toru Nishiguchi	62	M	<p>Over many years both in Japan and overseas, Mr. Nishiguchi has been involved in product development, namely, the core function of "Yoki-Monozukuri" and also in the marketing activities for communicating the essential value of such products to consumers. In recent years, he has led the Company's Consumer Products Business, and is familiar with the global competitive environment, changes of consumers and business partners, the expectations from stakeholders surrounding the Kao Group, and the strengths and tasks for the Kao Group. He also has global experience such as in management of the Company's important overseas subsidiaries in China and other Asian countries. In addition, as the Responsible for Consumer Products, Global, he decisively and swiftly promotes the establishment of "Global Sharp Top" businesses. The Company has determined that he will be able to contribute to enhancing the corporate value of the Kao Group by using his experience and expertise in</p>

				the planning and deliberation of management strategies, etc. at the Board of Directors and in the supervision of execution.
David J. Muenz	63	M		Mr. Muenz has contributed to the global implementation of “Yoki-Monozukuri” at our US subsidiary, through his involvement in R&D and marketing in the fields of skin care and hair care outside Japan. In July 2018, he was appointed as Senior Vice President, ESG, Global of the Company, and in January 2019 he was appointed as Executive Officer. He led the development of the ESG strategy “Kirei Lifestyle Plan” announced in 2019, and he has played a central role in promoting this strategy since its development. He has regularly reported specific ESG activities throughout the Kao Group to the Board of Directors and promoted oversight of the progress of the ESG strategy. The Company has determined that he will be able to contribute to further enhancing the corporate value of the Kao Group by using his ESG-related insight and global experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution.
Osamu Shinobe (Outside and Independent)	71	M		Mr. Shinobe has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections of an international airline which carries both cargo and passengers where safety and security took top priority. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. Since March 2022, he has demonstrated outstanding leadership as the Chairperson of the Board in enhancing the effectiveness of the Board of Directors toward enhancing the corporate value. The Company expects him to continue to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight. He was reappointed as the Chairperson of the Board of Directors and newly appointed as the Chairperson of the Compensation Advisory Committee for Directors and Executive Officers at the Board of Directors meeting following AGM held on March 22, 2024.
Eriko Sakurai (Outside and Independent)	63	F		Ms. Sakurai has a wealth of experience in global companies, including many years of corporate management at the Japanese subsidiary of a US chemical manufacturer with global business operations, as well as supervision of management as an Outside Director at several major manufacturers and financial institutions. Based on her experience in the chemical industry, she also has a high level of expertise in the Chemical Business, which comprises the two key pillars of the Kao Group together with the Consumer Products Business. From this perspective, she has been actively giving opinions and making proposals at Board of Directors meetings. In addition, she has been providing advice based on her experience in planning and executing human resources strategies such as remuneration, developing and placement of human capital in global

				business. The Company expects her to continue to supervise the management of the Kao Group as an Independent Outside Director by leveraging her wealth of experience and high level of insight. She was newly appointed as the Chairperson of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members at the Board of Directors meeting at the Board of Directors following AGM held on March 22, 2024
	Takaaki Nishii (Outside and Independent)	64	M	Mr. Nshii has been involved in corporate management for many years at a food manufacturer with global business operations, and has displayed strong leadership in transforming the company's corporate culture and continuously enhancing corporate value. He has also held important positions in the human resources department and overseas subsidiaries, and has extensive knowledge of human capital strategies and business outside Japan. From this perspective, he has been actively giving opinions and making proposals at Board of Directors meetings. In addition, he has been providing advice on how to supervise the Board of Directors based on his experience in implementing effective governance reforms. The Company expects him to continue to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight.
	Makoto Takashima (Outside and Independent)	65	M	Mr. Takashima has considerable experience, expertise, and ability in global corporate management that responds to change, including many years of experience in international operations and corporate planning at a major financial institution, followed by service as a manager in the changing business environment of the global financial industry. The Company expects him to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight.

Position	Name	Age	Gender	The reasons for the election of candidates
Audit & Supervisory Board Members	Yasushi Wada	64	M	Mr. Wada has held important positions in the departments responsible for process engineering and product quality management at the Company, and has a deep understanding and extensive knowledge of production sites. He also has experience pursuing “ <i>Yoki-Monozukuri</i> ” and quality at a high level. In addition, he has a global perspective gained from extensive experience in operations related to production outside Japan. Having served as the officer in charge of legal affairs and Chairperson of the Compliance Committee, he also has knowledge of legal affairs and risk management. The Company has determined that he will be able to use these experience and knowledge in the auditing of the Group. (117 <sup>th</sup> Annual General Meeting of Shareholders)
	Sadanao Kawashima	64	M	Mr. Kawashima has considerable expertise in finance and accounting, having worked in accounting and finance for many years and held key positions in Investor Relations and Internal Audit. In addition, he has a wealth of experience in group management, including being stationed at overseas subsidiaries and serving as an Auditor of affiliated company. Furthermore, he has contributed to enhancing the effectiveness of audits by Audit & Supervisory Board Member as an Audit & Supervisory Board staff member since March 2019. The Company has determined that he will be able to make full use of his experience and expertise in the auditing of the Kao Group. (115 <sup>th</sup> Annual General Meeting of Shareholders)
	Hideki Amano (Outside and Independent)	70	M	Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at major auditing firm as a member of management, he has served as an Audit & Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. In view of these facts, the Company has determined that it would be most suitable if he were to continue to audit the Kao Group as an Independent Outside Audit & Supervisory Board Member. Although he has never been directly involved in company management, the Company considers, based on the above reasons, that Mr. Amano will properly perform his duties as an Outside Audit & Supervisory Board Member. (115 <sup>th</sup> Annual General Meeting of Shareholders)
	Nobuhiro Oka (Outside and Independent)	60	M	Mr. Oka, in his career as an attorney and a university professor, has obtained considerable professional expertise and experience in relation to corporate legal affairs and corporate governance. Having served as an audit & supervisory board member of principal subsidiary of the Company since 2014, he also has expertise in relation to the business of the Kao Group. He has served as an Audit & Supervisory Board Member of the Company since March 2018, conducting effective audits from a professional perspective including group governance. In view of these facts, the Company has determined that it would be most suitable if Mr. Oka were to continue auditing as an Independent Outside Audit &

				Supervisory Board Member. (116 <sup>th</sup> Annual General Meeting of Shareholders)
	Saeko Arai (Outside and Independent)	60	F	Ms. Arai has served as an outside director and outside audit & supervisory board member for several companies, leveraging her extensive knowledge of accounting and finance as a certified public accountant to support corporate management such as establishing internal control systems. In addition to management experience as CFO of a venture company, she also has extensive international experience, including serving as a representative of a U.S. corporation. The Company has determined that she will be able to use these experience and knowledge in the auditing of the Group.. (118 <sup>th</sup> Annual General Meeting of Shareholders)

### [Supplementary Principle 3.1.3] Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties [Updated]

#### (1) Initiatives on Sustainability

By integrating ESG into the core of its company management, the Company drives business growth and better serve consumers and society through its enhanced products and services. Recognizing its responsibility as an enterprise that provides products which people use on a regular basis in their daily lives, the Kao Group takes active steps to reduce the environmental footprint of its products throughout the entirety of the product lifecycle.

In July 2018, the ESG division was newly established headed by a non-Japanese. Also, the Sustainability Committee renamed the ESG Committee and had promoted global initiatives. In April 2019, the Company launched the Kirei Lifestyle Plan, its ESG strategy, which incorporates 19 key leadership actions. In June 2021, the ESG Committee was re-established as an ESG Managing Committee to enhance the speed of ESG activities, and in addition to formulating policies and strategies related to ESG activities, the Company also added the role of approving ESG-related investments.

\*Kirei is a Japanese word that represents the concept of cleanliness, beauty, health, purity and fairness.

For information on Kao Group's sustainability, please see the following website:

Sustainability: [www.kao.com/global/en/sustainability/](http://www.kao.com/global/en/sustainability/)

Kao Sustainability Report: [www.kao.com/global/en/sustainability/pdf/](http://www.kao.com/global/en/sustainability/pdf/)

In addition, Kao Sustainability Report has been complied with reference to the recommendations for disclosure given by the Task Force on Climate-related Financial Disclosures (TCFD).

Furthermore, in April 2022, the Company established the ESG Steering Committee in conjunction with the ESG Committee to ensure and promptly implement ESG initiatives. The topics of these issues are decarbonization, plastic packaging, human rights and DEI and chemical stewardship.

GRI/ISO 26000 table/TCFD Index: [www.kao.com/global/en/sustainability/pdf/research-index/](http://www.kao.com/global/en/sustainability/pdf/research-index/)

#### (2) Information on Investments in Human Capital

"People" are the Company's greatest asset. To realize Kao Group Mid-term Plan "K27" and "Maximize the power and potential of employees," The Company is promoting Global Sharp Top human resources/organizational management through a well-balanced investment in human capital. By drawing out the unlimited potential of each of the Company's diverse human resources and maximizing their vitality as an organization, we will create an environment and culture where individuals and the Company can grow together. Based on this policy, the Company is investing in more forward-looking and aggressive human resources, with dialogue as the core.

In 2023, as part of the Kao Group's DX promotion in Japan, the Company launched the DX Adventure Program, which is designed to improve the digital skills of all Group employees. The program was introduced for approximately 28,000 Kao Group employees working in Japan, tailored to the needs and levels of individuals and divisions. The Company plans to expand the program globally from 2024.

Kao Group (global consolidated) education and training expenses per employee in FY 2023 were 37 thousand yen (116% year on year) and 14.05 hours (108% year on year).

#### (3) Information on Investments in Intellectual Properties

The Company has been creating innovations that change lives by combining discoveries and inventions obtained through Essential Research that identifies phenomena and objects with the eyes of science with the needs of consumers, and converting them into product design and value information. The expectations and trust of consumers cultivated through this is the foundation of our strong brand power, which is widely recognized in the world. In addition, to "make a company with a global presence, valuable to society," the

Company is keeping an eye on issues that arise not only in Japan but also on a global scale, and established management strategies to meet the expectations of consumers around the world. To promote research and development in line with this management strategies, the Company believes that it is essential to invest in human resources and activity costs in the Research and Development Department and intellectual property acquisition, which is the result of research and development activities, and the Company is actively implementing such investment.

Among these, investment in intellectual property is the securing of patents, design rights, trademarks, and other "intellectual property" such as inventions resulting from research and development, new business models, and the creation of new businesses, as well as naming, etc. conceived as symbols of brands, etc., to promote business activities to realize high profitability, and to promote the diffusion of technologies for the public good by opening them up to the public. The Company is also working to promote the diffusion of technologies for the public good by opening them up to the public.

The Intellectual Property Department plays a key role by strategically applying for, acquiring and exercising rights relating to patents and technology-based designs, which are indicators of key company values from the perspective of technology development capability, in a broad range of fields. For designs and trademarks based on designs, the Brand Legal Department collaborates closely with business divisions to file applications, obtain rights and enforce rights while taking cost-effectiveness into consideration. Research and development expenses and the number of patents and trademarks held are listed on the website below.

Kao by the Numbers: [www.kao.com/global/en/corporate/](http://www.kao.com/global/en/corporate/)

Recently, the Company has been pursuing measures against counterfeit products in Asia and other regions. The Intellectual Property Department and the Brand Legal Department work together to optimize Kao Group's overall intellectual property portfolio and reduce the risks associated with intellectual property.

#### **[Principle 4.1] Roles and Responsibilities of the Board (1)**

In order to properly carry out the formulation of the business strategies including the improvement of profitability and capital efficiency, their execution, and the supervision and audit of execution, it is extremely important to place persons with the diverse experience and knowledge, high level of expertise and insight necessary for these purposes in a well-balanced fashion as the Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings and as the Management that lead execution. By doing so, the Company believes it can raise the level of management by enabling each to properly fulfill their respective roles and duties as follows:

- 1) The members of Management, who have diverse experience and knowledge regarding the operation of each of the Kao Group's businesses and divisions, conduct discussions based on their understanding of the business environment in which the Company operates and the strengths and issues of the Kao Group to create proposals for the business strategies. In the event that consideration from more diverse perspectives, including evaluation of risks, is appropriate when planning and otherwise dealing with business strategies, the members of Management strive to utilize external experts.
- 2) Inside Directors and Full-time Audit & Supervisory Board Members who are familiar with the status of the Kao Group's management and businesses, its strengths and issues, and other matters, and Outside Directors and Outside Audit & Supervisory Board Members with diverse experience and knowledge of business and other areas, a high level of expertise and insight, and a neutral, objective perspective deliberate from their diverse perspectives, including evaluating risks, at Board of Directors meetings and make decisions on proposed business strategies submitted by the Management.
- 3) The members of Management quickly and properly execute the business strategies utilizing their respective diverse experience and knowledge.
- 4) Each year, the members of Management ascertain changes in the business environment that forms the premises of the business strategies, consider the status of progress of the strategies, issues in their achievement and response to such issues, the necessity of changes to the strategies and other matters and report to the Board of Directors.
- 5) In response to the above report from the members of Management, the Outside Directors and Outside Audit & Supervisory Board Members through their diverse perspectives supervise and audit whether the business strategies and other matters have been executed properly and makes decisions on the necessity of changing the business strategies and other matters at the Board of Directors meetings.

#### **[Supplementary Principle 4.1.1] Scope of Matters Delegated to the Management**

The Company has established the regulations of the Board of Directors and deliberation and reporting standards for the Board of Directors and the Management Board to clearly set forth the matters to be deliberated on and reported at Board of Directors meetings and the matters to be delegated to the Management Board, which makes decisions on execution.

As set forth in [Principle 4.1] above, the purpose of these regulations and standards is to realize the separation of supervision and execution by mainly having the Board of Directors conduct deliberations from various perspectives, including evaluation of risks, and deciding on the medium-to-long-term direction of management in

the business strategies and, regarding the execution of the business strategies, delegate wide-ranging authority to the Management Board, which is mainly composed of members with the position of Managing Executive Officer or higher who have abundant experience in business execution as persons responsible for core businesses or divisions, to accelerate decision-making and management. The Management Board, in turn, is expected to conduct proper supervision by making clear the matters to be reported to the Board of Directors.

For example, the matters regarding basic management policies, basic business strategies, key investment strategies, mid-to-long-term plans, annual budgets and important personnel changes have been set forth as requiring deliberations by the Board of Directors. Purchases of assets through merger and acquisition, investment or other means and debts including borrowings are decided by the Management Board, in principle. However, among these matters, extremely important items or items involving large outlays are submitted to the Board of Directors.

#### [Principle 4.4] Roles and Responsibilities of the Audit & Supervisory Board

The Audit & Supervisory Board Members are entrusted by shareholders to audit Directors' execution of duties from an independent standpoint, and thus, are engaged in auditing activities to achieve sound and sustainable growth of the Company and the Group and establish governance that meets the trust of stakeholders. Accordingly, we provide in the Audit Report a more detailed explanation of the activities of the Audit & Supervisory Board Members during the fiscal year under review to enhance the transparency of audits and the effectiveness of dialogue with stakeholders as below.

##### 1. Audit policy

During the fiscal year under review, as the business environment remained uncertain in the face of rising geopolitical risks and other factors, we were required to make a major transformation toward achieving profitable growth. Under these circumstances, with a shared sense of urgency and necessity of reforms recognized by management, the Company adopted a policy to audit the progress of implementation of management strategies and response to management environmental risks, while conducting auditing activities, including ESG related activities, in view of the requests and views of society and stakeholders.

<Particularly important points in Audit & Supervisory Board Members' activities>

##### ■ Lively exchange of opinions

The Audit & Supervisory Board Members attend meetings of the Board of Directors, the Management Board and other important meetings with regard to auditing the duties of Directors. They put emphasis on confirming 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 actual sites (*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 *Genba*. At least one Outside Audit & Supervisory Board Member has participated in approximately 60% of the interviews.

##### 2. Composition and execution of duties of the Audit & Supervisory Board

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members (two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members). The Full-time Audit & Supervisory Board Members with extensive internal execution experience and diverse knowledge, and Outside Audit & Supervisory Board Members with their respective expertise (certified public accountant, attorney-at-law) and abundant knowledge gained from experience as officers of other companies share audit-related information in a timely manner and conduct deliberations from various perspectives.

The Office of the Audit & Supervisory Board was established directly under the Audit & Supervisory Board, to assist the Audit & Supervisory Board Members with their duties and to allow the members to serve concurrently as Auditors of subsidiaries.

##### 3. Deliberations by the Audit & Supervisory Board

Number of meetings held: 11	Attendance rate of Audit & Supervisory Board Members: all members marked 100%	Duration: Average of 1 hour and 51 minutes
Main agenda of the Audit & Supervisory Board		
26 resolutions: Audit policy, division of duties, critical auditing items, annual plan, audit report, Audit & Supervisory Board rules, internal control matters, Accounting Auditor matters (including agreement on compensation, and deliberation on reappointment), appointment and compensation of Audit & Supervisory Board Members, etc.		9 matters considered: Audit findings on critical auditing items, revision of Audit & Supervisory Board rules, closely monitoring issues concerning internal control, exchange of opinions with Representative Directors and Outside Directors, confirmation of the effectiveness evaluation process, etc.

Irrespective of agenda items at the Audit & Supervisory Board meetings, opinions regarding medium- to long-term issues are exchanged freely as needed.



<Evaluation of the effectiveness of the Audit & Supervisory Board>

Each year, the Board sets evaluation items, with a focus on critical auditing items, and evaluates the effectiveness of the Board from a multifaceted and objective perspective. For the fiscal year under review, through comprehensive and unfettered discussions at the Audit & Supervisory Board meetings based on the self-evaluation by each Audit & Supervisory Board Member, the exchange of opinions with Representative Directors, and feedbacks from Outside Directors and other related parties, it was concluded that the system of the Board as a whole was functioning effectively.

The Audit & Supervisory Board observed and assessed, at Genba, the degree of utilization of ROIC in each business segment and the progress of structural reforms, which are part of management strategies; compiled the results of such observation and assessment into a proposal and shared the proposal with Directors. The Board will continue to observe the ROIC in each business segment. As for the threefold auditing structure, to further strengthen the collaboration between three organizations, we understand that we need to share auditing plans and issues with other organizations.

The issues identified through the effectiveness evaluation will be reflected in auditing activities and critical auditing items for the next fiscal year so that the effectiveness of the Board will be further improved.

4. Critical auditing items, achievements and evaluation of effectiveness

Critical auditing items	Audit method	Activity results and evaluation of effectiveness	Division of audit	
			Full-time	Outside
Status of execution of duties by Directors	Attend meetings of the Board of Directors to confirm the status of deliberations and resolutions, and express opinions if necessary	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, request explanations as necessary, and expressed opinions in a timely manner	Attendance rate was 100%, reviewed decision-making process and commented on matters to be considered.	✓	—
	Meetings to exchange opinions with management	Kao: Representative Directors (three times). Outside Directors (two times), Executive Officers with titles (six times) Important subsidiaries: Representative Directors (two times) Exchanged frank opinions regarding management issues, future governance., etc. Discussed the priority levels of risks and issues with Outside Directors, and shared the results of such discussions with Representative Directors, etc. to deepen understanding	✓	✓
	On-site audits and interviews of worksites, divisions, domestic and overseas subsidiaries and affiliates (During on-site inspections and hearings, we also confirm priority audit items such as internal control.)	107 times - Emphasis placed on dialogue (using half the hours of interviews for the exchange of opinions) - Confirmed the improvement status at a later date, seeking for the completion of reporting on audit findings. Shared the findings with executive officers as appropriate along with excellent on-site initiatives	✓	At any time
	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	7 times	—	✓

Critical auditing items	Audit method	Activity results and evaluation of effectiveness	Division of audit	
			Full-time	Outside
Effectiveness of the Group governance	<ul style="list-style-type: none"> <li>- Systematize the Kao Group's structure of Audit &amp; Supervisory Board (the Company, affiliates, and subsidiaries)</li> <li>- Improve the effectiveness of auditing activities tailored to each company's characteristics, under the unified management of the Group</li> </ul>	<ul style="list-style-type: none"> <li>- Under a system in which members of the Office of the Audit &amp; Supervisory Board concurrently serve as Auditors of subsidiaries</li> <li>- All Auditors of subsidiaries and affiliates regularly exchanged opinions to identify and review risks (five times). Provided training to improve their skills</li> <li>- Conducted effectiveness evaluation of the Auditors at important subsidiaries</li> </ul>	✓	At any time
	<ul style="list-style-type: none"> <li>- Exchange opinions between the Accounting Auditor, Audit &amp; Supervisory Board Members and related departments</li> <li>- Report accounting audit results to the Board of Directors meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Exchanged opinions (15 times), and reported to the Board of Directors meetings (two times)</li> <li>- Audit plan, accounting audit results, key audit matters, disclosure of non-financial information, non-assurance services management, audit quality, etc.</li> <li>-Held global meetings to exchange opinions with domestic and overseas auditors and shared issues of each company</li> </ul>	✓	✓
Development and operation of internal control	<ul style="list-style-type: none"> <li>- Hold interviews with the departments in charge of the second line of internal control</li> <li>- Attend the meetings or check the minutes of Internal Control Committee and major subordinate committees</li> <li>- Check the response status of the Compliance Hotline</li> </ul>	<ul style="list-style-type: none"> <li>- Every quarter or semi-annually</li> <li>- Confirmed that voluntary inspection and monitoring were firmly in place and issues had been improved</li> <li>- Expressed opinion on matters reported to the hotline and how these matters were handled. Confirmed that the progress was seen in the hotline system</li> </ul>	✓	At any time
	Collaboration with the Department of Internal Audit which is the division responsible for internal auditing	<ul style="list-style-type: none"> <li>- Held regular meetings (four times) to share audit plans and issues</li> <li>- Vice President of the Department of Internal Audit attended the Audit &amp; Supervisory Board meetings and the meetings to exchange opinions among auditors of the Group, as needed.</li> </ul>	✓	At any time
	Evaluation of the construction and operation status of the internal control system using a checklist	Generally valid	✓	—
Proactive disclosure	Investigate into requests of society and stakeholders for information disclosure of the Company and confirmed its disclosure status and external evaluations	<ul style="list-style-type: none"> <li>- Looked into how the Company had responded to such requests. Confirmed that the system for promoting and the status of information disclosure were generally satisfactory</li> <li>- Promoted the disclosure of activities of the Audit &amp; Supervisory Board Members</li> </ul>	✓	—

**[Principle 4.6, 4.9, Supplementary 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. [Updated]**

The Company uses a structure with the appropriate number of independent Outside Directors and Outside Audit & Supervisory Board Members who satisfy the “Standards for Independence of Outside Directors/Corporate Auditors of Kao Corporation” (hereafter, the “Standards for Independence”) to provide a check on the status of deliberations of the Board of Directors from an objective perspective independent of the Company’s Management so that the Company’s management judgment is not biased toward the logic of persons inside the Company.

For further details regarding the Standards for Independence, please see

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance\\_002.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf)

(For information concerning appointment of Independent Directors and Audit & Supervisory Board Members, etc., please see “Outside Directors’ Relationship with the Company (2)” in “Directors” below, as well as “Outside Audit & Supervisory Board Members’ Relationship with the Company (2)” in “Audit & Supervisory Board Members,” II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management)

- Status of Appointment of Independent Directors and Audit & Supervisory Board Members, etc.  
Four (4) of the eight (8) Directors are Outside Directors, all of whom satisfy the Standards for Independence. Three (3) of the five (5) Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, all of whom satisfy the Standards for Independence.
- Chairperson of the Board of Directors  
In the current structure, independent Outside Director acts as Chairperson of the Board of Directors as a measure to further increase the neutrality and independence of the Board of Directors.
- Communication and Cooperation among Independent Directors, Audit & Supervisory Board Members and Management  
The Chairperson of the Board of Directors takes the role of promoting communication and cooperation with members of Management and Audit & Supervisory Board Members. All the Audit & Supervisory Board Members, including the independent Outside Audit & Supervisory Board Members, and the Representative Directors hold meetings to exchange opinions multiple times during the year and from July 2018 all Outside Directors and Audit & Supervisory Board Members (including full-time) have started to hold periodic meetings to exchange information and opinions.

**[Supplementary Principle 4.11.1] Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors**

In addition to the matters described in "Policy 3.2 Composition of the Board of Directors, 3.2.1, 3.2.2 and 3.2.3," at the Board of Directors (attended by Directors and Audit & Supervisory Board Members), Directors provide broad direction regarding the business strategies and Directors and Audit & Supervisory Board Members deliberate on their appropriateness and the risks related to their realization and other matters in an objective and multidimensional fashion. They also supervise and audit the status of execution. To conduct these tasks, the Company considers it important for such individuals coming from inside and outside the Company with diverse knowledge, experience, and abilities to conduct constructive discussions.

The Kao Group Mid-term Plan 2027 “K27” includes the vision of “Protecting future lives.” To accomplish this, the Company’s management is executing business in line with the Company’s strategies of (1) becoming an essential company in a sustainable world, (2) transforming to build robust business through investment, and (3) maximizing the power and potential of employees.

The Board of Directors considers it important for Inside and Outside Directors and Audit & Supervisory Board Members to complement each other with each of their knowledge, experience, and abilities, and to be able to demonstrate high effectiveness as a whole, in order to supervise that management is implementing business execution in a framework for transparent, fair, prompt and decisive decision-making accordance with the above strategies.

(See Skills Matrix of the Board of Directors below)

**[Supplementary Principle 4.11.2] Status of Concurrent Duties of Outside Directors and Outside Audit & Supervisory Board Members**

The status of important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members is stated in the Convocation Notice of the 118th Annual General Meeting of Shareholders.

(Please see [www.kao.com/global/en/investor-relations/stock-information/shareholders-meeting/](http://www.kao.com/global/en/investor-relations/stock-information/shareholders-meeting/))

In addition, as stated in "Policy 3.3.2", the Company limits the number of concurrent positions of Directors or Audit & Supervisory Board Members of the Company's Directors in listed companies to three (3) excluding the Company, in principle.

**[Supplementary Principle 4.11.3] Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof**

On an annual basis, an evaluation is conducted at a meeting of the Board of Directors in order to make improvements aimed at enhancing 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, the Company believes that it is effective for all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to conduct an evaluation using a method that entails expressing their own opinions and engaging in free and open discussion. However, the Company also recognizes the usefulness of an objective evaluation by a third party, with an eye to introducing activities that further enhance the effectiveness of the Board of Directors.

For the FY2023 evaluation, prior to the self-assessment at the meeting of the Board of Directors held in January 2024, a survey of the ten 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 Board engaged in discussions and exchanged opinions with a focus on areas where there is room for improvement. The Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers were evaluated at the same time. Furthermore, third parties provided advice on the formulation and analysis of questionnaire items so that objective perspectives can be reflected in the questionnaires and analysis.

The following is a summary

Results of the FY2023 Evaluation of the Effectiveness of the Board of Directors

Overall, it was found that the Board of Directors has adequately exercised its supervisory functions, and that its effectiveness has been maintained. However, the evaluation also identified issues to be addressed in order to further improve the Board’s effectiveness, and opinions were shared regarding future initiatives.

■ Agenda Item Selection and Discussions

FY2022 Issues	FY2023 Initiatives	FY2023 Evaluation and Issues	Future Initiatives
<ul style="list-style-type: none"> <li>The issues to be addressed in order to achieve the Mid-term Plan K25 and the interim summary needed to be discussed in greater depth, including quantitatively.</li> </ul>	<ul style="list-style-type: none"> <li>K25 interim summary was performed, and structural reforms and growth strategies were discussed.</li> <li>Focus topics for each business segment were reported.</li> <li>Business status indicators and the progress status of K25 were monitored through monthly meetings of the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Based on the results of the K25 interim summary, the Mid-term Plan K27 was reformulated, and progress was made in both discussing and implementing structural reforms.</li> <li>Further discussion is needed regarding growth strategies and business segments that are experiencing issues.</li> <li>Further improvements should be made to monitoring of management indicators under ROIC management.</li> </ul>	<ul style="list-style-type: none"> <li>Set the time for ongoing discussions at meetings of the Board of Directors, while also being aware of the integration of growth strategies and challenged businesses with ESG strategies.</li> <li>Evolve the method of management indicators to be monitored and report regularly on the performance against such management indicators.</li> </ul>
<ul style="list-style-type: none"> <li>Stakeholder relations strategies needed to be discussed.</li> </ul>	<ul style="list-style-type: none"> <li>Reports were presented at meetings of the Board of Directors before and after IR activities.</li> </ul>	<ul style="list-style-type: none"> <li>Deliberations are being conducted with greater attention paid to key stakeholders, including investors.</li> <li>Growth strategies need to be demonstrated more clearly.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to engage in deliberations while paying attention to key stakeholders and how to demonstrate growth strategies.</li> </ul>

<b>FY2022 Issues</b>	<b>FY2023 Initiatives</b>	<b>FY2023 Evaluation and Issues</b>	<b>Future Initiatives</b>
<ul style="list-style-type: none"> <li>• Further discussions were needed regarding how human capital strategies relate to business strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussed human capital strategies and human capital structural reforms.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions and decisions on the Structural reforms in relation to human capital are positively evaluated.</li> <li>• It is necessary to deepen discussions regarding what is required of the human capital responsible for growth strategies, and how to develop and acquire said human capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Further discuss concrete human capital strategies linked to the growth strategies at meetings of the Board of Directors.</li> </ul>

■ Structure, Status of Operation and Deliberations of the Board of Directors

<b>FY2022 Issues</b>	<b>FY2023 Initiatives</b>	<b>FY2023 Evaluation and Issues</b>	<b>Future Initiatives</b>
<ul style="list-style-type: none"> <li>• There were times when the level of reporting was too granular, resulting in unfocused discussions.</li> </ul>	<ul style="list-style-type: none"> <li>• Defined the indicators that are needed in order to achieve K25 (and K27).</li> <li>• A presentation format was used at meetings of the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board of Directors is appropriately fulfilling its supervisory functions.</li> <li>• Presenters should make discussion points clear.</li> </ul>	<ul style="list-style-type: none"> <li>• Use the presentation format at all meetings of the Board of Directors, and clearly indicate discussion points.</li> </ul>
<ul style="list-style-type: none"> <li>• Ongoing deliberations were needed regarding the necessary elements for realizing the vision of the Board of Directors, as well as the Board's composition.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance was discussed, and official policy was formulated and disclosed.</li> </ul>	<ul style="list-style-type: none"> <li>• The disclosure of the corporate governance policy is commendable. The composition of the Board of Directors was in line with the corporate governance policy.</li> </ul>	<ul style="list-style-type: none"> <li>• The composition of the Board of Directors, including diversity of Directors (skills, women and global human capital), will be discussed on an ongoing basis.</li> </ul>

■ Results of the FY2023 Evaluation of the Effectiveness of the Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members

The Committee engaged in sufficient discussions regarding the composition of the Board of Directors, the structure of the Board of Directors, including Directors and Audit & Supervisory Board Members, and the succession plan for appointing future CEO. It reported its findings to the Board of Directors, and it was found that the overall effectiveness of the Committee has been maintained. Opinions were shared regarding future initiatives to further improve the Committee’s effectiveness.

FY2022 Issues	FY2023 Initiatives	FY2023 Evaluation and Issues	Future Initiatives
<ul style="list-style-type: none"> <li>• Ongoing deliberations was needed regarding the vision of the Board of Directors, as well as the Board’s composition.</li> <li>• There was a need for ongoing verification and deeper discussions regarding the succession plan.</li> </ul>	<ul style="list-style-type: none"> <li>• There were ongoing deliberations regarding the necessary elements for realizing the vision of the Board of Directors, as well as the Board’s composition.</li> <li>• There were ongoing deliberations regarding the succession plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions were sufficient.</li> <li>• More concrete discussions are needed regarding human capital requirements and training plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue deliberating on the vision of the Board of Directors, as well as the Board’s diversity.</li> <li>• Continue discussions regarding the succession plan.</li> </ul>

■ Results of the FY2023 Evaluation of the Effectiveness of the Compensation Advisory Committee for Directors and Executive Officers

The Committee devoted sufficient time to in-depth discussions of the overall compensation system for Directors and Executive Officers, compensation standards and other relevant topics, and it was found that its effectiveness has been maintained.

FY2022 Issues	FY2023 Initiatives	FY2023 Evaluation and Issues	Future Initiatives
<ul style="list-style-type: none"> <li>• There was a need for ongoing deliberations regarding the compensation system for Directors and Executive Officers.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussed from the concept of a policy on the compensation system for Directors and Executive Officers overall.</li> </ul>	<ul style="list-style-type: none"> <li>• Deliberations were conducted appropriately.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to perform verifications and deliberations.</li> </ul>

**[Supplementary Principle 4.14.2] Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties**

The training will be conducted in accordance with the policy described in "Policy 3.9 Training for Directors and Audit & Supervisory Board Members."

<Details of Current Efforts>

- As future candidates for Director or Audit & Supervisory Board Member, participation by Executive Officers in training programs held by external institutions to acquire the skills and knowledge and attain the deep discernment required of top management
- Explanation of the Companies Act, corporate governance and related issues upon inauguration
- Explanation of the business strategies, details of businesses, operating structure and other matters upon inauguration
- Visits to main factories and major business sites, etc.
- Lectures to foster well-rounded character and insight as a top management
- Lectures on the Companies Act, corporate governance and other matters by experts and lectures on useful information regarding management by top management of other companies and knowledgeable persons
- Briefings on compliance, including prevention of insider trading

**[Principle 5.1] Policy for Constructive Dialogue with Shareholders**

As described in "Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure."

For further details regarding IR Related Activities, etc., please see "2. IR Activities" in "III Implementation of Measures for Shareholders and Other Stakeholders."

For further details regarding Disclosure Guidelines

[www.kao.com/global/en/investor-relations/management-information/disclosure/](http://www.kao.com/global/en/investor-relations/management-information/disclosure/)

**[Principle 5.2] Establishing and Disclosing Business Strategy and Business Plan**

In establishing and disclosing business strategies and business plans, companies are required to have an accurate understanding of their cost of capital.

The Company's capital policy follows a basic strategy of securing a sound financial structure to make investments for sustainable growth and tolerate the related risks, and to make stable, continuous returns to shareholders. To realize this policy, the Company uses Economic Value Added (hereinafter "EVA\*\*") and Return On Invested Capital (hereinafter "ROIC"), a management indicator that takes capital cost into account, as its main indicator and works to enhance its corporate value by improving EVA. Guided by EVA and ROIC management which places importance on both continuous enhancements in corporate value and long-term profits for all stakeholders, the Company develops its business strategy and business plan.

The Company manages all equity and interest-bearing liabilities as subject of capital cost and intends to optimize capital cost from the viewpoint of safety and capital efficiency. For equity, the Kao Group aims for a streamlined and sound structure from a medium- to long-term perspective with efficiency in mind and, while maintaining interest-bearing liabilities at a moderate level, aims to maintain high credit ratings which will allow it to procure capital for large-scale investments. The Company is not subject to significant capital regulations except for general requirements under the Companies Act and others.

Although the Company emphasizes shareholder returns, it realizes that investment for growth will meet the expectations of its stakeholders, and therefore prioritizes such investment. In addition to providing stable dividends, the Company uses surplus funds to flexibly conduct share repurchases while the Kao Group aims to continuously increase dividends to reflect improvement in business results.

In addition to making returns to shareholders and improving EVA and ROIC, the Company retains the capital necessary to conduct investments for growth in a timely fashion and to ensure sufficient soundness to deal with situations that exceed assumptions.

\*\*EVA is a monetary metric defined as NOPAT less capital cost. EVA is a registered trademark of Stern Stewart & Co.

For more information on EVA, please see below.

[www.kao.com/global/en/investor-relations/management-information/economic-value-added/](http://www.kao.com/global/en/investor-relations/management-information/economic-value-added/)

For more information on EVA's goals.

Management Strategy and Mid-term Plan 2027 (K27)

[www.kao.com/global/en/corporate/strategy-and-mid-term-plan/](http://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/)

Earnings Conference

[www.kao.com/global/en/investor-relations/library/presentations/](http://www.kao.com/global/en/investor-relations/library/presentations/)

For more information on deepen EVA-driven management

P37, Integrated Report

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2023e-all-001\\_01.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2023e-all-001_01.pdf)



Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors/Skill Matrix

		Attributes			Experience / Knowledge / Expertise									Main reasons for marking “✓”
		Term of office	Gender	Nationality	Management	Global	Consumer goods industry	Chemical industry	Human capital strategy	Research	Environment/society	IT/DX	Legal/risk management	
Directors	Yoshihiro Hasebe	8 years	Male	Japan	✓	✓	✓	✓	✓	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>- Experience in the Company’s Research and Development (including experience in global operations, and knowledge of fundamental and applied technologies and matter cycle research) (Doctor of Engineering)</li> <li>- Experience at the Company’s overseas business promotion projects</li> <li>- Experience as the Company’s Senior Vice President of Strategic Innovation Technology, Global</li> <li>- Experience as the Company’s officer responsible for Human Capital Development</li> </ul>
	Masakazu Negoro	1 year	Male	Japan		✓		✓					✓	<ul style="list-style-type: none"> <li>- Experience in the Company’s Chemical Business and management experience at overseas subsidiaries (Chemical Business)</li> <li>- Experience at the Company’s Procurement, Global (including promotion of sustainability activities in procurement)</li> <li>- Experience as the Company’s officer responsible for Finance Department</li> </ul>
	Toru Nishiguchi	1 year	Male	Japan		✓	✓							<ul style="list-style-type: none"> <li>- Experience in the Company’s Consumer Products Business</li> <li>- Experience in management and global marketing at the Company’s overseas subsidiaries</li> <li>- MBA</li> </ul>
	David J. Muenz	2 years	Male	United States		✓	✓			✓	✓			<ul style="list-style-type: none"> <li>- Experience in research and business at the Company’s overseas subsidiary</li> <li>- Experience in the Company’s ESG, Global</li> </ul>
	Osamu Shinobe	6 years	Male	Japan	✓						✓		✓	<ul style="list-style-type: none"> <li>- Experience as the top executive of a major international airline (including experience as Chairman of CSR and Environmental Management Committee)</li> </ul>
	Eriko Sakurai	2 years	Female	Japan	✓	✓		✓	✓		✓			<ul style="list-style-type: none"> <li>- Experience as the head of a global division and the regional head of a major U.S. chemical company</li> <li>- Experience in overall human resources strategy including compensation, development, and assignment in global businesses</li> <li>- Knowledge of sustainability in the chemical field</li> </ul>
	Takaaki Nishii	1 year	Male	Japan	✓	✓	✓		✓					<ul style="list-style-type: none"> <li>- Experience as the top executive of a major food company</li> <li>- Experience in the management of overseas subsidiaries</li> <li>- Experience in the human resources department</li> </ul>
	Makoto Takashima	–	Male	Japan	✓	✓								✓

		Attributes			Experience / Knowledge / Expertise										Main reasons for marking “✓”
		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	
Audit & Supervisory Board Members	Yasushi Wada	1 year	Male	Japan		✓					✓		✓		<ul style="list-style-type: none"> <li>- Experience in the Company’s Product Quality Management</li> <li>- Experience at the Company’s global production sites</li> <li>- Experience in the Company’s process engineering development and plant management</li> </ul>
	Sadanao Kawashima	3 years	Male	Japan										✓	<ul style="list-style-type: none"> <li>- Experience in the Company’s Finance Department</li> <li>- Experience in the Company’s Department of Internal Audit</li> </ul>
	Hideki Amano	7 years	Male	Japan		✓			✓				✓	✓	<ul style="list-style-type: none"> <li>- Certified Public Accountant</li> <li>- Served overseas and the head of the global audit network for the Asia-Pacific region</li> <li>- Experience in human capital strategy, risk management, etc., as the COO of audit and consulting operations</li> </ul>
	Nobuhiro Oka	6 years	Male	Japan									✓		<ul style="list-style-type: none"> <li>- Attorney-at Law</li> <li>- Ph.D. in Law (Chuo University)</li> <li>- Professor at Keio University Law School</li> </ul>
	Saeko Arai	–	Female	Japan		✓						✓		✓	<ul style="list-style-type: none"> <li>- Certified Public Accountant</li> <li>- Experience as a representative of a U.S. corporation</li> <li>- Experience as a partner of an IT venture company</li> </ul>

*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 “✓.”*

Experience/ knowledge/expertise	Reasons for selection as experience/knowledge/expertise
Management	In order to effectively supervise the business execution by management, it is useful for Directors to have their own experience as top management. We believe that their experience as top management is necessary for the Company's management to realize appropriate risk-taking and aggressive governance that encourages prompt and bold decision-making.
Global	As part of its global strategies, the Company aims to provide one-of-a-kind value that is less likely to be involved in fierce competition with competitors and price competition. We will also accelerate global growth by shifting to a local production for local consumption model based on local value, cost performance, and manufacturing. In order to properly offer advice and supervise the execution of these activities, we believe that 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 by management, it is necessary to discuss matters from a higher perspective with taking a bird's-eye view of the Company's entire business domain. To this end, it is important to have a deep understanding of the business environment and market characteristics in the consumer goods and chemical industries, which are the Company's business domains, as well as to gain insight into future prospects. Regarding the execution of business, including marketing, we are actively delegating authority to executive officers with specialized expertise in order to speed up decision-making and execution.
Human capital strategy	The Company has formulated a human capital strategy based on its corporate strategy, and has defined roles and human resource requirements that will be necessary for future growth, rather than as an extension of existing strategies. The Company is working to secure human resources by systematically developing and appointing them from outside organizations. We believe that it is necessary to supervise the adequacy and progress of this human capital strategy from expert knowledge and experience.
Research	The Company's research is the driving force behind generating constantly innovative and high-value products. The Company is committed to <i>Essential Research</i> and uses its accumulated technological assets to create innovation. We believe that it is necessary to supervise whether we are able to maintain and develop a research system that continues to generate innovation, and whether we are able to expand our business and increase our corporate value while effectively using the created technological assets.
Environment/society	In April 2019, the Company announced its ESG Strategy, the Kirei Lifestyle Plan, and began ESG management. In order to realize a Kirei World in which all life lives in harmony, which is our purpose, we will implement the Kirei Lifestyle Plan based on corporate strategies that are integrated with the ESG Strategy, in consideration of social changes and demands. We believe that it is necessary for the Board of Directors to supervise these matters appropriately in light of public trends.
IT/digital transformation (DX)	In order to realize K27, we believe that 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, are essential. With regard to experience, knowledge, and expertise related to IT/DX, we will utilize executive officers and external human resources to compliment supervision by the Board of Directors.
Legal/risk management	Various risks are expected to arise in daily corporate activities, as well as in the creation of new businesses and business innovation. The Company believes that it is an important challenge in management to recognize these risks, 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 that influences investment decisions. In order to achieve sustainable growth in corporate value, it is essential to conduct management in consideration of the improvement of profitability and capital efficiency, based on appropriate capital allocation from a company-wide perspective. For this reason, we believe that the Board of Directors needs experience, knowledge, and expertise in finance and accounting.

List of the state of implementation of Corporate Governance Code

Corporate Governance Code			Implementation Status		Corresponding articles in the Kao Corporate Governance Policy, this report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
Section 1: Securing the Rights and Equal Treatment of Shareholders	1.1	Securing the Rights of Shareholders	-	●	Policy 5.1.1 Securing the Rights of Shareholders and Equality
			1.1.1	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"
			1.1.2	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"
			1.1.3	●	The Company respects and complies the code.
	1.2	Exercise of Shareholder Rights at General Shareholder Meetings	-	●	"1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"
			1.2.1	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"
			1.2.2	●	"Early Notification of General Shareholder Meeting" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"
			1.2.3	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"
			1.2.4	●	"Allowing Electronic Exercise of Voting Rights", "Participation in Electronic Voting Platform" and "Providing Convocation Notice in English" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.5	●	The Company respects and complies the code.
	1.3	Basic Strategy for Capital Policy	-	●	Policy 5.1.2 Basic Strategy for Capital Policy
	1.4	Cross-Shareholdings	-	●	•Policy 5.1.2 Basic Strategy for Capital Policy and 5.1.3 Cross-Shareholdings •[Principle 1.4] Cross-Shareholdings in "Disclosure Based on the Principles of the Corporate Governance Code"
			1.4.1	●	Policy 5.1.3 Cross-Shareholdings
			1.4.2	●	Policy 5.1.3 Cross-Shareholdings
	1.5	Anti-Takeover Measures	-	●	"1. Adoption of Anti-takeover Measures" in "V. Other"
			1.5.1	●	"1. Adoption of Anti-takeover Measures" in "V. Other"
	1.6	Capital Policy that May Harm Shareholder Interests	-	●	The Company respects and complies the code.
1.7	Related Party Transactions	-	●	•Policy 5.1.4 Related Party Transactions •[Principle 1-7] Related Party Transactions in "Disclosure Based on the Principles of the Corporate Governance Code"	
Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders	2.1	Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-	-	●	•[3.1(i)] Corporate Philosophy, Mid-term Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code" •"The Kao Way": <a href="http://www.kao.com/global/en/corporate/purpose/kaoway/">www.kao.com/global/en/corporate/purpose/kaoway/</a>
	2.2	Code of Conduct	-	●	"Kao Business Conduct Guidelines": <a href="http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf">www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf</a>
			2.2.1	●	"Kao Business Conduct Guidelines": <a href="http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf">www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf</a>
	2.3	Sustainability Issues, Including Social and Environmental Matters	-	●	•Policy 5.5 Sustainability •Kao Sustainability: <a href="http://www.kao.com/global/en/sustainability/">www.kao.com/global/en/sustainability/</a>
			2.3.1	●	•Policy 5.5 Sustainability •Kao Sustainability: <a href="http://www.kao.com/global/en/sustainability/">www.kao.com/global/en/sustainability/</a>

Corporate Governance Code			Implementation Status		Corresponding articles in the Kao Corporate Governance Policy, this report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
	2.4	Ensuring Diversity, Including Active Participation of Women	-	●	<ul style="list-style-type: none"> <li>•Policy 3.2 Composition of the Board of Directors</li> <li>•"Other" in "3. Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders"</li> <li>•"We trust, respect, and need each other" in "Principles" in The Kao Way: <a href="http://www.kao.com/global/en/about/policies/kaoway.html">www.kao.com/global/en/about/policies/kaoway.html</a></li> </ul>
			2.4.1	●	<ul style="list-style-type: none"> <li>•Policy 3.2 Composition of the Board of Directors</li> <li>•Policy 5.3.2 Promotion of Women, Non-Japanese and Mid-career Employees</li> <li>•[Supplementally Principle 2.4.1] Measures to Promote Diversity in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•"Other" in "3. Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders"</li> <li>•Kao Sustainability Report: <a href="http://www.kao.com/global/en/sustainability/pdf/sustainability-report/">www.kao.com/global/en/sustainability/pdf/sustainability-report/</a></li> <li>•"Kao Integrated Report": <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>
	2.5	Whistleblowing	-	●	"Compliance Hotlines": <a href="http://www.kao.com/global/en/about/policies/compliance/compliance-contact.html">www.kao.com/global/en/about/policies/compliance/compliance-contact.html</a>
			2.5.1	●	"Compliance Hotlines": <a href="http://www.kao.com/global/en/about/policies/compliance/compliance-contact.html">www.kao.com/global/en/about/policies/compliance/compliance-contact.html</a>
	2.6	Roles of Corporate Pension Funds as Asset Owners	2.6	●	•Policy 5.6 Roles of Corporate Pension Funds as Asset Owners
	Section 3: Ensuring Appropriate Information Disclosure and Transparency	3.1	Full Disclosure	-	●
(i)				●	[Principle 3.1(i)] Corporate Philosophy, Mid-term Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"
(ii)				●	<ul style="list-style-type: none"> <li>•Policy 1. Basic Views on Corporate Governance</li> <li>•"1. Basic Views," in "I. Basic Vies on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information"</li> </ul>
(iii)				●	<ul style="list-style-type: none"> <li>•Policy 4.1 Policy and 4.2 Decision Process</li> <li>•[Principle 3.1 (iii)] Directors' Remuneration in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
(iv)				●	<ul style="list-style-type: none"> <li>•Policy 2.2.1 Committee for the Examination of Nominees for Directors and Audit &amp; Supervisory Board Members</li> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(iv)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
(v)				●	[Principle 3.1(v)] Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"
3.1.1				●	The Company respects and complies the code.
3.1.2				●	English website: <a href="http://www.kao.com/global/en/">www.kao.com/global/en/</a>
3.1.3				●	<ul style="list-style-type: none"> <li>•Policy 5.3.1 Human Capital Investment</li> <li>•[Supplementally Principle 3.1.3] Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•Kao Sustainability: <a href="http://www.kao.com/global/en/sustainability/">www.kao.com/global/en/sustainability/</a></li> <li>•Kao Sustainability Report: <a href="http://www.kao.com/global/en/sustainability/pdf/">www.kao.com/global/en/sustainability/pdf/</a></li> <li>•GRI/ISO 26000 table/TCFD Index: <a href="http://www.kao.com/global/en/sustainability/research-index/">www.kao.com/global/en/sustainability/research-index/</a></li> </ul>
3.2				External Auditors	-
			3.2.1	●	"2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"

Corporate Governance Code			Implementation Status		Corresponding articles in the Kao Corporate Governance Policy, this report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
		3.2.2	●		"2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
Section 4: Responsibilities of the Board	4.1	Roles and Responsibilities of the Board (1)	-	●	<ul style="list-style-type: none"> <li>•Policy 3.1 How the Board of Directors Should Function</li> <li>•[Principle 4.1] Roles and Duties Responsibilities of the Board in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.1.1	●	[Supplementary Principle 4.1.1] Scope of Matters Delegated to the Management in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.1.2	●	[Principle 3.1(i)] Corporate Philosophy, Mid-term Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.1.3	●	<ul style="list-style-type: none"> <li>•Policy 3.4 Succession Plan</li> <li>•"Supplementary Explanation" in "Committee's Name, Composition, and Attributes of Chairperson" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> </ul>
	4-2.	Roles and Responsibilities of the Board (2)	-	●	<ul style="list-style-type: none"> <li>•Policy 4.3 Remuneration System</li> <li>•[Principle 4.1] Roles and Responsibilities of the Board in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•"Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods, II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>•[Principle 3.1(iii)]Directors' Remuneration in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.2.1	●	•Policy 4.3 Remuneration System
			4.2.2	●	<ul style="list-style-type: none"> <li>•Policy 5.3.1 Human Capital Investment</li> <li>•"Activities of the Board of Directors" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>•"Policies for ESG Activities":<a href="http://www.kao.com/global/en/sustainability/policy/">www.kao.com/global/en/sustainability/policy/</a></li> </ul>
	4.3	Roles and Responsibilities of the Board (3)	-	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(v)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•"Kao Integrated Report":<a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>
			4.3.1	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(iv)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.3.2	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(iv)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.3.3	●	<ul style="list-style-type: none"> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•[Principle 3.1(iv)] Policy on Nomination of Director and Audit &amp; Supervisory Board Member Candidates and Senior Management and Procedures for the Nomination and Dismissal of Directors and Audit &amp; Supervisory Board Members and the Appointment and Dismissal of Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			4.3.4	●	<ul style="list-style-type: none"> <li>•"Activities of the Board of Directors" in 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>•"Basic Views on Internal Control System and the Progress of System Development" in IV. Matters Related to the Internal Control System</li> <li>•Kao Integrated Report: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>

Corporate Governance Code			Implementation Status		Corresponding articles in the Kao Corporate Governance Policy, this report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
	4.4	Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board	-	●	<ul style="list-style-type: none"> <li>•Policy 3.6 How the Audit &amp; Supervisory Board Should Function</li> <li>•The Company respects and complies the code.</li> </ul>
			4.4.1	●	<ul style="list-style-type: none"> <li>•Policy 3.7 Structure of the Audit &amp; Supervisory Board and Execution System</li> <li>•[Principle 4.4] Roles and Responsibilities of the Audit &amp; Supervisory Board in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
	4.5	Fiduciary Responsibilities of Directors and Audit & Supervisory Board Members	-	●	The Company respects and complies the code.
	4.6	Business Execution and Oversight of the Management	-	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"
	4.7	Roles and Responsibilities of Independent Directors	-	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"
	4.8	Effective Use of Independent Directors	-	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.8.1	●	Matters relating to Independent Directors/Audit & Supervisory Members, Independent Directors, 1. Organizational Composition and Operation, II. Business Management Organization and Other Corporate Governance System regarding Decision-making, Execution of Business, and Overnight in Management
			4.8.2	●	[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"
			4.8.3	-	-
	4.9	Independence Standards and Qualification for Independent Directors	-	●	<ul style="list-style-type: none"> <li>•[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit &amp; Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation: <a href="http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf">www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf</a></li> </ul>
	4.10	Use of Optional Approach	-	●	"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
			4.10.1	●	<ul style="list-style-type: none"> <li>•Policy 2.2 Voluntary Establishment of Committees</li> <li>•Policy 3.3 Appointment and Term of Office of Directors</li> <li>•Policy 3.4 Succession Plan</li> <li>•[Principle 4.6, 4.9,Supplementally Principle 4.10.1] Effective Utilization of Independent Directors and Audit &amp; Supervisory Board Members, etc. in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> </ul>
	Preconditions for Board and Audit & Supervisory Board Effectiveness	-	●	<ul style="list-style-type: none"> <li>•Policy 3.2 Composition of the Board of Directors</li> <li>•Policy 3.5 Evaluation on Effectiveness of the Board of Directors</li> <li>•[Supplementally Principle 4.11.1] Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•[Supplementally Principle 4.11.3] Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof in "Disclosure Based on the Principles of the Corporate Governance Code" in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	

Corporate Governance Code			Implementation Status		Corresponding articles in the Kao Corporate Governance Policy, this report or on the Company's website	
General Principle	Principle	Supplementary Principles	Comply	Explain		
	4.11		4.11.1	●	<ul style="list-style-type: none"> <li>Policy 3.2 Composition of the Board of Directors</li> <li>[Supplementally Principle 4.11.1] Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>[ Principle 3.1(v)] Explanations with Respect to Individual Nominations and Appointments of Directors, Audit &amp; Supervisory Board Members and Senior Management in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
			4.11.2	●	<ul style="list-style-type: none"> <li>Policy 3.3 Appointment and Term of Office of Directors</li> <li>[Supplementally Principle 4.11.2] Status of Concurrent Duties of Outside Directors and Outside Audit &amp; Supervisory Board Members</li> </ul>	
			4.11.3	●	<ul style="list-style-type: none"> <li>Policy 3.5 Evaluation on Effectiveness of the Board of Directors</li> <li>[Supplementally Principle 4.11.3] Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
	4.12	Active Board Deliberations	-	●	The Company respects and complies the code.	
			4.12.1	●	"Supporting System for Outside Directors and Outside Audit & Supervisory Board Members" in "1. Organizational Composition and Operation" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"	
	4.13	Information Gathering and Support Structure	-	●	(10), (11) and (12) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.1	●	(10) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.2	●	(12) and (13) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.3	●	<ul style="list-style-type: none"> <li>"Activities of the Board of Directors" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"</li> <li>(13) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"</li> <li>Kao Integrated Report: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>	
	4.14	Director and Audit & Supervisory Board Members Training	-	●	<ul style="list-style-type: none"> <li>Policy 3.9 Training for Directors and Audit &amp; Supervisory Board Members</li> <li>[Supplementally Principle 4.14.2] Measures for Directors and Audit &amp; Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
			4.14.1	●	<ul style="list-style-type: none"> <li>Policy 3.9 Training for Directors and Audit &amp; Supervisory Board Members</li> <li>[Supplementally Principle 4.14.2] Measures for Directors and Audit &amp; Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>	
			4.14.2	●	<ul style="list-style-type: none"> <li>Policy 3.9 Training for Directors and Audit &amp; Supervisory Board Members</li> <li>[Supplementally Principle 4.14.2] Measures for Directors and Audit &amp; Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties</li> </ul>	
	Section 5: Dialogue with Shareholders	5.1	Policy for Constructive Dialogue with Shareholders	-	●	<ul style="list-style-type: none"> <li>Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure</li> <li>[Principle 5.1] Policy for Constructive Dialogue with Shareholders in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
				5.1.1	●	<ul style="list-style-type: none"> <li>Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure</li> <li>[Principle 5.1] Policy for Constructive Dialogue with Shareholders in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
				5.1.2	●	<ul style="list-style-type: none"> <li>Policy 5.2 Constructive Dialogue with Shareholders, etc. and Enhancement of Information Disclosure</li> <li>[Principle 5.1] Policy for Constructive Dialogue with Shareholders in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
5.1.3				●	"Participation in Electronic Voting Platform" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders"	



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General Principle	Principle	Supplementary Principles	Comply	Explain	
	5.2	Establishing and Disclosing Business Strategy and Business Plan	-	●	<ul style="list-style-type: none"> <li>•Policy 5.3.1 Human Capital Investment</li> <li>•[Principle 3.1(i)] Corporate Philosophy, Mid-term Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•[Principle 5.2] Establishing and Disclosing Business Strategy and Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"</li> </ul>
			5.2.1	●	<ul style="list-style-type: none"> <li>•[Principle 5.2] Establishing and Disclosing Business Strategy and Business Plan in "Disclosure Based on the Principles of the Corporate Governance Code"</li> <li>•Kao Integrated Report: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>