



1-14-10, Nihonbashi Kayabacho, Chuo-ku, TOKYO 103-8210 JAPAN

March 6, 2023

NOTICE OF THE 117th ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

Kao Corporation (the “Company”) is pleased to announce that the 117th Annual General Meeting of Shareholders of the Company (“AGM”) will be held on March 24, 2023 at 10:00 a.m., Japan time, at Hotel New Otani Tokyo, banquet room TSURU (4-1 Kioi-cho, Chiyoda-ku, Tokyo, Japan).

At the AGM, Shareholders will be asked to vote on the following agenda items: *(Please note that a shareholder is entitled to one vote per unit of shares, with each unit consisting of one hundred (100) shares.)*

- 1. Proposal for Appropriation of Retained Earnings**
- 2. Election of ten (10) Directors**
- 3. Election of one (1) Audit & Supervisory Board Member**

As we place great importance to your exercise of voting rights at the AGM, we have attached, for your convenience, English summaries of the Proxy Statement and the Business Report, the originals of which are in the Japanese language and are being distributed to all registered shareholders or their standing proxies in Japan. We strongly urge you to exercise your voting rights at the AGM.

As part of our ongoing effort to improve the quality of communications with our foreign investors and to increase the voting participation of foreign investors at the AGM, the Company has retained Georgeson as our Global Information Agent to assist us with the AGM. If you have any questions, please contact Cheryl Tirol at +001-201-222-4375 or cheryll.tirol@georgeson.com, or Michael Menahem at +001-201-222-4374 or michael.menahem@georgeson.com. The attached materials are also available on our website at www.kao.com/global/en/investor-relations/stock-information/shareholders/

PLEASE CONTACT YOUR BROKER OR CUSTODIAN WITH YOUR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.

Thank you very much for your attention.

Very truly yours,

ISIN	JP3205800000
SEDOL	6483809
TSE	4452

Yoshihiro Hasebe
Representative Director
President and Chief Executive Officer

Kao Corporation

English Summary of the PROXY STATEMENT

The Proxy Statement of Kao Corporation (the “Company”) in the Japanese language has been prepared for the purpose of the 117th Annual General Meeting of Shareholders of the Company (the “AGM”) to be held on March 24, 2023 at 10:00 a.m. Japan time, at Hotel New Otani Tokyo, (4-1 Kioi-cho, Chiyoda-ku, Tokyo, Japan), and is to be furnished to all shareholders of the Company holding at least one Unit Share* (“Shareholders”) of record as of December 31, 2022 (the “Record Date”).

All Shareholders have valid voting rights and are entitled to vote at the AGM. In order to properly transact business at the AGM, Shareholders holding more than one third of all the voting rights as of the Record Date must be present either in person or be represented by proxy at the AGM.

**Note: A shareholder is entitled to one voting right per Unit Share, with each Unit Share consisting of one hundred (100) shares.*

PROPOSAL 1: PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS

In order to achieve profitable growth, the Company secures an internal reserve for capital investment and acquisitions from a medium-to-long-term management perspective and places priority on providing shareholders with steady and continuous dividends. In addition, the Company flexibly considers the repurchase and retirement of shares from the standpoint of improving capital efficiency.

The following distribution of year-end retained earnings is proposed:

- (1) Matters concerning Assets to be Distributed to Shareholders and Aggregate Amount thereof
74.00 yen per share of common share of the Company
Aggregate amount of distribution: 34,470,076,234 yen
- (2) Effective Date of Distribution of Retained Earnings
March 27, 2023

If this proposal is adopted without any amendment, then, by adding the interim dividends of **74.00 yen per share** to the above year-end dividends of **74.00 yen per share**, the total dividends for this fiscal year will be **148.00 yen per share**, an increase of 4.00 yen per share over the previous fiscal year, representing a consolidated payout ratio of 80.8 %.

<p>THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 1.</p>

PROPOSAL 2: ELECTION OF TEN (10) DIRECTORS

The terms of office of all nine (9) incumbent Directors will expire at the conclusion of the AGM. In order to ensure further diversity of the Board of Directors and strengthen its supervisory functions, the Company has proposed that the number of candidates for Outside Director be increased by one (1), and that a total of ten (10) Directors, including five (5) Inside Directors and five (5) Outside Directors be elected. The nominees for Directors are as shown below. Also, if nominee of Proposal 2 and Proposal 3 are elected, as proposed by the Company, there will be five (5) Independent Outside Directors and three (3) Independent Outside Audit & Supervisory Board Members, according to “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation.” Accordingly, eight (8) out of fifteen (15) attendees of the meeting of the Board of Directors will be independent, so the Company believes that adequate discussions will be possible at the meetings of the Board of Directors, based on such independent and neutral opinions.

Details of “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” is available on the Company’s website at www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/governance_002.pdf.

No.	Names of Nominees		Status at the Company and Other Material Position(s) Held	Board Tenure	Attendance Rate
1.	Michitaka Sawada	Re-nomination	Director, Chair [Other material position(s) held] Outside Director, Panasonic Holdings Corporation Outside Director, Nitto Denko Corporation Outside Director, Komatsu Ltd.	14 years and 9 months	100% (14/14)
2.	Yoshihiro Hasebe	Re-nomination	Representative Director, President and Chief Executive Officer; Responsible for DX Strategy [Other material position(s) held] Chairperson, The Kao Foundation for Arts and Sciences	7 years	100% (14/14)
3.	Masakazu Negoro	New Nominee	Senior Managing Executive Officer; Responsible for Management Finance (Accounting and Finance, Business Structure Reforms, Procurement, Human Capital Strategy)	-	-
4.	Toru Nishiguchi	New Nominee	Senior Managing Executive Officer; Vice President, Consumer Products, Global	-	-
5.	David J. Muenz	Re-nomination	Director, Managing Executive Officer; Senior Vice President, ESG, Global; Responsible for Strategic Public Relations	1 year	100% (11/11)
6.	Osamu Shinobe	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] Special Advisor, ANA HOLDINGS INC.	5 years	100% (14/14)
7.	Chiaki Mukai	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] Specially Appointed Vice President, Tokyo University of Science; Outside Director, Fujitsu Limited	4 years	100% (14/14)
8.	Nobuhide Hayashi	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] Senior Advisor, Mizuho Bank, Ltd.; Outside Director, Baroque Japan Limited; Outside Audit & Supervisory Board Member, JTB Corp.; Outside Audit & Supervisory Board Member, TOBU RAILWAY CO., LTD.	4 years	100% (14/14)
9.	Eriko Sakurai	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] Outside Director, Sumitomo Mitsui Financial Group, Inc. Outside Director, Astellas Pharma Inc.	1 year	100% (11/11)

10.	Takaaki Nishii	New Nominee Outside Director; Independent Director	- [Other material position(s) held] Senior Corporate Advisor, Ajinomoto Co., Inc.	-	-
------------	----------------	-------------------------------------------------------------	-----------------------------------------------------------------------------------------	---	---

Note: A total of 14 meetings of the Board of Directors were held from January 2022 to December 2022, and 11 meetings of the Board of Directors have been held since the appointment of Directors Mr. David J. Muenz and Ms. Eriko Sakurai.

1. Michitaka Sawada (Date of Birth: December 20, 1955) Re-nomination



[Career summary, status and duties at the Company]

April	1981	Joined the Company
June	2006	Executive Officer
June	2008	Director, Executive Officer
June	2012	Representative Director, President and Chief Executive Officer
January	2021	Director, Chair (current)

[Other material position(s) held]

Outside Director, Panasonic Holdings Corporation
Outside Director, Nitto Denko Corporation
Outside Director, Komatsu Ltd.

[Reason for nomination as a candidate for Director]

Ever since assuming office as Representative Director, President and Chief Executive Officer in 2012, Mr. Sawada has made a significant contribution in enhancing corporate value by promoting the “Yoki-Monozukuri”^{*} philosophy which emphasizes R&D. In January 2021, he assumed the position of Director, Chair, and has since supervised management based on experience and expertise as Representative Director, President and Chief Executive Officer and promoted external activities by serving as Chair of the Japan Clean Ocean Material Alliance (CLOMA), which carries out initiatives to address the problem of marine plastic waste. In addition to contributing to the development of next-generation leaders by creating opportunities for direct dialogue with Kao Group employees, he has actively given opinions at meetings of the Board of Directors, such as raising issues extracted from the dialogue. Having determined that Mr. Sawada will utilize the aforementioned experience and knowledge, to further contribute to enhancing the corporate value of the Kao Group, the Company hereby nominates him as a candidate to continue as a Director.

^{}The Kao Group defines Yoki-Monozukuri as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, Yoki literally means “good/excellent,” and Monozukuri means “development/manufacturing of products.”*

Attendance to the Meeting of the Board of Directors: **14/14 (100%)**

Number of the Company shares owned: **44,300 shares**

Term of office at the conclusion of this AGM: **14 years and 9 months**

2. Yoshihiro Hasebe (Date of Birth: July 30, 1960)

Re-nomination



[Career summary, status and duties at the Company]

April 1990	Joined the Company
March 2014	Executive Officer
January 2016	Managing Executive Officer
March 2016	Director, Managing Executive Officer
January 2018	Director, Senior Managing Executive Officer
March 2019	Representative Director, Senior Managing Executive Officer
January 2021	Representative Director, President and Chief Executive Officer (current)
January 2023	Responsible for DX Strategy (current)

Attendance to the Meeting of the Board of Directors: **14/14 (100%)**

Number of the Company shares owned: **15,300 shares**

Term of office at the conclusion of this AGM: **7 years**

[Other material position(s) held]

Chairperson, The Kao Foundation for Arts and Sciences

[Reason for nomination as a candidate for Director]

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 2020, he led the development of the new Kao Group Mid-Term Plan “K25,” and in January 2021, he was appointed as Representative Director, 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. The Company has determined that Mr. Hasebe 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, and for this reason nominates him as a candidate to continue as a Director.

3. Masakazu Negoro (Date of Birth: January 7, 1960)

New Nominee



Number of the Company shares owned:
8,800 shares

[Career summary]

April 1983	Joined the Company
March 2013	Executive Officer; President, Chemical Division Unit; Chairperson of the Board of Directors, Pilipinas Kao, Inc.; Chairperson of the Board of Directors, Fatty Chemical (Malaysia) Sdn. Bhd.; Chairperson of the Board, Kao Chemicals Europe, S.L.
January 2019	Managing Executive Officer; Senior Vice President, Procurement, Global
January 2021	Managing Executive Officer; Senior Vice President, Procurement, Global; Responsible for Accounting and Finance
January 2022	Managing Executive Officer; Responsible for Management Strategy; Senior Vice President, Procurement, Global; Responsible for Accounting and Finance
January 2023	Senior Managing Executive Officer; Responsible for Management Finance (Accounting and Finance, Business Structure Reforms, Procurement, Human Capital Strategy) (current)

[Reason for nomination as a candidate for Director]

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 promoted structural reforms to achieve the Kao Group Mid-Term Plan "K25" and engaged in constructive dialogue with stakeholders at Earnings Conferences and other events. Having determined that Mr. Negoro will utilize the aforementioned knowledge, to contribute to enhancing the corporate value of the Kao Group, the Company hereby nominates him as a candidate for a Director.

4. Toru Nishiguchi (Date of Birth: November 18, 1961)

New Nominee



Number of the Company
shares owned:
16,800 shares

[Career summary]

April 1985	Joined the Company
February 2014	President, Kao (Taiwan) Corporation
January 2017	Chairperson of the Board of Directors & President, Kao (Taiwan) Corporation
January 2018	President, PT Kao Indonesia
January 2019	Vice President, Consumer Products, Asia
January 2020	Executive Officer; President, Consumer Products, Asia; Chairperson of the Board and President, Kao (China) Holding Co., Ltd.; Chairperson of the Board and President, Kao Corporation Shanghai; Chairperson of the Board, Kao Commercial (Shanghai) Co., Ltd.; Chairperson of the Board, Kanebo Cosmetics (China) Co., Ltd.; Chairperson of the Board and President, Kao (Hefei) Co., Ltd.
January 2021	Managing Executive Officer; President, Consumer Products, Asia; Responsible for Consumer Products - Merries Business Chairperson of the Board and President, Kao (China) Holding Co., Ltd.; Chairperson of the Board and President, Kao Corporation Shanghai; Chairperson of the Board, Kao Commercial (Shanghai) Co., Ltd.; Chairperson of the Board, Kanebo Cosmetics (China) Co., Ltd.; Chairperson of the Board and President, Kao (Hefei) Co., Ltd.
January 2023	Senior Managing Executive Officer; Vice President, Consumer Products, Global (current)

[Reason for nomination as a candidate for Director]

Over many years, 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. The Company has determined that Mr. Nishiguchi will be able to contribute to enhancing the corporate value of the Kao Group by using his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and in the supervision of execution, and for this reason nominates him as a candidate for a Director.

5. David J. Muenz (Date of Birth: November 15, 1960)

Re-nomination



[Career summary, status and duties at the Company]

July	2003	Joined The Andrew Jergens Company (currently, Kao USA Inc.)
		Senior Vice President, Research and Development, US
January	2018	Vice President, Mass Business, Americas & EMEA
July	2018	Senior Vice President, ESG, Global (current)
January	2019	Executive Officer
January	2022	Managing Executive Officer
March	2022	Director, Managing Executive Officer (current)
January	2023	Responsible for Strategic Public Relations (current)

Attendance to the Meeting of the Board of Directors: **11/11 (100%)**

Number of the Company shares owned: **500 shares**

Term of office at the conclusion of this AGM: **1 year**

[Reason for nomination as a candidate for Director]

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 Mr. Muenz 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, and for this reason nominates him as a candidate to continue as a Director.

6. Osamu Shinobe (Date of Birth: November 11, 1952)

Re-nomination

Outside Director

Independent
Director



Attendance to the Meeting
of the Board of Directors:
14/14 (100%)

Number of the Company
shares owned:
1,900 shares

Term of office at the
conclusion of this AGM:
5 years

[Career summary, status and duties at the Company]

April 1976	Joined ALL NIPPON AIRWAYS CO., LTD. (currently, ANA HOLDINGS INC.)
June 2007	Member of the Board, ALL NIPPON AIRWAYS CO., LTD.
April 2009	Executive Vice President (jomu torishimariyaku), ALL NIPPON AIRWAYS CO., LTD.
June 2011	Executive Vice President (senmu torishimariyaku), ALL NIPPON AIRWAYS CO., LTD.
April 2012	Senior Executive Vice President, ALL NIPPON AIRWAYS CO., LTD.
April 2013	Member of the Board, ANA HOLDINGS INC. President and Chief Executive Officer, ALL NIPPON AIRWAYS CO., LTD.
April 2017	Member of the Board, Vice Chairman, ANA HOLDINGS INC.
March 2018	Director, the Company (current)
April 2019	Special Advisor, ANA HOLDINGS INC. (current)

[Other material position(s) held]

Special Advisor, ANA HOLDINGS INC.

[Reason for nomination as a candidate for Outside Director and outline of expected roles]

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 Mr. Shinobe to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason nominates him as a candidate to continue as an Outside Director.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Mr. Shinobe is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if he is reelected and assumes office as a Director.

He 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's consolidated net sales for the latest fiscal year, respectively. While there are transactions to 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 currently has executive authority at the Japan Institute of International Affairs. 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.

7. **Chiaki Mukai** (Date of Birth: May 6, 1952)

Re-nomination

Outside Director

Independent
Director



[Career summary, status and duties at the Company]

April 1977	Staff, Department of Surgery, Keio University School of Medicine
August 1985	Payload Specialist, the National Space Development Agency of Japan (currently, the Japan Aerospace Exploration Agency; JAXA)
June 1987	Visiting Scientist, Division of Cardiovascular Physiology, Space Biomedical Research Institute, NASA Johnson Space Center
September 1992	Research Instructor of the Department of Surgery, Baylor College of Medicine
April 2000	Visiting Professor of the Department of Surgery, Keio University School of Medicine (current)
April 2015	Vice president, Tokyo University of Science; Senior Technical Advisor, JAXA
January 2016	Corporate Executive Fellow, the Company
April 2016	Specially Appointed Vice President, Tokyo University of Science (current)
March 2019	Director, the Company (current)

Attendance to the Meeting of the Board of Directors:
14/14 (100%)

Number of the Company shares owned:
4,300 shares

Term of office at the conclusion of this AGM:
4 years

[Other material position(s) held]

Specially Appointed Vice President, Tokyo University of Science;
Outside Director, Fujitsu Limited

[Reason for nomination as a candidate for Outside Director and outline of expected roles]

Ms. Mukai has an extensive and high level of expertise in the scientific field. She has a wealth of experience and track record in various fields from her achievements as a medical doctor, astronaut and Specially Appointed Vice President of a university. Based on such experience and expertise, she has been actively presenting opinions and proposals in deliberations at the Board of Directors concerning material matters in the management of the Kao Group. Since 2022, she has played an important role in increasing the transparency and fairness of the Company's management as the Chairperson of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members. The Company expects Ms. Mukai to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason nominates her as a candidate to continue as an Outside Director. Although she has never been directly involved in company management other than through her experience as an outside director, the Company considers, based on the above reasons, that Ms. Mukai will properly perform her duties as an Outside Director.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Ms. Mukai is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if she is reelected and assumes office as a Director.

She previously had executive authority at Tokyo University of Science, but ceased to have such authority from April 2016. In addition, although the Company conducts joint research with Tokyo University of Science, the amounts of such transactions account for less than 0.1% of the university's income from education activities and the Kao Group's consolidated net sales for the latest fiscal year, respectively.

8. Nobuhide Hayashi (Date of Birth: March 27, 1957)

Re-nomination

Outside Director

Independent
Director



Attendance to the Meeting
of the Board of Directors:
14/14 (100%)

Number of the Company
shares owned:
1,200 shares

Term of office at the
conclusion of this AGM:
4 years

[Career summary, status and duties at the Company]

April 1980	Joined The Fuji Bank, Limited
April 2007	Executive Officer – Corporate Banking Division #13, Mizuho Corporate Bank, Ltd.
April 2009	Managing Executive Officer – Japanese Business Promotion, Mizuho Corporate Bank, Ltd.
June 2011	Managing Director and Head of International Banking Unit, Mizuho Corporate Bank, Ltd.
April 2013	Deputy President & Deputy President Executive Officer, Mizuho Financial Group Inc.; Deputy President & Deputy President Executive Officer, Mizuho Bank, Ltd.; Representative Director, Deputy President, Mizuho Corporate Bank, Ltd.
June 2013	Director, Deputy President, Mizuho Financial Group Inc.
July 2013	Representative Director, Deputy President, Mizuho Bank, Ltd.
April 2014	Representative Director, President and CEO, Mizuho Bank, Ltd.
April 2017	Director, Chairman, Mizuho Bank, Ltd.
March 2019	Director, the Company (current)
April 2019	Senior Advisor, Mizuho Bank, Ltd. (current)

[Other material position(s) held]

Senior Advisor, Mizuho Bank, Ltd.; Outside Director, Baroque Japan Limited;
Outside Audit & Supervisory Board Member, JTB Corp.;
Outside Audit & Supervisory Board Member, TOBU RAILWAY CO., LTD.

[Reason for nomination as a candidate for Outside Director and outline of expected roles]

Over many years, Mr. Hayashi has played an active role on an international basis in the fields of finance and financial affairs, such as by experiencing an extensive range of duties in sales, international business planning, etc. at leading financial institutions. He has an abundance of experience and a high level of expertise in company management, such as having served as a corporate manager amidst global changes in the business environment surrounding the financial industry. Amid uncertain business environment, with hikes in raw material prices, sudden exchange rate fluctuations, and price fluctuations caused by these factors, he has been actively giving opinions and making 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 2022, he has played an important role as the Chairperson of the Compensation Advisory Committee for Directors and Executive Officers in increasing the transparency and fairness of the Company's management in deliberations of compensation for Directors and Audit & Supervisory Board Members and Executive Officers and others. The Company expects Mr. Hayashi to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason nominates him as a candidate for Outside Director.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Mr. Hayashi is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if he is reelected and assumes office as a Director.

He previously had executive authority at Mizuho Bank, Ltd., but ceased to have such authority from April 2017. The Kao Group conducts regular bank transactions with Mizuho Bank, Ltd. and its group companies, and receives consulting service, etc. in overseas markets, however, the amounts involved in such transactions account for less than 0.1% of the Mizuho Bank group's consolidated ordinary income and the Kao Group's consolidated net sales for the latest fiscal year, respectively.

9. Eriko Sakurai (Date of Birth: November 16, 1960)

Re-nomination

Outside Director

Independent
Director



[Career summary, status and duties at the Company]

June 1987	Joined Dow Corning Corporation
May 2008	Director, Dow Corning Toray Co., Ltd.
March 2009	Chairman and CEO, Dow Corning Toray Co., Ltd.
June 2018	Chairman and CEO, Dow Toray Co., Ltd.
August 2020	President, Dow Chemical Japan Limited
March 2022	Director, the Company (current)

[Other material position(s) held]

Outside Director, Sumitomo Mitsui Financial Group, Inc.;
Outside Director, Astellas Pharma Inc.

[Reason for nomination as a candidate for Outside Director and outline of expected roles]

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 a major manufacturer and a financial institution. 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 Ms. Sakurai 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, and for this reason appoints her as a nominee for an Outside Director.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Ms. Sakurai is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if she is reelected and assumes office as a Director.

She 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 the Kao Group's consolidated net sales for the latest fiscal year, respectively.

Attendance to the Meeting
of the Board of Directors:
11/11 (100%)

Number of the Company
shares owned:
100 shares

Term of office at the
conclusion of this AGM:
1 year

10. Takaaki Nishii (Date of Birth: December 27, 1959)

New Nominee

Outside Director

Independent
Director



Number of the Company
shares owned:
1,000 shares

[Career summary]

April 1982	Joined Ajinomoto Co., Inc.
June 2013	Member of the Board & Corporate Vice President, Ajinomoto Co., Inc.
August 2013	President, Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda.
June 2015	Representative Director, President & Chief Executive Officer, Ajinomoto Co., Inc.
June 2021	Director, Representative Executive Officer, President & CEO, Ajinomoto Co., Inc.
April 2022	Director, Executive Officer, Ajinomoto Co., Inc.
June 2022	Senior Corporate Advisor, Ajinomoto Co., Inc. (current)

[Other material position(s) held]

Senior Corporate Advisor, Ajinomoto Co., Inc.

[Reason for nomination as a candidate for Outside Director and outline of expected roles]

Mr. Nishii 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. The Company expects Mr. Nishii to supervise the management of the Kao Group as an Independent Outside Director by leveraging his wealth of experience and high level of insight, and for this reason appoints him as a nominee for an Outside Director.

[Matters regarding independency]

If Mr. Nishii is elected and assumes office as Director, the Company will report to the Tokyo Stock Exchange, Inc., that he is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange.

He 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 Ajinomoto Group's consolidated net sales, and less than 0.1% of Kao Group's consolidated net sales for the latest fiscal year. 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.

[Special notes concerning nominees for Directors]

■ Special relationship between the Company and the nominees for Directors

- The nominee for Director, Mr. Yoshihiro Hasebe concurrently serves as the Chairperson of The Kao Foundation for Arts and Sciences, and the Company has resolved, at its meeting of the Board of Directors held in February 2023 to make donations to fund the foundation's activities.
- Except for the above, there are no special interests between the Company and the nominees for Directors.

■ Matters regarding the nominees for Outside Directors

Of the nominees for Directors, Mr. Osamu Shinobe, Ms. Chiaki Mukai, Mr. Nobuhide Hayashi, Ms. Eriko Sakurai and Mr. Takaaki Nishii are nominees for Outside Directors.

■ Summary of liability limitation agreements

Pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, the Company entered into an agreement with Mr. Osamu Shinobe, Ms. Chiaki Mukai, Mr. Nobuhide Hayashi and Ms. Eriko Sakurai, respectively, to the effect that each of their liability under Article 423, Paragraph 1 of the Companies Act will be limited to the higher of: 10 million yen; or any amount prescribed by applicable laws and regulations. If they are reelected and assume office, the Company will continue these agreements with them. If Mr. Takaaki Nishii is elected and assumes office as an Outside Director, the Company and Mr. Takaaki Nishii will enter into an agreement under the same terms and conditions.

■ Summary of directors and officers liability insurance in which nominees for Directors are the insured

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. All nominees for Directors will be insured under this insurance contract. The Company plans to retain this contract with the same content at the time of the next renewal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF THIS PROPOSAL 2.

PROPOSAL 3: ELECTION OF ONE (1) AUDIT & SUPERVISORY BOARD MEMBER

Of the five (5) incumbent Audit & Supervisory Board Members, the term of office of Ms. Hideko Aoki will expire at the conclusion of the AGM. Accordingly, the Company proposes the election of an Audit & Supervisory Board Member.

The Audit & Supervisory Board has approved the submission of this proposal to the AGM. Provided below is the relevant personal information and career summary held by the nominees.

Yasushi Wada (Date of Birth: July 30, 1959)

New Nominee



Number of the Company shares owned:
14,100 shares

[Career summary]

April 1984	Joined the Company
March 2014	Executive Officer
March 2015	Executive Officer; Vice President, Supply Chain Management - Demand and Supply Planning Center, Global
January 2019	Managing Executive Officer; Senior Vice President, Product Quality Management, Global
January 2021	Managing Executive Officer; Senior Vice President, Product Quality Management, Global; Responsible for Legal and Compliance
January 2022	Managing Executive Officer; Senior Vice President, Product Quality Management, Global; Responsible for Legal and Governance
January 2023	Fellow for Special Mission (current)

[Reason for nomination as a candidate for Outside Audit & Supervisory Board Member]

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 “*Yoki-Monozukuri*” 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, and for this reason nominates him as a candidate for Audit & Supervisory Board Member.

[Special notes concerning nominees for Audit & Supervisory Board Members]

■ **Special relationship between the Company and the nominees for Audit & Supervisory Board Members**

There are no special interests between the Company and Mr. Yasushi Wada.

■ **Summary of liability limitation agreements**

Pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, the Company will enter into an agreement with Mr. Yasushi Wada to the effect that his liability under Article 423, Paragraph 1 of the Companies Act will be limited to the higher of: 10 million yen; or any amount prescribed by applicable laws and regulations.

■ **Summary of directors and officers liability insurance in which nominees for Audit & Supervisory Board Members are the insured**

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. The nominee for Audit & Supervisory Board Member will be insured under this insurance contract. The Company plans to retain this contract with the same content at the time of the next renewal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF THIS PROPOSAL 3.

(For Reference)

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

The Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings provide broad direction regarding business strategies and deliberate on their appropriateness and the risks related to their realization and other matters in an objective and multidimensional fashion.

The Kao Group Mid-term Plan 2025 “K25” 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 (a. revitalize existing businesses <Reborn Kao>; b. create new businesses <Another Kao>), 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.

	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		
Directors	Michitaka Sawada	14 years and 9 months	Male	Japan	✓		✓	✓	✓	✓	✓				<ul style="list-style-type: none"> - Experience as the Company’s Representative Director, President and CEO - Experience as the Company’s officer responsible for Human Capital Development - Experience in the Company’s Research and Development (fundamental and applied technologies) - Chair of Japan Clean Ocean Material Alliance (CLOMA)
	Yoshihiro Hasebe	7 years	Male	Japan	✓	✓	✓	✓	✓	✓	✓	✓			<ul style="list-style-type: none"> - Experience in the Company’s Research and Development (including experience in global operations, and knowledge of fundamental and applied technologies and matter cycle research) - Experience at the Company’s overseas business promotion projects - Experience as the Company’s Senior Vice President of Strategic Innovation Technology, Global as well as experience as the Company’s officer responsible for Human Capital Development
	Masakazu Negoro	-	Male	Japan		✓		✓				✓		✓	<ul style="list-style-type: none"> - Experience in the Company’s Chemical Business and management experience at overseas subsidiaries (Chemical Business) - Experience at the Company’s Procurement, Global (including promotion of sustainability activities in procurement) - Experience as the Company’s officer responsible for Finance Department
	Toru Nishiguchi	-	Male	Japan		✓	✓								<ul style="list-style-type: none"> - Experience in the Company’s Consumer Products Business - Experience in management at the Company’s overseas subsidiaries
	David J. Muenz	1 year	Male	United States		✓	✓			✓	✓				<ul style="list-style-type: none"> - Experience in research and business at the Company’s overseas subsidiary - Experience in the Company’s ESG, Global
	Osamu Shinobe	5 years	Male	Japan	✓						✓		✓		<ul style="list-style-type: none"> - Experience as the top executive of a major international airline (including experience as Chairman of CSR and Environmental Management Committee)

	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	
Chiaki Mukai	4 years	Female	Japan		✓				✓	✓				<ul style="list-style-type: none"> - Knowledge of space science research (medicine and life) - Experience with NASA
Nobuhide Hayashi	4 years	Male	Japan	✓	✓								✓	<ul style="list-style-type: none"> - Experience as the top executive of a major international financial institution - Mostly worked on international assignments, including more than 13 years of work outside Japan
Eriko Sakurai	1 year	Female	Japan	✓	✓		✓	✓		✓				<ul style="list-style-type: none"> - Experience as the head of a global division and the regional head of a major U.S. chemical company - Experience in overall human resources strategy including compensation, development, and assignment in global businesses - Knowledge of sustainability in the chemical field
Takaaki Nishii	-	Male	Japan	✓	✓	✓		✓						<ul style="list-style-type: none"> - Experience as the top executive of a major food company - Experience in management of overseas subsidiaries - Experience in the human resources department of such major food company
Audit & Supervisory Board Members	Sadanao Kawashima	2 years	Male	Japan									✓	<ul style="list-style-type: none"> - Experience in the Company’s Finance Department - Experience in the Company’s Department of Internal Audit
	Yasushi Wada	-	Male	Japan		✓				✓		✓		<ul style="list-style-type: none"> - Experience in the Company’s Product Quality Management - Experience at the Company’s global production sites - Experience in the Company’s process engineering development and plant management
	Hideki Amano	6 years	Male	Japan		✓			✓			✓	✓	<ul style="list-style-type: none"> - Certified Public Accountant - Served overseas and the head of the global audit network for the Asia-Pacific region - Experience in human capital strategy, risk management, etc., as the COO of audit and consulting operations
	Nobuhiro Oka	5 years	Male	Japan								✓		<ul style="list-style-type: none"> - Attorney-at Law - Professor at Keio University Law School
	Takahiro Nakazawa	3 years	Male	Japan									✓	<ul style="list-style-type: none"> - Certified Public Accountant

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.
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 K25, 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.

In addition to knowledge, experience and ability, the Company recognizes that diverse perspectives that come from diversity of the Board of Directors in terms of gender, nationality, race and age contribute to the promotion of business, global expansion and proper supervision and auditing, and promotes the appointment of such diverse personnel as Directors and Audit & Supervisory Board Members. The Company's target for the ratio of women on the Board of Directors is 30% by 2025.

(For further details of the active participation of women, please see "Measures to Promote Diversity" in "Other" in "3. Measures to Ensure Due Respect for Stakeholders" in "III Implementation of Measures for Shareholders and Other Stakeholders" in the Company's Corporate Governance Report.)

The Company sets the appropriate size of the Board of Directors in consideration of the balance between having diverse personnel required to conduct the proper deliberations and supervision of execution and a small Board of Directors to accelerate decision-making for dealing with business expansion and other matters, on the premise of the delegation of responsibility to appropriately placed Executive Officers. The Company aims to have Outside Directors comprise half of the Board of Directors to ensure its diversity and influence and emphasizes their independence. In addition, the Company aims to have a majority of Outside Audit & Supervisory Board Members who meet the Standards for Independence.

Policy on Nomination of Directors and Audit & Supervisory Board Members Candidates

In accordance with the above, the Company nominates appropriate Directors and Audit & Supervisory Board Members. At the time of nomination for reappointment, the Company requires the Directors and Audit & Supervisory Board Members to have attended at least 75% of the Board of Directors meetings in the most recent fiscal year. The tenure is determined by considering independence and objectivity, while placing importance on the ability to discuss from a medium- to long-term perspective and capacity for stable management. In addition, to promote sharing of the knowledge and information obtained related to the Company's management and businesses from predecessor to successor, the Company sets staggered terms of office for Outside Directors and Outside Audit & Supervisory Board Members.

Development of human resources including a succession plan for the President and CEO is one of the most important management issues and this issue has been discussed continuously at the Board of Directors meetings and at the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members.

Members of 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.

Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates

To objectively confirm that all Director candidates, including candidates for President and CEO, conform to the policy and stance in the paragraph above, the Company has a Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, composed exclusively of all Outside Directors and Outside Audit & Supervisory Board Members. Usually, this Committee meets three to four times a year but meetings can be held at any time as needed, and as all of its members are independent Directors and Audit & Supervisory Board Members, it maintains a high level of objectivity. Prior to the election or re-election of Directors and Audit & Supervisory Board Members, first the Committee deliberates about validity of above policies and other related matters. Then, it deliberates on each candidate's eligibility and submits its opinions of the nominees' appropriateness to a meeting of the Board of Directors. The Company has shortened the term of office for Directors to one year; therefore, all candidates including candidates for re-election are strictly examined every year.

With regard to nominees for Audit & Supervisory Board Members, the Audit & Supervisory Board, which includes three Independent Outside Audit & Supervisory Board Members as its members, examines the appropriateness and qualifications, etc. of each nominee, based on its independent and objective perspective and in accordance with the above-described policy and the policy of nominating nominees for Audit & Supervisory Board Members established by the Audit & Supervisory Board. Eventually, with the consent of the Audit & Supervisory Board, the Board of Directors determines such nominees as the nominees for Audit & Supervisory Board Members to be presented in a proposal for the General Meeting of Shareholders based on the opinions of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members.

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

In FY2022, the Board of Directors, the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, and the Compensation Advisory Committee for Directors and Executive Officers deliberated with a focus on the following issues:

➤ How the Board of Directors should function

The Board of Directors discussed the ideal functions of its meetings and the following directions were confirmed: Kao's Board of Directors will conduct a substantial delegation of authority to the executive organizations, and further strengthen its monitoring function to encourage appropriate risk-taking by management and prompt and bold decision-making. In particular, the Board of Directors will effectively supervise the appropriate allocation of management resources, including human capital, and the adequate implementation of strategies by management. It also recognizes that it is the responsibility of the Board of Directors to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.

Based on the direction we are aiming for, the Board of Directors also discussed the following issues.

- Revision of the criteria for submission of agenda items to the Board of Directors
- Monitoring the progress and issues of the Mid-term Plan
- Discussion of knowledge, experience, and skills required by the members of the Board of Directors

➤ Succession plans for the President and Chief Executive Officer

The Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members reviewed the requirements for successors to the President and Chief Executive Officer, selected multiple candidates based on such requirements, and deliberated on the appropriateness of the training plan.

➤ Evaluation and compensation

The Compensation Advisory Committee for Directors and Executive Officers deliberated on the evaluation of Directors and Executive Officers and their compensation. From FY2023, the individual evaluation of short-term incentive remuneration applied to all Directors except Outside Directors will be reflected to a greater extent. The Company has decided to introduce an evaluation confirmation process by Outside Directors and Outside Audit & Supervisory Board members. The Company has also decided to introduce an evaluation confirmation process by Outside Directors and Outside Audit & Supervisory Board members to ensure objectivity and transparency in the evaluation process. In terms of the overall structure of executive compensation as a support for Kao's future reforms, the Committee continue to discuss the state of compensation in general in FY2023.

➤ Human capital strategy

Discussions were held on the portfolio of human resources and organizations to confirm whether strategies and plans for maximizing the power and potential of employees and maximizing the use of human resources are appropriately formulated and implemented. It was pointed out that the Company should define roles and human resource requirements that will be necessary for future growth, rather than as an extension of existing strategies, and secure human resources strategically by systematically developing employees and appointing them from outside organizations. We will continue to confirm that these measures are being implemented, leading to fruitful results. We also discussed the progress and the results of the Objectives and Key Results (OKR). We will confirm that members of the Group will increasingly take on a variety of challenges and that further collaboration will be promoted through dialogue.

➤ M&A strategy

After indicating the direction of corporate strategy and business transformation based on the business environment and competitive situation, we discussed the areas, factors, and estimated scale that should be acquired through M&A to strengthen our business portfolio. We will continue to review the effectiveness of the strategy and progress of the plan.

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

The Board of Directors received reports on the latest trends and Kao Group's initiatives on major ESG issues, such as climate change risks and opportunities (TCFD compliance), sustainable palm oil procurement (including human rights), and biodiversity, and confirmed the status of their promotion.

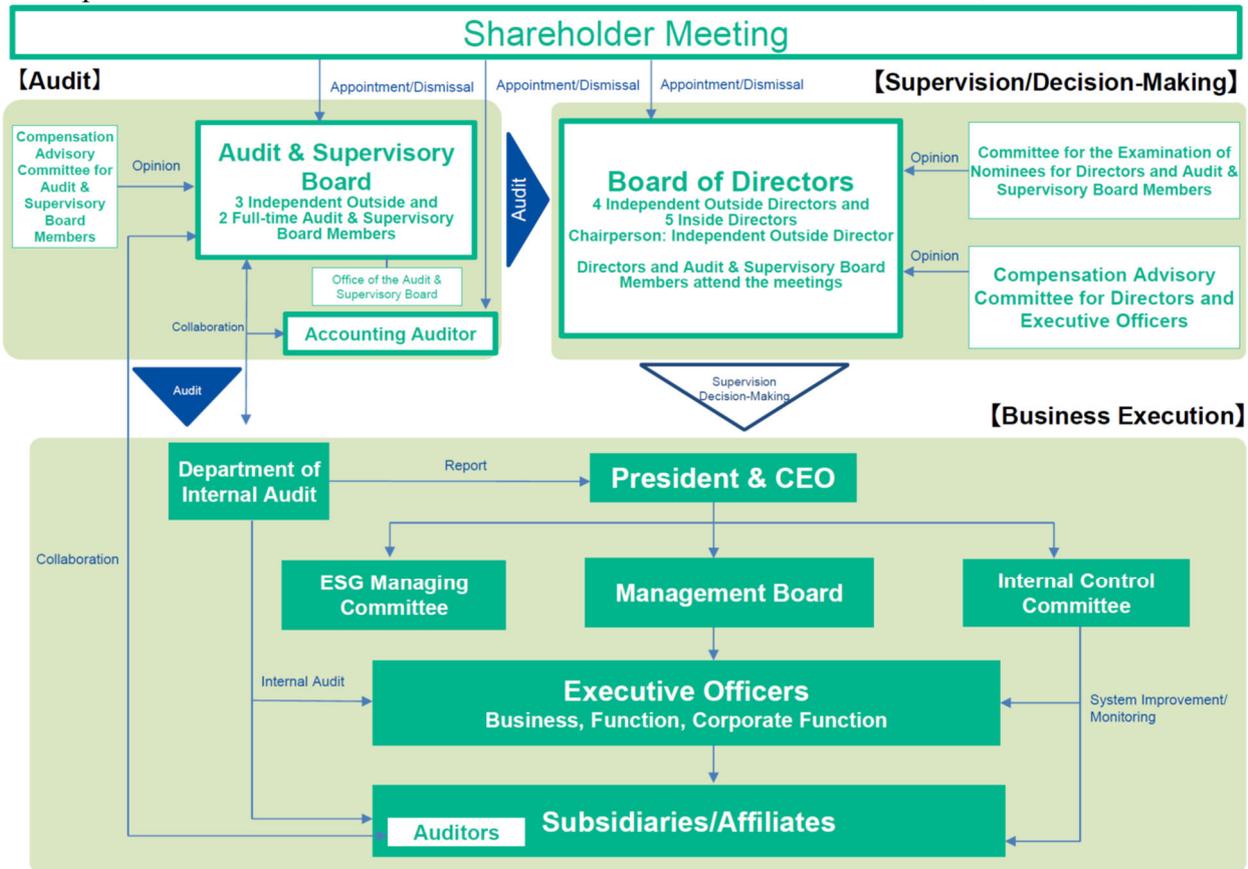
We also discussed the need for ESG to be included into growth strategies and profitability. We will continue to review issues related to sustainability.

(For Reference) Status of Corporate Governance
 Basic Views on Corporate Governance

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, and to become an essential company in a sustainable world, as raised in Kao Group Mid-Term Plan “K25,” the Company positions corporate governance as a top priority management issue and continuously strengthens governance in both systems and operations. The Company’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, the Company works to understand social trends at all times and actively engages in dialogue with stakeholders to review the status of corporate governance from time to time and implements appropriate and necessary countermeasures and improvements.

Corporate Governance Structure

(as of December 31, 2022)



BUSINESS REPORT

(From January 1, 2022 to December 31, 2022)

I. Current Condition of the Kao Group

1. Business Progress and Results

Please review the *Consolidated Financial Results for the Fiscal Year Ended December 31, 2022* at www.kao.com/global/en/investor-relations/library/results/.

2. Status of Capital Investments

The aggregate amount of capital investments, etc., for this fiscal year was 94.3 billion yen.

In the Consumer Products Business, in addition to conducting the reinforcement, streamlining, maintenance and renewal, etc. of facilities in each business, the Company also restructured logistics bases and information systems. In the Hygiene and Living Care Business, the Company reinforced both new and improved products, expanded production capacity and took other measures in Japan and overseas. In the Health and Beauty Care Business, the Company expanded the production capacity in Japan and overseas.

In the Chemical Business, the Company expanded its production capacity mainly overseas by increasing production facilities for synthetic aroma chemicals in Spain in order to strengthen our fragrance and aroma chemicals business in Europe. The Company also conducted streamlining, maintenance and renewal of facilities, rebuilding of information systems, etc.

The aggregate amount of capital investments, etc. shown above includes investments in property, plant and equipment, right-of-use assets, and intangible assets.

3. Financing Status

The Company globally and effectively used Kao Group's capital to cover necessary operating activities and investing activities including capital investments, etc.

4. Issues for Management

Environmental issues such as climate change and depletion of water and forest resources, human rights issues, and social issues such as the aging society are becoming increasingly serious. In addition, due to the prolonged effect of COVID-19, awareness and lifestyles of people around the world have changed, and the market structure surrounding the Company's business has also undergone major changes. During the fiscal year under review, the business environment remained uncertain due to rising raw material prices, rising logistics costs, and increasing geopolitical risks associated with the diversification and fragmentation of the international community.

Amid these changes, the Company must shift its focus toward resolving social issues and break away from the existing mass-production, mass-consumption business model, which has a negative environmental footprint. Instead, we must transition to a cyclical model capable of continuing to produce attractive products with long-lasting appeal for customers while avoiding the production of excess volume. Our Mid-term Plan "K25" is crucial for building the business foundation to realize such a business model.

To achieve K25, the Company is continuing to build ties with our customers through digital transformation (DX) and pursuing innovation toward a new, goal-oriented product development process that backcasts from the value we need to deliver. In addition, we will swiftly execute strategic investments and M&As that are consistent with our ESG-centric management policies and strategies while emphasizing investment efficiency and clarifying priorities. To this end, we are reforming our decision-making system by advancing the matrix-style management, which has been our strength, to a scrum approach, in which the persons involved make bold decisions as necessary.

Furthermore, we will continue to work on further strengthening our governance system, which allows us to examine the activities of the Company from an objective perspective and discuss them from various angles, as well as our internal control system, which reflects the perspectives of compliance and risk/crisis management.

The continued understanding and further support of the shareholders in corporate activities of the Kao Group will be greatly appreciated.

Major progress in Kao Group Mid-term Plan “K25”

Policy (1) Become an essential company in a sustainable world

Many social challenges, such as environmental and human rights issues, are deeply intertwined with each other and have a complexity that cannot be solved by targeting only one issue. The Company believes that by uncovering the links between these issues and designing an appropriate business model, it can help solve multiple challenges at the same time. This is the basic concept behind the Company’s business model, which aims to contribute to a sustainable society and enhance corporate value.

<Precision Life Care>

Precision Life Care is an initiative advocated by the Company to accurately identify or estimate the causes of health problems and provide appropriate solutions from various angles. Currently, we have started three joint initiatives; with istyle Inc. to develop a mechanism for choosing cosmetics that suit the customer’s skin using skin surface lipids-RNA monitoring; with NTT DOCOMO, INC. to develop optimal health care solutions for each individual using the Virtual Human Body Generative Model; and also with Milbon Co., Ltd. to establish beauty health care services at beauty salons. We plan to continue co-creation with more partner companies, as well as social implementation and commercialization.

<Mosquito repellent>

In Thailand, we launched the *Bioré GUARD Mos Block Serum*, which protects the skin from mosquitoes in daily life with a safe and comfortable texture, and launched the GUARD OUR FUTURE project, which aims to reduce dengue fever infection through collaboration with a wide range of government, academia, and private sector partners. In addition to receiving positive feedbacks from customers in Thailand, it became a hot topic in Japan as well. In the future, we will work to expand product specification variations to broaden the range of usage and applications so that more people can use our products. In addition, in order to expand our activities beyond Thailand, we will work with our partners to quickly respond to relevant regulations that vary from country to country.



<New businesses related to the Chemical Business>

The adoption of highly durable asphalt modifier made from waste PET in the parking lot of a new store of Welcia Yakkyoku Co., Ltd. in 2021 caused a sensation. In addition to the installation of the modifier in other retail stores, its use in expressway parking areas and distribution bases by logistics companies has increased, and its implementation in society has steadily progressed. With regard to its use in general roads, construction and durability evaluation are being carried out in cooperation with Iwata City, Shizuoka Prefecture. To respond to an increase in the amount of PET used, we aim to establish a recycling system for waste PET films for industrial use that is currently disposed of by combustion process, instead of beverage waste PET, for which a recycling system has been established. We will promote cooperation with companies that emit waste PET and local governments, as well as with paving companies for widespread use on expressways and general roads. We are also considering overseas expansion with the aim of making a global contribution.



Policy (2) Transform to build robust business through investment

As the world rapidly changes, Kao Group believes that in order to achieve both management stability and rapid growth, it is essential not only to focus on expanding existing businesses, but also to create new businesses that will significantly transform its business model. In K25, we are transforming our business into a robust one through investment in both revitalizing existing businesses (Reborn Kao) and creating new businesses (Another Kao) that are different from Kao Group’s conventional style.

<Reborn Kao: Capital allocation in three areas based on management strategies >

Based on its role in the growth strategies, the Company has divided its business into three domains, namely, “Stable Earnings,” “Growth Driver,” and “Business Transformation.” As part of its corporate strategy, the Company makes a decisive allocation of capital and conducts deliberation and decision-making strongly conscious of these domains in each business strategy. To this end, we are going to use metrics such as ROIC by business segment to clarify the relationship with the EVA improvement of the entire company. At the same time, we are continuing to focus our investment on the four businesses of Cosmetics, Chemical, Skin Care, and Commercial-

use Hygiene Products in Growth Drivers, and are working to quickly transform existing businesses into highly profitable businesses.

<Another Kao: Create new businesses>

For Another Kao, we are advancing the challenges of new businesses and new business models which have not been implemented in Kao Group until now. For example, in the health care fields, we are working on a mosquito repellent launched in Thailand in 2022, a mail inspection service using skin surface lipids-RNA monitoring technology and a B2B hygiene solution service, which are scheduled for commercialization in 2023. We also began joint development of OTC drugs with Daiichi Sankyo Healthcare Co., Ltd. In the digital field, we are promoting the commercialization of the business utilizing a virtual human body generation model* through co-creation with Preferred Networks, Inc. We are also considering business expansion and new businesses in the circular economy, such as durable asphalt modifiers using waste PET.

*Virtual human body generation model: A statistical model that exhaustively contains more than 1,600 items of wide variety, ranging from items related to the body obtained in health checkups, etc., to items of high interest in daily life such as lifestyle (e.g., eating, exercising, and sleeping), personality tendencies, preferences, stress conditions, and menstruation, and it can show the patterns in which these items appear.

Policy (3) Maximize the power and potential of employees

The vitality of motivated employees is essential for a company to become strong. Kao Group aims to be an organization in which each and every one of its diverse human resources has great aspirations and strives to take on challenges while respecting and enhancing each other's strengths.

<Human capital policies for maximizing the power and potential of employees>

Since 2021, we have been working to foster and strengthen an organizational culture that encourages employees to take on challenges through the introduction of Objectives and Key Results (OKR), a new employee empowerment system that encourages employees to take on challenges, and the 01 Kao program, a system for soliciting new ideas from employees. OKR has become a shared language in the workplace and it is stimulating cross-divisional cooperation, engaging conversations, and new ideas. In the employee engagement survey, 80% of employees in Japan said they set goals with challenges in mind. 90 proposals have been made under the 01 KAO program as of the end of December 2022, of which 23 have already started discussions toward implementation. The introduction of the OKR overseas and related revisions to the evaluation system are being expanded in line with the situation of each company and each country. In the future, we will put efforts into developing managers who will support the challenges of each employee and bring out the maximum value, improving the credibility of the evaluation system that recognizes diverse challenges, and promoting dialogue that is indispensable for this purpose.



The Kao Group's initiatives on sustainability

The Kao Group introduced an ESG perspective into its management to achieve its targets for 2030 of "making Kao a company with a global presence, valuable to society." It is promoting business expansion and the provision of better products and services to consumers and society on a global scale. Recognizing its responsibility as an enterprise that provides products which people use in their daily lives, the Kao Group practices ESG-driven *Yoki-Monozukuri*, such as reducing the environmental footprint of its products throughout the entirety of the product lifecycle, and promotes initiatives that give consideration to the environment and society.

Also, Kao is building flexible and robust ESG governance to strengthen its resilience to major global changes and ensure the expansion of business opportunities. The Board of Directors is responsible for supervising ESG, including risks and opportunities. Under this responsibility, the President and Chief Executive Officer, and the ESG Managing Committee and other subordinate organizations are responsible for business execution. We have also established an ESG external advisory board consisting of external experts, which has the function of providing advice on our initiatives based on global trends. Based on the Kao's ambitious ESG Strategy, Kirei Lifestyle Plan, it will work steadily to achieve its goal to make Kao a company with a global presence, valuable to society.

*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/

Kao Sustainability Report: www.kao.com/global/en/sustainability/pdf/

In addition, Kao Sustainability Report has been prepared with reference to the GRI Sustainability Reporting Standards and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

www.kao.com/global/en/sustainability/research-index/

Rated triple-A by CDP for third consecutive year

The inclusion of the Company in the Climate Change, Forests, and Water Security 'A Lists' in CDP's global survey of businesses is a result of efforts being made across its value chain. Kao is the only company in Japan to receive such ratings.

**CDP: Based in the UK, CDP is an international non-profit organization focused on addressing climate change and other environmental issues. CDP conducts surveys and evaluations that motivate major companies and cities around the world to disclose information on their efforts to address climate change, water management, etc.*



For sustainable procurement of palm oil

Kao Group regards palm oil as one of the most important natural resources and aims to build a sustainable supply chain. In 2020, Kao and local partners launched the SMILE*¹ program together to help raise the productivity of small oil palm farms in Indonesia that are part of Kao's supply chain and obtain RSPO*² certification for sustainable palm oil. To date, 2,000 farmers have been supported, with plans to expand to 5,000 farmers by 2030. In September 2022, we launched a grievance mechanism for palm farms supported by SMILE. With the grievance mechanism, we will strengthen our efforts to resolve essential human rights issues by receiving complaints and inquiries from farms and resolving them promptly through dialogue with farmers.



**1: Smallholder Inclusion for Better Livelihood & Empowerment*

**2: Roundtable on Sustainable Palm Oil*

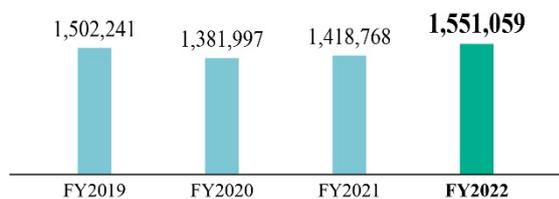
5. Transitions of Assets and Profits and Losses

(million yen)

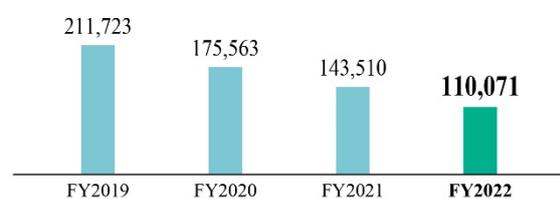
	FY2019	FY2020	FY2021	FY2022
Net sales	1,502,241	1,381,997	1,418,768	1,551,059
Operating income	211,723	175,563	143,510	110,071
Income before income taxes	210,645	173,971	150,002	115,848
Net income	150,349	128,067	111,415	87,742
Net income, attributable to owners of the parent	148,213	126,142	109,636	86,038
Total assets	1,653,919	1,665,616	1,704,007	1,726,350
Total equity	871,421	938,194	983,877	995,384
Basic earnings per share (yen)	306.70	262.29	230.59	183.28

Note: Effective from the FY2020, the Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount. In addition, the Kao Group early adopted Amendment to IFRS 16 “Leases,” “Covid-19-Related Rent Concessions.”

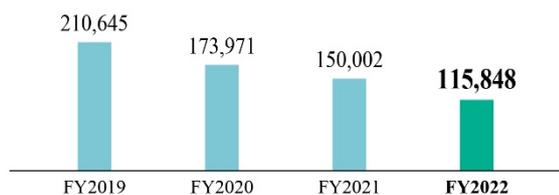
■ Net Sales (million yen)



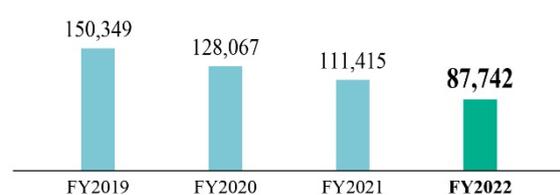
■ Operating Income (million yen)



■ Income before Income Taxes (million yen)



■ Net Income (million yen)



6. Main Businesses of the Kao Group (as of December 31, 2022)

Business Category		Main Products	
Consumer Products Business	Hygiene and Living Care Business	Fabric care products	Laundry detergents, Fabric treatments
		Home care products	Kitchen cleaning products, House cleaning products, Paper cleaning products
		Sanitary products	Sanitary napkins, Baby diapers
	Health and Beauty Care Business	Skin care products	Soaps, Facial cleansers, Body cleansers
		Hair care products	Shampoos, Conditioners, Hair styling agents, Hair coloring agents, Men's products
		Personal health products	Bath additives, Oral care products, Thermo products
	Life Care Business	Life care products	Commercial-use hygiene products, Health beverages
	Cosmetics Business	Cosmetics	Counseling cosmetics, Self-selection cosmetics
Chemical Business	Oleo chemicals	Oleo chemicals, Fat and oil derivatives, Surfactants, Aroma chemicals	
	Performance chemicals	Water-reducing agent for concrete, Binders for molding sands, Plastics additives, Chemicals for various industries	
	Specialty chemicals	Toners and toner binders, Colorants for ink-jets ink, Fine polishing agents and detergents for hard disks, Materials and chemicals for semiconductor manufacturing	

7. Main Subsidiaries (as of December 31, 2022)

Name of Company	Capital Stock	Ratio of Voting Rights	Main Businesses
Kao Group Customer Marketing Co., Ltd.	JPY 10 million	100%	Control of sales companies of consumer products in Japan, Hygiene and Living Care, Health and Beauty Care, Life Care, Cosmetics
Kao Professional Services Co., Ltd.	JPY 60 million	100%	Life Care (Commercial-use hygiene products)
Kanebo Cosmetics Inc.	JPY 7,500 million	100%	Cosmetics
Kao Transport & Logistics Co., Ltd.	JPY 15 million	100%	Logistics-related operation in Japan
Kao (China) Holding Co., Ltd.	CNY 2,603,727 thousand	100%	Control of affiliates in the People's Republic of China, Cosmetics
Kao Corporation Shanghai	CNY 564,200 thousand	100%	Hygiene and Living Care, Health and Beauty Care, Cosmetics
Kao (Hefei) Co., Ltd.	CNY 588,502 thousand	100%	Hygiene and Living Care
Kao Commercial (Shanghai) Co., Ltd.	CNY 1,348,490 thousand	100%	Hygiene and Living Care, Health and Beauty Care, Cosmetics
Kanebo Cosmetics (China) Co., Ltd.	CNY 1,271,687 thousand	100%	Cosmetics
Kao (Shanghai) Chemical Industries Co., Ltd.	CNY 740,000 thousand	100%	Chemical
Kao (Taiwan) Corporation	TWD 597,300 thousand	92%	Hygiene and Living Care, Health and Beauty Care, Life Care (Commercial-use hygiene products), Cosmetics, Chemical
Pilipinas Kao, Inc.	USD 91,435 thousand	100%	Chemical
Kao Industrial (Thailand) Co., Ltd.	THB 2,000,000 thousand	100%	Hygiene and Living Care, Health and Beauty Care, Cosmetics, Chemical
Fatty Chemical (Malaysia) Sdn. Bhd.	MYR 120,000 thousand	70%	Chemical
PT Kao Indonesia	IDR 1,596,706 million	55%	Hygiene and Living Care, Health and Beauty Care
Kao USA Inc.	USD 1	100%	Health and Beauty Care, Cosmetics
Oribe Hair Care, LLC	USD 8,182 thousand	100%	Health and Beauty Care
Washing Systems, LLC	USD 10	100%	Life Care (Commercial-use hygiene products)
Kao America Inc.	USD 3,200 thousand	100%	Corporate services to affiliates in the United States and holding company of Chemical Business in the United States
Kao Specialties Americas LLC	USD 1	100%	Chemical
Kao Germany GmbH	EUR 25,000 thousand	100%	Health and Beauty Care
Kao Manufacturing Germany GmbH	EUR 13,000 thousand	100%	Health and Beauty Care
Kao Chemicals GmbH	EUR 9,101 thousand	100%	Chemical
Molton Brown Limited	GBP 516 thousand	100%	Cosmetics
Kao Chemicals Europe, S.L.	EUR 74,035 thousand	100%	Control of Chemical Business in Europe, etc.
Kao Corporation, S.A.	EUR 56,411 thousand	100%	Chemical

Note: The above ratio of voting rights has been calculated based on the total number of voting rights held by the Company and its subsidiaries.

8. Main Offices, Plants, Laboratories, and Subsidiaries (as of December 31, 2022)

(1) The Company

Name	Location
Head Office	Chuo-ku, Tokyo
Sumida Office	Sumida-ku, Tokyo
Osaka Office	Nishi-ku, Osaka-shi, Osaka
Odawara Office	Odawara-shi, Kanagawa
Sakata Plant	Sakata-shi, Yamagata
Tochigi Plant	Ichikai-machi, Haga-gun, Tochigi
Kashima Plant	Kamisu-shi, Ibaraki
Tokyo Plant	Sumida-ku, Tokyo
Kawasaki Plant	Kawasaki-ku, Kawasaki-shi, Kanagawa
Toyohashi Plant	Toyohashi-shi, Aichi
Wakayama Plant	Wakayama-shi, Wakayama
Tochigi Research Laboratories	Ichikai-machi, Haga-gun, Tochigi
Tokyo Research Laboratories	Sumida-ku, Tokyo
Odawara Research Laboratories	Odawara-shi, Kanagawa
Wakayama Research Laboratories	Wakayama-shi, Wakayama

(2) Subsidiaries

1) Japan

Company	Location
Kao Group Customer Marketing Co., Ltd.	Chuo-ku, Tokyo (Head Office) and 8 regional headquarter offices
Kao Professional Services Co., Ltd.	Sumida-ku, Tokyo (Head Office) and 5 regional headquarter offices
Kanebo Cosmetics Inc.	Chuo-ku, Tokyo (Head Office)
Kao Transport & Logistics Co., Ltd.	Sumida-ku, Tokyo (Head Office) and 45 offices
Kao Cosmetic Products Odawara Co., Ltd.	Odawara-shi, Kanagawa (Head Office)
Kao Sanitary Products Ehime Co., Ltd.	Saijo-shi, Ehime (Head Office)

2) Outside Japan

Company	Location
Kao (China) Holding Co., Ltd.	Shanghai
Kao Corporation Shanghai	Shanghai
Kao (Hefei) Co., Ltd.	Hefei, Anhui
Kao Commercial (Shanghai) Co., Ltd.	Shanghai
Kanebo Cosmetics (China) Co., Ltd.	Shanghai
Kao (Shanghai) Chemical Industries Co., Ltd.	Shanghai
Kao (Taiwan) Corporation	New Taipei City
Pilipinas Kao, Inc.	Philippines
Kao Industrial (Thailand) Co., Ltd.	Thailand
Fatty Chemical (Malaysia) Sdn. Bhd.	Malaysia
PT Kao Indonesia	Indonesia
Kao USA Inc.	United States
Oribe Hair Care, LLC	United States
Washing Systems, LLC	United States
Kao America Inc.	United States
Kao Specialties Americas LLC	United States
Kao Germany GmbH	Germany
Kao Manufacturing Germany GmbH	Germany
Kao Chemicals GmbH	Germany
Molton Brown Limited	United Kingdom
Kao Chemicals Europe, S.L.	Spain
Kao Corporation, S.A.	Spain

9. Employees of the Kao Group (as of December 31, 2022)

Business Category	Number of Employees
Consumer Products Business	30,365
Hygiene and Living Care Business	9,650
Health and Beauty Care Business	7,980
Life Care Business	1,182
Cosmetics Business	11,553
Chemical Business	3,958
Others	1,088
Total	35,411

Notes:

1. From this business report, full-time, indefinite-term, non-permanent employees are included in order to standardize information disclosure globally. The total number of employees based on the standards used up to last year was 32,895, a decrease of 612 from the end of the previous fiscal year when compared based on the same standards.
2. Of the above total number of employees, the number of the Company's employees is 8,403.

10. Main Lenders (as of December 31, 2022)

Not applicable

II. Shares of the Company (as of December 31, 2022)

1. Number of authorized shares: 1,000,000,000 shares

2. Number of issued shares: 465,900,000 shares

Notes:

1. The Company retired 9,100,000 treasury shares in September 2022.
2. The number of issued shares includes 88,159 treasury shares.

3. Number of shareholders: 170,563

4. Major Shareholders (Top 10)

Name / Company Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
The Master Trust Bank of Japan, Ltd. (Trust Account)	88,817	19.07
Custody Bank of Japan, Ltd. (Trust Account)	31,656	6.80
SMBC Nikko Securities Inc.	16,845	3.62
STATE STREET BANK WEST CLIENT - TREATY 505234	8,581	1.84
THE BANK OF NEW YORK 134104	7,322	1.57
JAPAN SECURITIES FINANCE CO., LTD.	7,033	1.51
JPMorgan Securities Japan Co., Ltd.	6,802	1.46
Nippon Life Insurance Company	6,691	1.44
National Mutual Insurance Federation of Agricultural Cooperatives	6,334	1.36
STATE STREET BANK AND TRUST COMPANY 505223	5,976	1.28

Notes:

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

5. Number of shares issued to Directors as consideration for their duties during this Fiscal Year

Category	Number of shares	Number of persons eligible
Directors (excluding Outside Directors)	2,400	4

III. Stock Acquisition Rights, etc., of the Company

The Company issues stock acquisition rights (*shinkabu yoyakuken*), allotted as remuneration to the Directors and Executive Officers of the Company who are not the Directors of the Company. The amount to be paid-in by an allottee at the time of the allotment of the stock acquisition rights is set off against the remuneration to be received by the allottee, and the exercise price is one (1) yen per share. Share remuneration type stock options are allotted for the purpose of enhancing the motivation and morale of the allottees to improve the corporate performance and stock value of the Company through further strengthening the correlation between remuneration to the allottees and the performance and stock value of the Company, as well as for the purpose of further increasing the Company's corporate value through promoting the shared interests of the allottees and the Company's shareholders.

Please note that the Company has not allotted any share remuneration type stock options since FY2017, in line with approval having been obtained at the 111th Annual General Meeting of Shareholders held on March 21, 2017, allowing the Company to introduce a performance-based stock incentive plan for the purpose of improving the Company's mid- and long-term performance as well as increasing the awareness of contributions to increasing corporate value.

1. Stock Acquisition Rights (as of December 31, 2022)

Name (Date of Issue)	Number of Stock Acquisition Rights	Type and Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights	Amount Paid in for Allotment of Stock Acquisition Rights	Value of Assets Contributed upon Exercise of Stock Acquisition Rights	Period for Exercising Stock Acquisition Rights
15 th Stock Acquisition Rights (May 26, 2016)	10	10,000 shares of the Company's common stock	5,681,000 yen per stock acquisition right	1 yen per share	July 1, 2018 - June 30, 2023

2. Stock Acquisition Rights Held by Directors and Audit & Supervisory Board Members of the Company (as of December 31, 2022)

(1) Stock Acquisition Rights Held by Members of the Board (Excluding Outside Directors)

Name	Number of Stock Acquisition Rights Holders	Number of Stock Acquisition Rights Allotted	Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights
15 th Stock Acquisition Rights	1	4	4,000

Note: From FY2017, the Company does not allot stock acquisition rights to its Directors.

3. Stock Acquisition Rights, Allotted to Employees, etc., of the Company during This Fiscal Year

Not applicable

IV. Directors and Audit & Supervisory Board Members of the Company

1. Status of Directors and Audit & Supervisory Board Members (as of December 31, 2022)

Title	Name	Duties at the Company and Other Material Position(s) Held
Director, Chair	Michitaka Sawada	Outside Director, Panasonic Holdings Corporation; Outside Director, Nitto Denko Corporation; Outside Director, Komatsu Ltd.
Representative Director, President and Chief Executive Officer	Yoshihiro Hasebe	Responsible for Human Capital Development; Chairperson, The Kao Foundation for Arts and Sciences
Representative Director, Senior Managing Executive Officer	Toshiaki Takeuchi	Representative Director, President, Kao Group Customer Marketing Co., Ltd.
Representative Director, Senior Managing Executive Officer	Tomoharu Matsuda	President, Consumer Products, Global; Responsible for Kao Professional Services Co., Ltd.
Director, Managing Executive Officer	David J. Muenz	Senior Vice President, ESG, Global
Outside Director	Osamu Shinobe	Special Advisor, ANA HOLDINGS INC.
Outside Director	Chiaki Mukai	Specially Appointed Vice President, Tokyo University of Science; Outside Director, Fujitsu Limited
Outside Director	Nobuhide Hayashi	Senior Advisor, Mizuho Bank, Ltd.; Outside Director, Baroque Japan Limited; Outside Audit & Supervisory Board Member, JTB Corp.; Outside Audit & Supervisory Board Member, TOBU RAILWAY CO., LTD.
Outside Director	Eriko Sakurai	Outside Director, Sumitomo Mitsui Financial Group, Inc.; Outside Director, Astellas Pharma Inc.
Full-time Audit & Supervisory Board Member	Hideko Aoki	
Full-time Audit & Supervisory Board Member	Sadanao Kawashima	
Outside Audit & Supervisory Board Member	Hideki Amano	Certified Public Accountant; Outside Corporate Auditor, Seiko Group Corporation; Outside Auditor, Mizuho Leasing Company, Limited
Outside Audit & Supervisory Board Member	Nobuhiro Oka	Attorney-at Law; Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd.; Outside Director, Yamatane Corporation; Professor, Keio University Law School
Outside Audit & Supervisory Board Member	Takahiro Nakazawa	Certified Public Accountant; Outside Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation

Notes:

1. Mr. Osamu Shinobe, Ms. Chiaki Mukai, Mr. Nobuhide Hayashi and Ms. Eriko Sakurai are Outside Directors.
2. Mr. Hideki Amano, Mr. Nobuhiro Oka and Mr. Takahiro Nakazawa are Outside Audit & Supervisory Board Members.
3. Mr. Sadanao Kawashima has had many years of experience in the Company's accounting management, and has considerable expertise in finance and accounting.
4. Mr. Hideki Amano and Mr. Takahiro Nakazawa, who are qualified as a Certified Public Accountant, have considerable expertise in finance and accounting.
5. The Company reported Mr. Osamu Shinobe, Ms. Chiaki Mukai, Mr. Nobuhide Hayashi, Ms. Eriko Sakurai, Mr. Hideki Amano, Mr. Nobuhiro Oka and Mr. Takahiro Nakazawa to the Tokyo Stock Exchange, Inc. as Independent Directors/Audit & Supervisory Board Members as set forth in the Regulations of the Tokyo Stock Exchange, Inc.
6. Personnel changes in Directors and Audit & Supervisory Board Members during this fiscal year:

- (1) *Mr. David J. Muenz and Ms. Eriko Sakurai were newly elected as Director and Mr. Nobuhiro Oka was reelected as Audit & Supervisory Board Member and took office at the 116th Annual General Meeting of Shareholders held on March 25, 2022.*
- (2) *Mr. Sonosuke Kadonaga, Outside Director, retired from his office upon the expiration of his term at the conclusion of the 116th Annual General Meeting of Shareholders held on March 25, 2022.*
- 7. *Mr. Michitaka Sawada, Director, has served as an Outside Director of Komatsu Ltd. since June 21, 2022.*
- 8. *Ms. Eriko Sakurai, Director, had served as a Representative Director of Dow Chemical Japan Limited since January 1 to June 30, 2022, during the current fiscal year. She has served as an Outside Director of Astellas Pharma Inc. since June 20, 2022.*
- 9. *Mr. Hideki Amano, Audit & Supervisory Board Member, had served as an Outside Director of TOPPAN FORMS CO., LTD. since January 1 to June 24, 2022, during the current fiscal year. He had served as an Outside Director of Ajinomoto Co., Inc. since January 1 to June 23, 2022, during the current fiscal year. He has served as an Outside Auditor of Mizuho Leasing Company, Limited since June 24, 2022.*

2. Summary of Liability Limitation Agreements

According to Article 427, Paragraph 1 of the Companies Act and Articles of Incorporation of the Company, the Company entered into an agreement with each Director (excluding Executive Director, etc.) and Audit & Supervisory Board Member to the effect that the liability of each Director (excluding Executive Director, etc.) or Audit & Supervisory Board Member under Article 423, Paragraph 1 of the Companies Act will be limited to the higher of: 10 million yen; or any amount prescribed by applicable laws and regulations.

3. 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.

4. Remuneration, etc., Paid to Directors and Audit & Supervisory Board Members

- (1) Purpose and Outline of Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers

The Company's compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is aimed at i) securing and retaining diverse and excellent talent to establish and improve competitive advantages; ii) Promoting prioritized measures for continuous increases in corporate value; and iii) 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 and the achievement level of target EVA which is a management index that the Company holds in high regard as an indicator to measure the degree of corporate value. 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.)

The targets for these evaluation indicators for the fiscal year under review were single-year sales target of 1,490.0 billion yen, the degree of improvement from the previous fiscal year in sales of 1,418.8 billion yen, and profit (gross profit minus selling, general administrative expenses) single-year target of 160.2 billion yen, the degree of improvement from the previous fiscal year in sales of 146.1 billion yen, with EVA single-year target of 50.4 billion yen. The actual results were sales of 1,551.1 billion yen, profit of 107.4 billion yen, and EVA of 14.7 billion yen.

From FY2023, the individual evaluation of short-term incentive remuneration applied to all Directors except Outside Directors will be more flexible. The Company has also decided to introduce an evaluation confirmation process by Outside Directors and Outside Audit & Supervisory Board members to ensure objectivity and transparency in the evaluation process. In terms of the overall structure of executive compensation as a support for Kao's future reforms, the Committee continue to discuss the state of compensation in general in FY2023. In order to achieve medium-term management plan “K25,” we will reward Directors, Audit & Supervisory Board Members and Executive Officers who actively take on challenges and make contributions.

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

Within a five-year target period from FY2021 to FY2025, the period covered by the current mid-term plan, Company shares, etc. are delivered to Directors, other than Outside Directors, and Executive Officers based on factors such as the level of achievement of the key performance targets adopted under the mid-term plan. 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. Figures for the variable portion will be finalized upon the completion of the applicable period from 2021 to 2025.

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.

(2) 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 all of the Company's Representative Directors, Director, Chair, all of the Company's Outside Directors and all of the Outside Audit & Supervisory Board Members, from the perspective of ensuring objectivity and transparency in the decision-making process. 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 the 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 using officer compensation survey data from an external survey organization.

(3) Aggregate Amount of Remuneration, etc., Paid to Directors and Audit & Supervisory Board Members during this Fiscal Year

(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)	10 (5)	600 (75)	406 (75)	48 (-)	110 (-)	36 (-)
Audit & Supervisory Board Members (including, in parentheses, Outside Audit & Supervisory Board Members)	5 (3)	110 (43)	110 (43)	- (-)	- (-)	- (-)
Total (including, in parentheses, Outside Directors and Outside Audit & Supervisory Board Members)	15 (8)	710 (118)	516 (118)	48 (-)	110 (-)	36 (-)

Notes:

- The above numbers of Directors/Audit & Supervisory Board Members include one Outside Director who resigned at the conclusion of the 116th Annual General Meeting of Shareholders held on March 25, 2022.
- As for the variable portion of the long-term incentive compensation (performance-linked stock compensation), it will be determined after the end of the final year of the five fiscal years from 2021 to 2025, which are covered by the Company's Mid-term plan "K25." Therefore, the variable portion shown above is the amount of the allowance for the current fiscal year. For Directors of foreign national, we plan to pay cash equivalent to the variable portion of long-term incentive compensation (performance-based share incentive plan).
- The maximum amounts of remuneration, etc. are as follows:

(1) Maximum aggregate amount of 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 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.

5. Outside Directors and Outside Audit & Supervisory Board Members

(1) Relationships between the Company and Entities where Outside Directors and Outside Audit & Supervisory Board Members Hold Positions

Title	Name	Material Position(s) Held	Relationship with the Company
Director	Osamu Shinobe	Special Advisor, ANA HOLDINGS INC.	No special relation
Director	Chiaki Mukai	Specially Appointed Vice President, Tokyo University of Science	The Company has transactions with Tokyo University of Science related to joint research; however, the amounts of such transactions account for less than 0.1% of the university's income from education activities and the Company's net sales for the latest fiscal year, respectively.
		Outside Director, Fujitsu Limited	The Company has transactions with Fujitsu Limited, which involve catalogue transactions, software maintenance and repair of Fujitsu Limited's products; however, the amounts of such transactions account for less than 0.1% of the Fujitsu Limited's net sales and the Company's net sales for the latest fiscal year, respectively.

Title	Name	Material Position(s) Held	Relationship with the Company
Director	Nobuhide Hayashi	Senior Advisor, Mizuho Bank, Ltd.	The Company engages in regular bank transactions with and has loans from Mizuho Bank, Ltd., and receives consulting service in overseas markets; however, the amounts of such transactions account for less than 0.1% of Mizuho Bank, Ltd.'s ordinary income and the Company's net sales for the latest fiscal year, respectively.
		Outside Director, Baroque Japan Limited	No special relation
		Outside Audit & Supervisory Board Member, JTB Corp.	The Company has transactions with JTB Corp., which involve business trip arrangements for the Company's executives and employees; however, the amounts of such transactions account for less than 0.1% of the JTB Corp.'s net sales and the Company's net sales for the latest fiscal year, respectively.
		Outside Audit & Supervisory Board Member, TOBU RAILWAY CO., LTD.	No special relation
Director	Eriko Sakurai	Outside Director, Sumitomo Mitsui Financial Group, Inc.	No special relation
		Outside Director, Astellas Pharma Inc.	No special relation
Audit & Supervisory Board Member	Hideki Amano	Certified Public Accountant	No special relation
		Outside Corporate Auditor, Seiko Group Corporation	No special relation
		Outside Auditor, Mizuho Leasing Company, Limited	No special relation
Audit & Supervisory Board Member	Nobuhiro Oka	Attorney-at Law	No special relation
		Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd.	Kao Group Customer Marketing Co., Ltd. is a subsidiary of the Company.
		Outside Director, Yamatane Corporation	No special relation
		Professor, Keio University Law School	The Company has transactions with Keio University related to joint research; however, the amounts of such transactions account for less than 0.1% of the university's income from education activities and the Company's net sales for the latest fiscal year, respectively.
Audit & Supervisory Board Member	Takahiro Nakazawa	Certified Public Accountant	No special relation
		Outside Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation	No special relation

Notes:

- 1. There is no special relationship between the Company and Dow Chemical Japan Limited, where Director Eriko Sakurai served as President until June 30, 2022.*
- 2. There is no special relationship between the Company and TOPPAN FORMS CO., LTD., where Audit & Supervisory Board Member Hideki Amano served as Outside Director until June 24, 2022.*
- 3. There is no special relationship between the Company and Ajinomoto Co., Inc., where Audit & Supervisory Board Member Hideki Amano served as Outside Director until June 23, 2022.*

(2) Principal Activities during this Fiscal Year

Title	Name	Attendance at Meetings of the Board of Directors	Attendance at Meetings of the Audit & Supervisory Board	Principal Activities and Outlines of Duties Performed in Relation to the Expected Roles
Director	Osamu Shinobe	14 out of 14 meetings	—	As the Chairperson of the Board, he contributed to the activation and the streamlining of the proceedings. Also, at meetings of the Board of Directors, he made comments principally based on his considerable experience as a manager of an airline company. He served as a member of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers.
Director	Chiaki Mukai	14 out of 14 meetings	—	At meetings of the Board of Directors, she made comments principally based on her extensive expertise in the scientific field. She served as a Chairperson of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and as a member of the Compensation Advisory Committee for Directors and Executive Officers.
Director	Nobuhide Hayashi	14 out of 14 meetings	—	At meetings of the Board of Directors, he made comments principally based on his considerable experience as a manager of a financial institution. He served as a member of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and as a Chairperson of the Compensation Advisory Committee for Directors and Executive Officers.
Director	Eriko Sakurai	11 out of 11 meetings	—	At meetings of the Board of Directors, she made comments principally based on her considerable experience as a manager of a chemicals manufacturer. She served as a member of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee for Directors and Executive Officers.
Audit & Supervisory Board Member	Hideki Amano	14 out of 14 meetings	9 out of 9 meetings	At meetings of the Board of Directors and meetings of the Audit & Supervisory Board, he made comments principally based on his professional opinion as a Certified Public Accountant and from a governance perspective.
Audit & Supervisory Board Member	Nobuhiro Oka	14 out of 14 meetings	9 out of 9 meetings	At meetings of the Board of Directors and meetings of the Audit & Supervisory Board, he made comments principally based on his professional opinion as an attorney-at-law and from a governance perspective.
Audit & Supervisory Board Member	Takahiro Nakazawa	14 out of 14 meetings	9 out of 9 meetings	At meetings of the Board of Directors and meetings of the Audit & Supervisory Board, he made comments principally based on his professional opinion as a Certified Public Accountant and from a governance perspective.

Note: During the current fiscal year, the Board of Directors held 14 meetings and the Audit & Supervisory Board held 9 meetings. Since the appointment of Director Eriko Sakurai, the Board of Directors has held 11 meetings.

(For Reference) Status of Executive Officers (as of January 1, 2023)

Title	Name	Duties at the Company and Other Material Position(s) Held
President and CEO	Yoshihiro Hasebe	Responsible for DX Strategy
Senior Managing Executive Officer	Toshiaki Takeuchi	Representative Director, President, Kao Group Customer Marketing Co., Ltd.
Senior Managing Executive Officer	Tomoharu Matsuda	President, Consumer Products, Global; Responsible for Kao Professional Services Co., Ltd.
Senior Managing Executive Officer	Masakazu Negoro	Responsible for Management Finance (Accounting and Finance, Business Structure Reforms, Procurement, Human Capital Strategy)
Senior Managing Executive Officer	Toru Nishiguchi	Vice President, Consumer Products, Global
Managing Executive Officer	David J. Muenz	Senior Vice President, ESG, Global; Responsible for Strategic Public Relations
Managing Executive Officer	Osamu Tabata	Senior Vice President, Supply Chain Management, Global; Responsible for TCR Promotion
Managing Executive Officer	Yoshihiro Murakami	Senior Vice President, DX Strategy, Global
Managing Executive Officer	Hideaki Kubo	Senior Vice President, Research and Development, Global
Managing Executive Officer	Satoru Tanaka	Senior Vice President, Corporate Strategy, Global; Responsible for Product Quality Management; Responsible for Legal
Senior Executive Officer	Masahiro Katayose	President, Chemical Business, Global; Chairperson of the Board, Fatty Chemical (Malaysia) Sdn. Bhd.; Chairperson of the Board, Pilipinas Kao, Inc.; Chairperson of the Board, Kao Chemicals Europe, S.L.
Senior Executive Officer	Hiroaki Yamaguchi	Vice President, Supply Chain Management - Manufacturing Plant Center, Global; Responsible for Strategic Innovative Technology, SCM, Global
Senior Executive Officer	Kotaro Nuriya	President, Consumer Products - Health & Beauty Care Business, Global
Senior Executive Officer	Natsumi Hotta	President, Consumer Products - Hygiene & Living Care Business, Global
Senior Executive Officer	Hideki Mamiya	Senior Vice President, Human Capital Strategy, Global; President, Kao Group Corporate Pension Fund; Chairperson of the Board, Kao America Inc.
Senior Executive Officer	Yosuke Maezawa	President, Consumer Products - Cosmetics Business, Global; Representative Director, President, Kanebo Cosmetics Inc.; Chairperson of the Board, Molton Brown Limited
Executive Officer	Kenichi Yamauchi	Senior Vice President, Accounting and Finance, Global; President, Kao America Inc.
Executive Officer	Ryoichi Harada	Senior Vice President, Enterprise Information Solutions, Global

Title	Name	Duties at the Company and Other Material Position(s) Held
Executive Officer	Shigeo Nakai	Vice President, Research and Development - Performance Chemicals Research, Global; Responsible for Research and Development - Environmental New Business
Executive Officer	Masaru Takeyasu	Chairperson of the Board and President, Kao (China) Holding Co., Ltd.; Chairperson of the Board and President, Kao Corporation Shanghai; Chairperson of the Board, Kao Commercial (Shanghai) Co., Ltd.; Chairperson of the Board, Kanebo Cosmetics (China) Co., Ltd.; Chairperson of the Board and President, Kao (Hefei) Co., Ltd.
Executive Officer	Motomitsu Hasumi	Senior Vice President, Product Quality Management, Global
Executive Officer	Mami Murata	Senior Vice President, Strategic Public Relations, Global
Executive Officer	Akira Shimotoyodome	President, Consumer Products - Life Care Business, Global
Executive Officer	Karen B. Frank	President, Consumer Products - Consumer Care Business, Americas and EMEA; Chairperson of the Board, Kao USA Inc.
Executive Officer	Karen B. Frank	President, Consumer Products - Consumer Care Business, Americas and EMEA; Chairperson of the Board and President, Kao USA Inc.
Executive Officer	Yoji Matsumoto	Representative Director, Senior Managing Executive Officer, Kao Group Customer Marketing Co., Ltd.
Executive Officer	Hiroyuki Terazaki	Vice President, Research and Development, Global; Vice President, Research and Development - Strategy, Global
Executive Officer	Dominic M. Pratt	President, Consumer Products - Salon Business, Global; Chairperson of the Board, Oribe Hair Care, LLC; President, Kao Germany GmbH
Executive Officer	Yoshio Nakao	Executive Vice President, Kao Group Customer Marketing Co., Ltd.
Executive Officer	Naoshi Nakamoto	Senior Vice President, Procurement, Global
Executive Officer	Mark Johnson	President, Consumer Products - Cosmetics Business, Americas and EMEA; President, Molton Brown Limited
Executive Officer	Yasuhiro Ishikura	Vice President, Corporate Strategy, Global; Vice President, Corporate Strategy - AK Project, Global
Executive Officer	Akiko Hasegawa	Senior Vice President, Legal, Global

Notes:

- 1. Mr. Toshiaki Takeuchi and Tomoharu Matsuda are planned to retire Senior Managing Executive Officer at the conclusion of the AGM on March 24, 2023.*
- 2. Mr. Toru Nishiguchi is planned to assume the position of Responsible for Consumer Products, Global and Responsible for Kao Professional Services Co., Ltd. on March 24, 2023.*
- 3. After passing resolutions at a meeting of shareholders and a meeting of the Board of Directors of Kao Group Customer Marketing Co., Ltd., Mr. Yoshio Nakao is planned to assume the position of Representative Director, President and Chief Executive Officer of Kao Group Customer Marketing Co., Ltd. on March 24, 2023.*

V. The Accounting Auditor of the Company

1. Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

2. Amount of Remuneration, etc., to be Paid to the Accounting Auditor for this Fiscal Year

- (1) Amount of remuneration, etc., to be paid by the Company as Accounting Auditor fees: 147 million yen
- (2) Aggregate amount of monetary and other proprietary benefits to be paid by the Company and its subsidiaries: 228 million yen

Notes:

- 1. The audit contract between the Company and the Accounting Auditor does not clearly distinguish between remuneration, etc., paid for the audit conducted in accordance with the Companies Act from that paid for the audit conducted in accordance with the Financial Instruments and Exchange Law, and it is practically impossible to make such a distinction. The amount of remuneration, etc., specified in (1) above, is the aggregate amount of remuneration, etc., for these two types of audits.*
- 2. After having performed the necessary verification and held discussions as to the appropriateness of matters such as the content of the Accounting Auditor's audit plan, the status of performance of duties by the Accounting Auditor, and the basis for the calculation of the estimated remuneration for the Accounting Auditor, the Audit & Supervisory Board determined that they were appropriate and has consented to the amount of remuneration, etc. to be paid to the Accounting Auditor.*
- 3. In addition to the audit certification services prescribed in Article 2.1 of the Certified Public Accountant Law, the Company entrusted the Accounting Auditor with other services such as macro economy and risk information provision services and others.*
- 4. Of the Company's main subsidiaries, audits (limited to audits under the Companies Act or the Financial Instruments and Exchange Law and including audits under equivalent foreign laws and regulations) in respect of some overseas subsidiaries have been performed by certified public accountants or accounting firms other than the Company's Accounting Auditor (including those with equivalent foreign qualifications).*

3. Policy for Determining the Dismissal or Non-reappointment of the Accounting Auditor

If any item of Article 340, Paragraph 1 of the Companies Act is found to apply to the Accounting Auditor, the Audit & Supervisory Board will dismiss the Accounting Auditor with the consent of all Audit & Supervisory Board Members. In such case, the Audit & Supervisory Board Members selected by the Audit & Supervisory Board will report the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders held after the dismissal. Furthermore, if the Audit & Supervisory Board finds any problem in the qualifications, independence, or reliability of the Accounting Auditor, the content of a proposal to be submitted to the General Meeting of Shareholders for dismissal or non-reappointment of the Accounting Auditor will be determined.

If the Board of Directors finds any problem, such as in the qualifications, independence, or reliability of the Accounting Auditor, the Board of Directors will request the Audit & Supervisory Board to cause the dismissal or non-reappointment of the Accounting Auditor to be proposed to the General Meeting of Shareholders, and the Audit & Supervisory Board shall decide upon the content of the relevant proposal to be submitted to the General Meeting of Shareholders after having determined the appropriateness of such matter.

VI. Systems to Assure Appropriate Business Operations of the Company and Outline of Management of such 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 Systems.”

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 the “Kao 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 each department responsible for internal control and 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 “crisis,” and has established systems for appropriate risk and crisis management. Based on the Risk and Crisis Management Policy, the Risk and Crisis Management Committee, 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 execution of risk and crisis management activities. Based on this policy and plan, departments concerned with risk and subsidiaries and affiliates appropriately manage risks by ascertaining and assessing them, 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 risks and appoints a person to appropriately manage them. When a crisis occurs that arises from corporate risk, the Company responds promptly by establishing an organization for countermeasures centered on this person in charge for corporate risk. For other types of crises, an organization for countermeasures is set up within departments concerned with such risk or relevant subsidiaries or affiliates. 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 Group Management 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 of Internal Audit and responsible divisions, 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 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, and have periodic exchanges of views with Representative Directors of the Company and major subsidiaries and exchanges of views with Representative Directors of the Company's subsidiaries when conducting an audit. 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 they become aware of any fact that may potentially cause significant harm to the Company or to Group companies, a serious violation of laws or the Articles of Incorporation or when they receive a report of any of the foregoing. The 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 a regular meeting to exchange opinions among auditors of Kao Group.

(11) A system to ensure that those who make reports in the preceding paragraph shall not receive any disadvantageous treatment as a result of having made such report

Directors and employees of Kao Group who make reports to the Compliance Hotline or to Audit & Supervisory Board Members, etc. shall not receive any disadvantageous treatment as a result of having made such report in good faith. The Company expressly prohibits any disadvantageous treatment in the Kao Business Conduct Guidelines and ensures compliance with 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 maintain a close cooperative relationship (including through exchanges of information) with the Accounting Auditor, Department of Internal Audit, internal auditing departments, as well as with auditors and internal auditing departments of the Group companies. In addition, Audit & Supervisory Board Members are entitled to hold meetings with Outside Directors to exchange information and opinions and independently receive support from outside specialists such as lawyers and certified public accountants when necessary.

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

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

2. Outline of Management of Systems to Ensure 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

Under the initiative of the Compliance Committee chaired by the Managing Executive Officer responsible for compliance, efforts have been continuously made in this area, 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, we have implemented a thorough system to immediately report to senior management and Audit & Supervisory Board Members. For cases that require special attention, we conduct a root cause analysis and implement measures in the relevant department to prevent a recurrence. We enlist the services of an outside attorney, who attends the monthly Compliance Committee Secretariat Meeting as an advisor, to provide evaluations and recommendations from a third party perspective. Furthermore, we identify which cases have the potential to become material compliance violations. The Compliance Committee, which is convened quarterly, confirms the status of measures by the departments in which incidents occurred and departments that are principally in charge of the matters involved, and strives to reduce risk so that similar incidents do not occur outside the department concerned.
- The internal and external (counselors and lawyers) hotline system is generally established and implemented throughout the Company and its domestic and overseas group companies and 488 reports and consultations were received during this fiscal year. Of all the reported and consulted cases, we conducted fact-finding investigations on all cases where investigations were requested and resolved each issue one by one, while implementing necessary measures based on the recognition of issues to maintain the workplace climate as a Company. We also

worked to foster an “open climate” that would make it easier for internal and external people to raise their voices in order to prevent the spread and prolongation of compliance violations.

- In an effort to prevent compliance violations, we worked to maintain and enhance the compliance awareness of each employee by sharing examples of past violations on compliance case studies via the intranet of Kao Group and conducted BCG refresher tests and compliance awareness surveys for all employees overseas (excluding temporary and part-time employees). The Company also arranged a lecture by the Chairperson of the Compliance Committee on the importance of compliance, displayed posters, and distributed compliance messages from the head of each organization.
- 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 2022 include: (1) continuing the training program to consider how supervisors and members should engage in dialogue, and to consider compliance risks in the event that such dialogue is not practiced; (2) in compliance case studies sent out from the intranet, we gathered comments from our readers together with a survey, which were then used as feedback for the next edition of the report to make it more personal; and (3) conducting self-assessment of compliance activities, identifying issues, and discussing future measures at Compliance Committee Secretariat Meetings and Compliance Committee meetings.

Efforts Concerning Risk and Crisis Management

In terms of risk management, we have implemented measures to deal with other “corporate risks” (risks that have a particularly large impact on management and require enhanced responses), such as measures for major earthquakes and natural disasters (including strengthening of BCP measures), serious quality issues, cyber-attacks, leakage of personal information and reputation risk. Measures include strengthening of response system, strengthening of prediction and prevention measures, reinforcement of intelligence through the use of external organizations, education, awareness-raising, and training for emergency response. Furthermore, in response to rising geopolitical risks in Europe and East Asia, where the Kao Group operates, due to the Russia and Ukraine issues and other issues, we have selected "Responding to geopolitical risks" as a new corporate risk theme, and are focusing on ensuring the safety of employees, securing supply chain networks, and addressing reputation risks. We also identified significant risks that may deter the achievement of the Mid-term Plan “K25” and confirmed our level of preparedness and issues under the management of the Risk and Crisis Management Committee. On the other hand in terms of crisis management, in response to the global COVID-19 pandemic, the Emergency Response Headquarters (headed by the President and CEO) was held 10 times (56 times since FY2020) to decide on Company-wide policies, centered on ensuring the safety of employees and their families and business continuity. We also reviewed our work system and work styles, taking into account factors such as the evolving nature of the virus and infection trends, and have continued to implement post-COVID measures and planned for exit strategies.

In addition, in response to the impact of rising raw material prices worldwide, we worked to revise selling prices for chemical products, implemented strategic price increases centered on laundry detergents, and strengthened our marketing activities.

Efforts Concerning Subsidiary Management

The executive officers in charge provides 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 which 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 by each department responsible for internal control and by conducting site visits by the Department of Internal Audit.

In addition, the Department of Internal Audit and sections in charge of subsidiary management have verified that agenda items have been submitted and reports made in accordance with internal rules, etc., by way of site visits for auditing purposes or by causing checklists to be submitted.

Regarding important matters of subsidiaries, agenda items have been submitted and reports made from subsidiaries to the Company whenever necessary, in accordance with the Group Management rules, known as the “Policy Manual,” that set forth matters regarding which subsidiaries are required to obtain prior approval from the Company

or to make a 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.

Results of activities by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members are entrusted by shareholders to audit Directors’ execution of duties from an independent standpoint, aiming to achieve the sound and sustainable growth of the 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

As the business environment for the fiscal year under review became increasingly severe, in the second year of the Mid-term Plan 2025 “K25”, the Company conducted auditing activities with a shared sense of urgency and the necessity of reforms recognized by management with regard to the status of implementation of corporate strategy and the status of response to management environmental risks. The Company adopted a policy which recognizes that the society and stakeholders are demanding a higher level of effective governance of corporate groups and an active disclosure of information.

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

Lively exchange of opinions

The Audit & Supervisory Board Members attend 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 70% 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.

In the fiscal year under review, the Office of the Audit & Supervisory Board (with five members) was newly 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: 9	Attendance rate of Audit & Supervisory Board Members: all members marked 100%	Duration: Average of 2 hours and 14 minutes
Main agenda of the Audit & Supervisory Board		
17 resolutions: Audit policy, division of duties, critical auditing items, annual plan, audit report, internal control matters, Accounting Auditor matters (including agreement on compensation, deliberation on reappointment, and non-assurance services), appointment and compensation of Audit & Supervisory Board Members, evaluation of effectiveness, etc.		38 matters considered: Audit findings on critical auditing items, group governance (the Group’s structure of Auditors and the direction of future governance), closely monitoring issues concerning internal control, non-assurance services by the Accounting Auditor, exchange of opinions with Representative Directors and Outside Directors, etc.

Evaluation of the effectiveness of the Audit & Supervisory Board
<p>The evaluation is made once a year, and discussions at the Audit & Supervisory Board based on the results of the questionnaire conducted by each Audit & Supervisory Board Member led to the conclusion that the system at the Board as a whole was functioning effectively during the fiscal year under review.</p> <ul style="list-style-type: none"> - The Audit & Supervisory Board conducts frank exchanges of opinions. - The agenda items are proactively selected matters to be considered. - Information sharing, distribution of materials in advance, and investigation and support by the newly established Office of the Audit & Supervisory Board have been also strengthened. <p>Going forward, we hope to deepen discussions on the skill matrix of the Audit & Supervisory Board, which aims for greater diversity.</p>

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	Attended 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.	✓	✓
	Attended 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 between Management and Audit & Supervisory Board Members	<ul style="list-style-type: none"> - Representative Directors of Kao (five times) - Outside Directors (two times) - Executive Officers with titles (six times) - Representative Directors of important subsidiaries (three times) <p>Recognition of management issues and future governance were shared through frank exchanges of opinions</p>	✓	✓
	On-site audits and interviews of worksites, divisions, domestic and overseas subsidiaries and affiliates (During on-site inspections and hearings, we also confirmed priority audit items such as internal control.)	<p>114 cases</p> <ul style="list-style-type: none"> - Emphasis on dialogue (1,136 comments from Audit & Supervisory Board members) - Confirmation of improvement status at a later date for completion of audit findings. Share with executive officers as appropriate along with excellent on-site initiatives 	✓	✓
	Attended the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and Compensation Advisory Committee for Directors and Executive Officers	11 times	—	✓

Critical auditing items	Audit method	Activity results and evaluation of effectiveness	Division of audit	
			Full-time	Outside
Effectiveness of the Group governance	Systematized and improved the effectiveness of the Kao Group's structure of Audit & Supervisory Board Members. (Kao, Kao Group and its subsidiaries)	- Commencement of a system in which members of the Office of the Audit & Supervisory Board concurrently serve as Auditors of subsidiaries - All Auditors of subsidiaries and affiliates regularly exchanged opinions to identify and review risks (six times) - Introduced effectiveness evaluation of the Audit & Supervisory Board to important subsidiaries, and provided training to improve their skills	✓	From time to time
	Exchanged opinions between the Accounting Auditor and Audit & Supervisory Board Members and reported accounting audit results to Meetings of Board of Directors	Exchanged opinions (21 times) Reported to Meetings of Board of Directors (two times) - Audit plan, accounting audit results, key audit matters, non-assurance services management, audit quality, etc. -Held global meetings to exchange opinions with domestic and overseas auditors	✓	✓
Development and operation of internal control	On-site audits and interviews of worksites, divisions, domestic and overseas subsidiaries and affiliates	Results of self-inspections and external audit, and the status of development and operation of internal control systems were confirmed	✓	From time to time
	<ul style="list-style-type: none"> • Interviews with the departments in charge of the second line of internal control • Attend or check minutes of Internal Control Committee and each affiliate committee • Check the response status of the Compliance hotline 	Conduct very quarter or semi-annually - The internal hotline system has also been strengthened, and detailed investigations and responses to issues that the Company needs to deal with have been handled appropriately in principle. Timely reports are also made to Audit & Supervisory Board Members. - Regarding the items that have been discovered and need to be improved, the status of measures is being confirmed and steady implementation is underway on an ongoing basis.	✓	From time to time
	Exchanged information with the Department of Internal Audit which is the division responsible for internal auditing	four times	✓	From time to time
	Evaluation of the construction and operation status of the internal control system using a checklist	Generally valid	✓	—

Critical auditing items	Audit method	Activity results and evaluation of effectiveness	Division of audit	
			Full-time	Outside
Proactive disclosure	Evaluated the Company's disclosure status by investigating external requests and disclosure status.	<ul style="list-style-type: none"> - Recommendations were made to the points that can be evaluated and points for improvement when exchanging opinions with Management and to related departments. Establishment of promotion system and confirmation of information disclosure status - Proactively disclosed activities of the Audit & Supervisory Board Members 	✓	—

- End -