

OASIS

Oasis Proposes Five Board Director Nominees to Set Kao on a Path to Becoming a Global Leader

(Securities Code: 4452 JT)

- Oasis nominates five independent, world-class Director candidates to add to the Board of Kao at its upcoming AGM on March 21, 2025
- Oasis proposes a revised compensation plan to align management’s incentives with company performance
- Oasis shares stakeholders’ collective vision for a globally competitive Kao that achieves long-term growth from its leading brands - “A Better Kao”
 - Oasis believes that with a forward-thinking Board, a clear strategic vision, and aligned incentives, Kao can be a global leader in the Cosmetics and Health & Beauty industry
 - Oasis has nominated five highly qualified independent outside directors with deep global expertise in key strategic areas such as marketing, supply chain, digital transformation, and portfolio restructuring
 - Oasis’s proposals will bring Kao’s governance in line with its global competitors, offering shareholders a no-risk opportunity for meaningful improvement
 - Oasis to host Kao shareholder investor information day at The Okura Hotel on March 6 for shareholders to meet Oasis’s Director candidates and hear Oasis’s plan for a better Kao
 - Shareholders should register at <https://abetterkao.com/makekaobettertoday/>. Capacity is limited. Only registrants with a valid Confirmation Code will be admitted.

For more information and Oasis’s presentations on a better Kao please visit:
www.abetterkao.com

February 26, 2025, Hong Kong – Oasis Management Company Ltd. (“Oasis”) is the manager to private funds holding over 5.2% of the shares in Japanese global cosmetics and chemicals company Kao Corporation (4452 JT) (“Kao” or the “Company”). Oasis has adopted the Japan FSA’s “Principles for Responsible Institutional Investors” (a/k/a Japan’s Stewardship Code) and in line with those principles, Oasis monitors and engages with its investee companies.

Over the past 18 months, **Oasis has sought to constructively engage with Kao’s senior management and Board of Directors** (the “Board”) on critical issues of performance, strategy, and governance. In April 2024, Oasis released its “A Better Kao” presentation to foster a broader dialogue with stakeholders. Despite repeated efforts to engage in good faith, **Kao’s response has been slow, inconsistent, and often defensive**, leaving Oasis without a genuine partner for meaningful progress.

Following the release of “A Better Kao,” in April 2024, Oasis intensified its efforts to engage with the Company, commissioning consumer research on Kao’s leading brands and conducting an investor survey to gauge stakeholder perspectives. The findings reinforced Oasis’s conviction that **urgent**

change is needed. The research revealed weak consumer recognition for Kao’s flagship brands in critical markets, while the survey showed that two-thirds of investors view Kao’s strategy for sustained growth as “*unsatisfactory*.”

Informed by a collective vision for “A Better Kao”, Oasis submitted proposals to Kao’s 2025 Annual General Meeting (“AGM”):

- **Proposal #4 (Election of Five Independent Outside Directors);** and
- **Proposals #5/6/7 (Compensation Reforms).**

Oasis’s proposals are additive only and are not calling for shareholders to oppose any incumbent directors; we believe there is benefit in having a larger board, like sector peers, allowing for the addition of specialized expertise while retaining existing directors to ensure continuity and stability for shareholders.

“A Better Kao” – Kao Can Be A Global Leader

Kao is well positioned in profitable growth segments, Cosmetics and Health & Beauty -- through highly regarded brands in derma-cosmetics (Curél and freeplus), mass-market color cosmetics (Kate Tokyo), skin and body care (Bioré and Jergens), and luxury hair, skin and body care (Oribe, Kanebo, Sensai and Molton Brown) -- however, Kao has been outcompeted by peers like Beiersdorf AG, L’Oréal SA, Unilever Plc and The Procter & Gamble Co. (“P&G”).

As highlighted in our “A Better Kao” Presentation from 2024, **Oasis believes that Kao can compete with these peers and become a global leader representing the best of what Japan can be.** The roadmap to sustained and differentiated competitiveness that underpins “A Better Kao” requires the Company to:

- Commit to Global Expansion
- Refine the Brand Portfolio
- Embrace Marketing Strategy
- Expand Sales Channels
- Strengthen Oversight & Transparency

Oasis’s vision for “A Better Kao” is fully aligned with the interests of all stakeholders and has been welcomed by the capital markets. It’s clear that Kao’s growth lies abroad, in high potential consumer products segments. **Yet, despite widespread support for Kao to become a global leader, the bold strategic shift and decisive execution needed to achieve this vision have not been realized under Kao’s current leadership.**

Consumer products revenues, return on invested capital (ROIC), and gross margins continue to fall short of global peers, and structural elements of the business, like regional sales mix, and key metrics within supply chain, continue to raise red flags for the long-term. Additionally, Kao’s marketing and digitalization efforts remain visibly behind industry standards.

Kao’s Board Is Not Governed to Grow

During the tenure of the current President (since January 2021), Yoshihiro Hasebe, strategy has stagnated, and performance has lagged competitors; this has been reflected in Kao’s share price which has significantly trailed global peers. This period has seen the abandonment of a value destructive K25 Medium-Term Plan, and a tepid recovery from the subsequent K27 strategy.

The current Board lacks the critical expertise required to revitalize Kao's key turnaround segments and the Board's own proposed new nominees, Lisa MacCallum and Sarah Casanova, fail to address these gaps. Shareholders cannot consider Ms. MacCallum -- a former mid-level executive at a sportswear company in the mid-2000s, and Ms. Casanova -- a CEO of a fast-food restaurant -- to be sufficient to tackling the global growth challenge that Kao faces in Cosmetics and Health & Beauty.

It is increasingly clear that Kao's Board is resistant to external perspectives that could drive meaningful progress, as evidenced by its dismissive approach to engaging with Oasis and evaluating Oasis's independent, outside Director candidates. Rather than seriously considering Oasis's highly qualified nominees, Kao rushed to select candidates from its own network, announced Board nominees months ahead of schedule, and rejected Oasis's proposals with baseless criticisms.

This refusal to embrace external input has resulted in an insular and entrenched Board, which has overseen a sharp decline in corporate value and a loss of global competitiveness compared to peers. **Without aligning its Board with the standards of leading global companies that are thriving in key markets, Kao's pattern of underperformance will continue unchecked.**

The Board's refusal to add qualified international executives with FMCG experience -- when global expansion and improvement in Cosmetics and Health & Beauty segments are vital to achieving Kao's K27 targets is not only puzzling, but also greatly concerning for all stakeholders.

Kao's Board Needs Global Leaders

The board of directors are ultimately responsible for setting strategy, driving execution, and holding management accountable for performance. If the board is not aligned with peer standards, neither will be strategy and performance. Thus, **"A Better Kao" starts with a better board.**

In line with institutional investor expectations, Oasis mandated three independent search firms to begin a truly global identification process for outside director candidates that could address the strategic challenges facing Kao and objective profile gaps (in skills, experience, diversity, and independence) on the incumbent board.

Reflecting the strength of the underlying nomination process, Oasis selected **five highly-accomplished and independent Fast-Moving Consumer Goods ("FMCG") executives.** Each bringing decades of global leadership experience, their expertise spans critical areas essential for Kao's future growth -- supply chain, marketing, brand management, financial and pricing expertise, and digital transformation in international markets.

As presented in Proposal #4 of Kao's 2025 Annual General Meeting ("AGM") Agenda, Oasis has nominated:

- 4.1. **Yannis Skoufalos**, an FMCG Supply Chain Specialist
- 4.2. **Martha Velando**, a Beauty and Cosmetics Chief Marketing Officer
- 4.3. **Lanchi Venator**, a Consumer Goods Commercial Leader
- 4.4. **Hugh Dineen**, an FMCG Turnaround Strategist
- 4.5. **Anja Lagodny**, a Digital Transformation Leader

These nominees will be available to meet with stakeholders of Kao at an in-person investor day and via online webinars organized and hosted by Oasis. Please register at <https://abetterkao.com/makekaobettertoday/>.

2025 AGM - Shareholders Can Choose to Make Kao Better

For Kao to succeed, it must have the right leadership, incentives, oversight, and strategic direction.

At a time when President Hasebe asserts in meetings that he believes (incorrectly) that 50% of Kao's customer base are men -- where in fact independent third-party survey data shows Kao's customer base is at least 69% women -- and that incentive schemes “pay for failure”, Oasis concludes that improvement is warranted, which is a sentiment echoed by 85% of Kao investors, who have expressed clear dissatisfaction with Kao’s management and are right to expect better.

Oasis believes that electing our Outside Director nominees alongside the current Board will drive transformative change for Kao while maintaining oversight continuity. Even with an expansion to 14 members at the 2025 AGM, Kao’s Board would remain smaller than some peers while gaining critical expertise that is currently absent. **“A Better Kao” is a choice that is being presented to shareholders at the upcoming AGM; voting FOR Oasis’ nominees carries no downside, and considerable opportunity.**

In addition to its Outside Director nominations, Oasis has also proposed **compensation reforms** that seek to align inside and outside directors with shareholders through stock compensation, performance-linked and fixed, respectively.

At the 2025 AGM, shareholder proposals that Oasis has submitted to align governance with “A Better Kao” are:

- Proposal 4. Elect five independent, and experienced, Outside Directors
- Proposal 5. Revise Compensation of Outside Directors to support an expanded board
- Proposal 6. Grant Restricted Stock Units to Outside Directors
- Proposal 7. Approve long-term incentive scheme for internal directors to drive performance against strategic and quantifiable targets

Seth Fischer, Founder & Chief Investment Officer of Oasis, said:

“With Kao’s world-class brands, the Company can, and should, be a global leader. However, unlocking this potential requires an ambitious, growth-oriented strategy led by an independent and highly-qualified Board. Shareholders now face a clear choice: support the election of outside directors with the expertise needed to drive growth, or maintain the status quo. There is no downside risk -- only the opportunity to strengthen Kao’s leadership, focus, and strategic direction.”

Questions On Business Growth

Oasis also encourages shareholders to engage with Kao’s Board when reaching their decision. To support this process, Oasis has prepared the following questions that we consider to be important for Kao to answer in advance of the 2025 AGM:

1. Kao claims that it had achieved +22.9% CAGR in Skin Care Protection (2021-2024). However, this figure appears to include approximately JPY20bn revenue contribution from the Bondi Sands acquisition. On the contrary, Oasis estimates that the organic growth rate is therefore below 1%. Given that management presents this segment as a key growth driver, what was the true organic growth rate of Kao's existing skincare protection business?
2. Management also cites a +12.1% CAGR in Cosmetics over the period but excludes China from this calculation, previously its largest and most profitable overseas market. When including China

Kao's international cosmetic sales have fallen-8.8% under K27 and Chinese sales plunged approximately 35%.

- a. Is this really the right way of measuring success in Cosmetics? Please explain your rationale.
 - b. L'Oreal has achieved double-digit growth in Chinese derma-cosmetics over the past two years. How does Kao reconcile this huge difference in performance with L'Oreal given Kao's heavy slant towards derma-cosmetics in China?
3. Kao's core brands have poor search engine optimization ("SEO") visibility in their product categories and a brand like Jergens has less than 760,000 followers on the main social media platforms in its home US market. This is 11x smaller than competitor Olay at 8.6mn followers, and nearly 35x less than Nivea's 26.4mn followers across social media in America. This is clearly a flaw in the Company's marketing process. As such, why does Kao think it has sufficient marketing expertise and consumer product brand management internally?

Questions On Board Changes

4. Given Kao's strategic priority is expanding away from the ex-growth domestic detergents into international beauty markets, and the current board already has strong Japanese market expertise, how would adding directors with global experience in these fields not enhance board effectiveness and corporate value?
5. Kao claims that it needs a smaller board to make faster decisions. However, peers have boards up to nearly double the size of Kao's and still outperform Kao. Why does Kao believe that adding more expertise and experience in areas of strategic importance will make decision making less effective?
6. Why did Kao subvert its own standards and only have the same two members of the Committee for the Examination of Director Nominees interview the Oasis candidates instead of the full five members of the Committee? Did the entire Board sign off on the disparaging assessment of Oasis' nominees?
7. How extensive was Kao's search for new independent outside directors? Were search firms mandated? Was the search global? Did the candidacies of the two new appointments arise from independent searches?
8. Why has Kao added several skills to the skills matrix for its incumbent directors versus the previous year? (for example: Osamu Shinobe now is considered to have global experience where he has not for many years previously.)

Questions on Director Qualifications

9. Kao rejected the Oasis Outside Director candidates with decades of overseas management experience by claiming that the Board has sufficient global experience.
 - a. How does Kao define "global experience"?
 - b. Kao's current Outside Director with the most recent overseas managerial role was a single year in Brazil ending in 2014. Why does Kao not value candidates with more recent international experience leading FMCG companies?
10. Kao also rejected the five candidates Oasis nominated, claiming that they were not CEOs or senior executives, or directors of a global listed companies.
 - a. What is Kao's definition of a "senior executive" and "global listed company"?

- b. Why is Mr. Yannis Skoufalos, who managed 57,000 staff as Global Head of Supply Chain at P&G, not considered to be qualified enough?
11. Why did Kao reject Anja Lagodny, a dedicated digital transformation specialist, while claiming that two Directors, with no primary IT/DX expertise, will provide sufficient expertise, despite acknowledging this skill is "critical" for the Board?

Questions on the Executive Team

12. In a meeting with Oasis, President Hasebe claimed that 50% of Kao's customer base is male. Third party polling data shows that in fact at least 69% of Kao's customers are female. What data does Kao have that backs up President Hasabe's 50% number?
13. In Kao's organizational changes, announced on December 2, 2024, three of Kao's non-Japanese international leadership left the Company and Kao replaced them with one former retired employee. Why has Kao not sought lateral hires of senior foreign executives as identified by METI as a key to promoting Japanese companies long term growth?
14. Kao's international competitors all have Chief Marketing Officers and external board members with marketing experiences, Kao has neither. Does Kao not believe in the importance of marketing?
15. Since President Hasebe's appointment as President, Kao's stock price, organic sales, ROIC and ROE have underperformed its international competitors. Why does the Company believe this is the case? Who is responsible for this decline?

Questions on Compensation

16. Kao claims that "(the) current compensation system for Directors... is appropriate... the compensation system proposed by Oasis does not contribute to enhancing our corporate value". Global peers like Kenvue, Unilever, Colgate, and Haleon link executive compensation to organic sales growth, TSR, and return metrics, and have outperformed Kao in all these areas. Could adopting similar performance-based compensation tied to core operating metrics align management incentives and enhance corporate value at Kao?
17. Why does the Company believe stock-based compensation for external directors would weaken their oversight function? Why does current management own so little stock relative to their annual pay? Do they not believe in Kao's future potential?
18. Kao prominently cites its 18-year streak of Ethisphere's "World's Most Ethical Companies" recognition in defending its ESG credentials. What are the total fees paid to Ethisphere, and its affiliates since 2006 for this widely criticized self-reported, pay-to-participate recognition program? Does Kao use Ethisphere in the determination of whether Kao's management has fulfilled its ESG targets for being awarded their long-term incentives?

In conclusion, we encourage shareholders to vote **FOR** Oasis nominates five independent, world-class Director candidates at Kao's upcoming AGM on March 21, 202 – these five highly qualified independent outside directors with deep global expertise in key strategic areas such as marketing, supply chain, digital transformation, and portfolio restructuring can help to set Kao on the right path to success. We also encourage shareholders to vote **FOR** Oasis's proposed revised compensation plan to align management's incentives with company performance. Oasis's proposals will bring Kao's governance in line with its global competitors, offering shareholders a no-risk opportunity for meaningful improvement

We encourage all shareholders to attend Oasis's Kao shareholder investor information day at The Okura Hotel on March 6 in order to meet Oasis's Outside Director candidates and hear Oasis's plan for A Better Kao.

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