

February 26, 2025

a better
kao

A Better Kao

Kao Corporation

4452.JP

abetterkao.com

OASIS

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Oasis Management

23-year track record of supporting portfolio company transformation

Founded in 2002, Oasis invests globally across capital structures with a focus on Asia. Our objective is to produce consistent, superior risk-adjusted returns across all market cycles for our investors.

Over our 23-year track record Oasis often engages with companies through constructive dialogue to help them increase value for all stakeholders often by growing revenue, profitability and improving governance.

More recent public engagements include Raysum, Fujitec, Sun Corp and Tokyo Dome.



Kao Corp. Japan's Sleeping Giant

Founded in 1890, Kao Corp is Japan's largest Fast Moving Consumer Goods ("FMCG") company, with a diversified product portfolio spanning everything from children's diapers to luxury skincare.

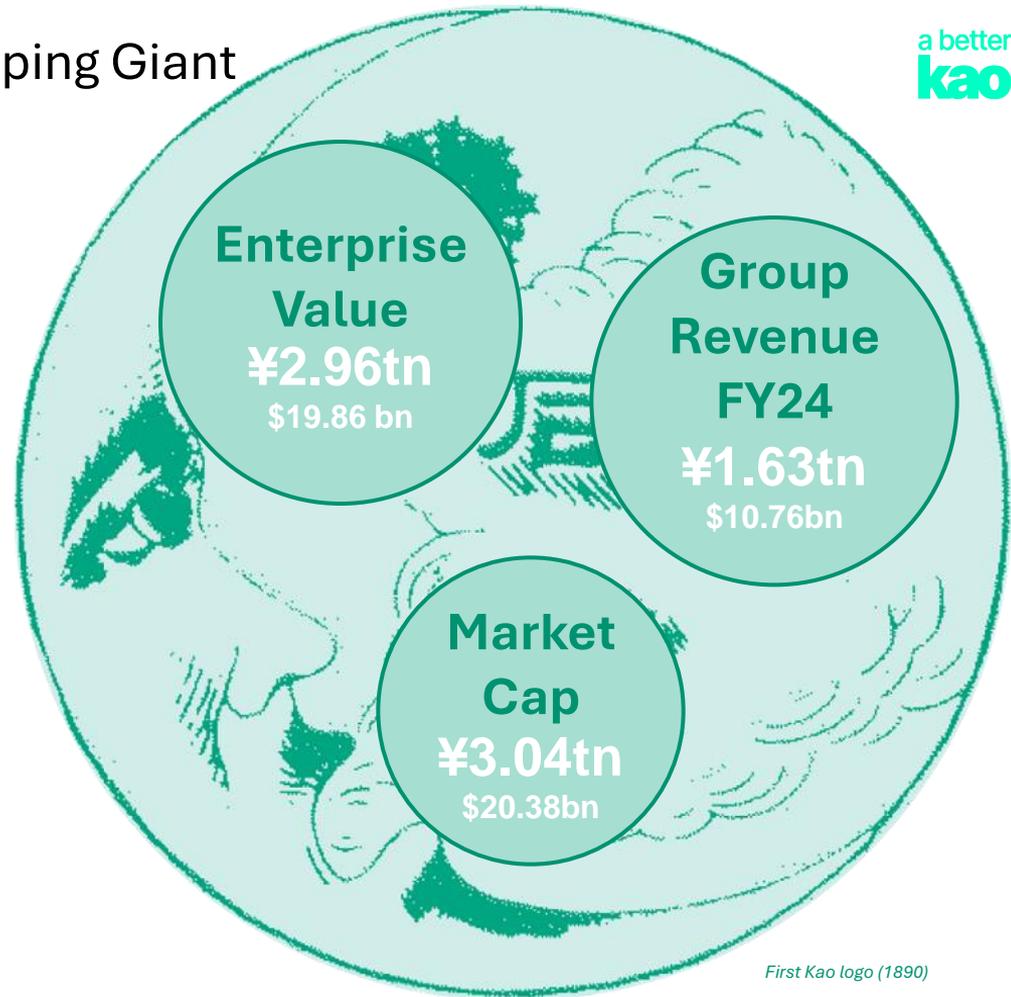
In addition to its core consumer products business, Kao retains a **sizable chemicals business** focused primarily around oleochemicals.

Within its FMCG business lies considerable growth potential. The **Cosmetics and Health & Beauty** divisions give exposure to international growth runways that would allow Kao to compete with global leaders like L'Oréal and Beiersdorf.

To date, this growth potential has not been capitalized on, and Kao has fallen behind global peers.

The reason: Kao overspends on R&D, underspends and under appreciates marketing, supply chain and pricing policies.

The solution: Directors with those expertise to help the company



First Kao logo (1890)

Executive Summary

Kao's Global Potential

Kao can be a world-class leader in FMCG, **BUT** it lacks both a compelling growth strategy or the focus on key operating metrics to ensure success against peers like Beiersdorf, L'Oréal, Unilever, and P&G.

It fails to generate adequate returns on R&D, underspends on marketing, has not optimized working capital, loses margin due to poor pricing strategies and lags on digital execution.

What Change is Needed?

Oasis proposes adding **5 new external directors** to boost expertise and diversity, plus **new long-term incentives** to drive profitable growth.

What does a Vote FOR Mean?

A vote FOR adds experienced directors to accelerate growth and align management incentives to long-term value creation.

What's the Downside?

This is NOT an either/or decision - this adds qualified directors without removing incumbents. Investors can add much needed sectoral expertise to the Board while preserving continuity.

Are the Nominations "Hostile"?

This is a **constructive proposal** – these directors are additive to the current board.

a better
kao

Oasis presents **shareholders with the choice of "A Better Kao"** through the nomination of five highly qualified and independent candidates, sourced from a months-long extensive global process:



Yannis
Skoufalos

Martha
Velando

Lanchi
Venator

Hugh
Dineen

Anja
Lagodny

- ✓ Enhanced skill profiles to transform Kao to a global leader
- ✓ Independence to strengthen key governance processes
- ✓ Zero Downside as not seeking to replace incumbents
- ✓ Resulting from an extensive global search process

Oasis also proposes a series of **compensation reforms** to increase alignment of both inside and outside directors in creating long-term profitable growth.

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The Choice for a Better Kao is Clear

VOTE  #4
BETTER

Oasis proposes five **unquestionably independent and highly qualified directors**, following an **extensive, robust and independent search process**. With over a century of combined **industry experience and diverse skills in critical areas** for Kao's long term value creation – including supply chain, marketing, digital, pricing, portfolio management, and previous public board experience – Oasis' nominees are **aligned with stakeholders' collective vision for a better Kao**.



4.1 Yannis Skoufalos	<i>FMCG Supply Chain Specialist</i>	
4.2 Martha Velando	<i>Cosmetics Chief Marketing Officer</i>	Aēsop. L'ORÉAL
4.3 Lanchi Venator	<i>Consumer Goods Commercial Leader</i>	 
4.4 Hugh Dineen	<i>FMCG Turnaround Strategist</i>	 
4.5 Anja Lagodny	<i>Digital Transformation Leader</i>	 

See [HERE](#) for key skills, biographies and career history, as well as rebuttal to Kao's rationale for opposition 

Additive Skill Profiles to Fill Gaps

Oasis' candidates bring distinctive skills in key areas – ranging from digitalization and finance to cosmetics, health & beauty and marketing – **without compromising any of the incumbent Board's areas of expertise.**

	Skills Considered Key by Kao										Additional Skills Considered by Oasis			
	Management	Global	Consumer Goods Industry	Chemicals Industry	Branding	Human Capital Strategy	R&D	Environment / Society	IT/DX	Legal / Risk Management	Finance / Accounting	Cosmetics / Health & Beauty	Consumer Marketing	FMCG Supply Chain
Hasebe	X	X	X	X		X	X	X	X			X		
Negoro		X		X					X		X			X
Nishiguchi		X	X		X							X		
MacCallum		X	X		X	X		X		X				
Shinobe	X	X						X		X				
Sakurai	X	X		X		X		X						
Nishii	X	X	X			X					X			
Takashima	X	X								X	X			
Casanova	X	X	X		X	X		X						
Skoufalos	X	X	X			X		X	X		X	X		X
Velando	X	X	X		X							X	X	
Venator	X	X	X		X	X					X	X	X	
Dineen	X	X	X		X	X					X	X	X	
Lagodny	X	X	X			X		X						X

 Kao-Nominated Outside Director

 Oasis-Nominated Director

 New Kao Nominee

 Kao-Nominated Inside Director

 Director Specialism

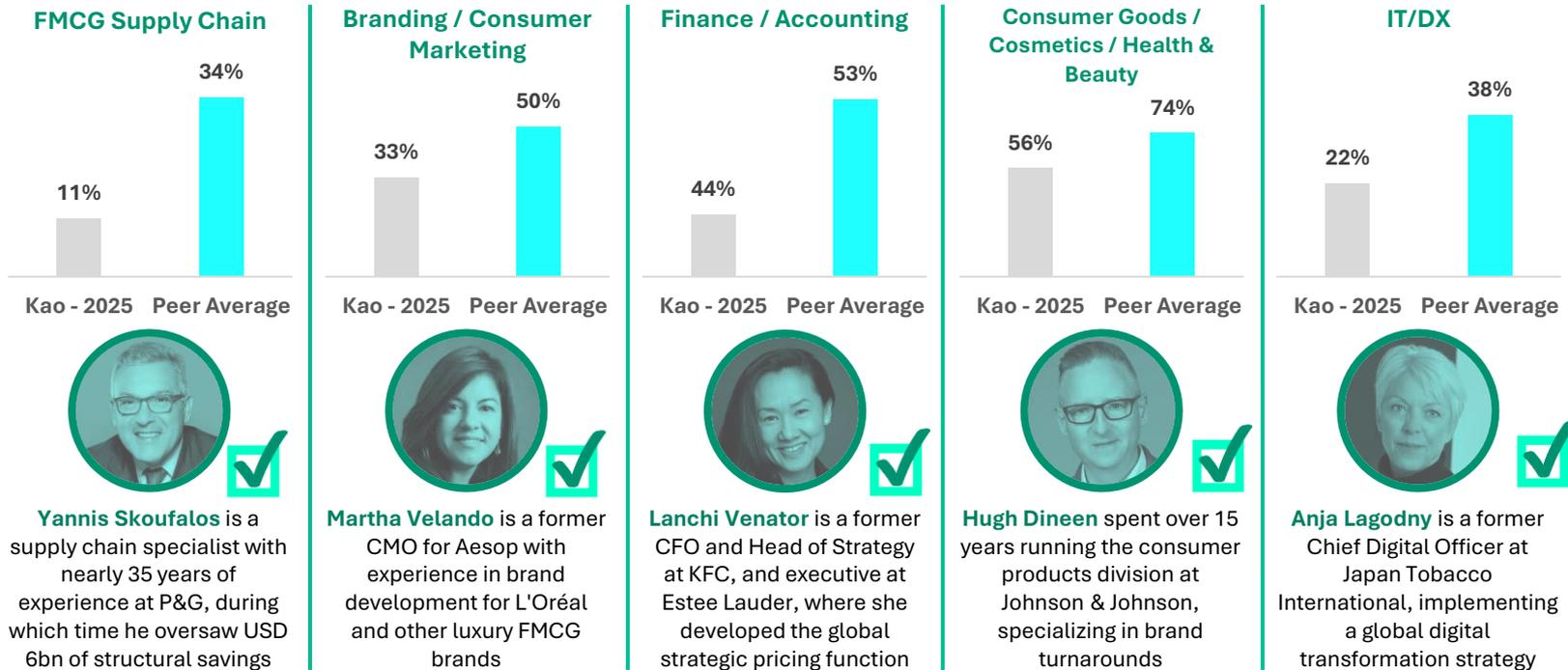
 Skills that directors did not possess in the 2024 Integrated Report (May 2024) but did in the Board's 2025 Notice of Meeting (February 2025).



"We expect companies to... demonstrate the right and well-balanced skillset required for achieving sustainable growth of the company." Guidelines for Exercising Voting Rights, (Japanese Equities) ([Source](#))

Peer-Aligned Board Skills Profile

Kao's nominees have **lower skills coverage across critical areas compared to peers** such as supply chain, marketing, finance, consumer goods and digitalization. **Oasis' nominees bring the key skills Kao needs to become a global leader.**



Kao - 2025

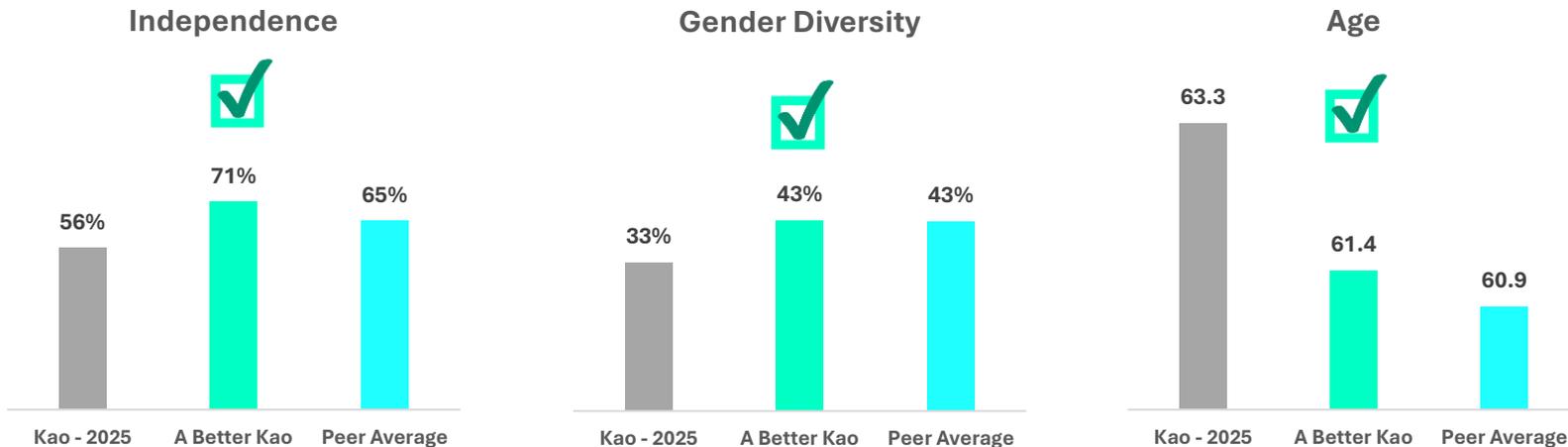
All Kao-nominated directors (not including Oasis's nominees)

Peer Average

Average of Kao's peers*

Peer-Aligned Board Demographic

Electing all 2025 AGM nominees (both Kao and Oasis nominated directors) will make Kao's Board **more independent**, **more diverse**, and **younger**.



- Kao - 2025** All Kao-nominated directors
- A Better Kao** All nominated directors
- Peer Average** Average of Kao's peers*

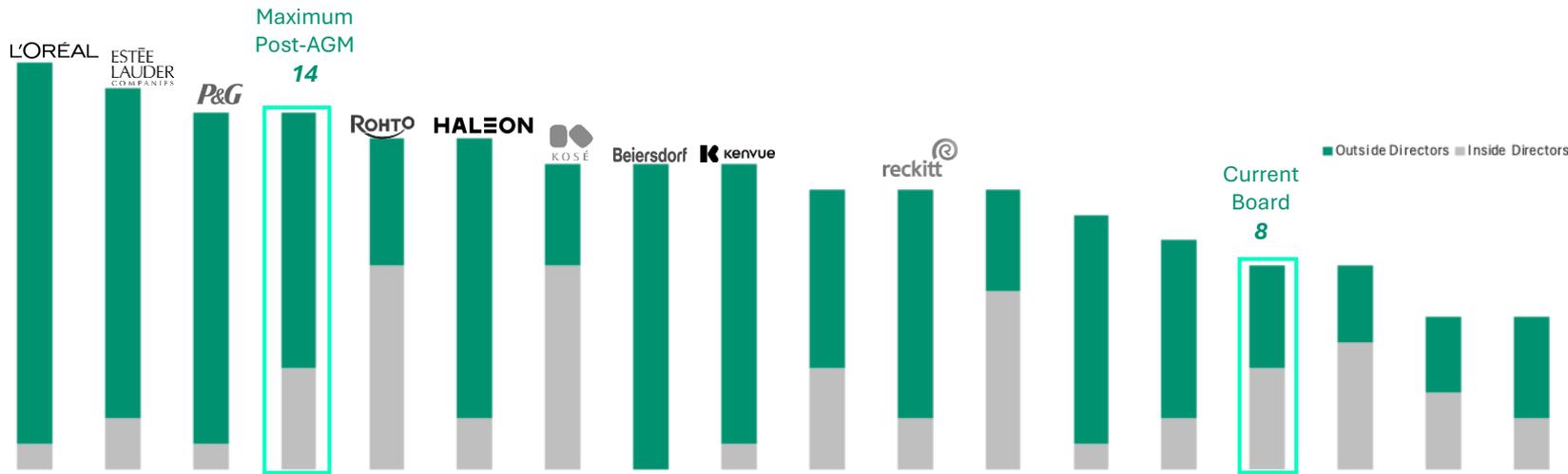
 Which of the Board options is best aligned with peers

Room for both Oasis and Kao nominees

Expanding the board to peer-aligned levels provides more expertise, and more independence

FMCG peers commonly have boards larger than Kao's current size. Indeed, Kao's small Board failed in preventing several years of underperformance and strategic errors. Global peers have welcomed a large majority of outside directors meaning not only a stronger independent counterweight, but significantly greater scope to introduce strategic skills onto the board.

Oasis believes the low board size limits the coverage of skills, diversity and independence.



Proposals to Align Directors

Incentivizing management to perform, and outside directors to oversee

#5/#6: Aligning Outside Directors

Board compensation limit increase to accommodate the addition of our new outside director candidates – **average individual director cash pay would remain unchanged**. Outside directors of Kao were paid an average of JPY 17.8 million in FY23 (roughly USD 110,000).

SEE [HERE](#) FOR MORE DETAIL

Outside Directors to receive 1,000 shares annually, aligning their interests with shareholders and to promote long-term corporate value.

SEE [HERE](#) FOR MORE DETAIL

#7: Aligning Inside Directors

New long-term incentive plan rewards **measurable** results: organic sales growth, gross margins, and credible ROIC targets while retaining certain sustainability elements, but focused on **verifiable benchmarks**.

Improvements proposed in Oasis' Plan

- ✓ Pay plan oriented towards long-term value
- ✓ High level of pay linked to performance
- ✓ Plan based solely on quantified targets
- ✓ Metrics distinguish business segments
- ✓ Metrics prioritised based on value creation
- ✓ Metrics cannot compensate for each other
- ✓ TSR assessed relative to global peers
- ✓ ESG metrics defined clearly
- ✓ Malus and Clawback provisions
- ✓ Designed with shareholder input
- ✓ Transparent disclosure for shareholders
- ✓ Promotion of plan for all executive officers



SEE [HERE](#) FOR MORE DETAIL

2025 Annual General Meeting

Oasis recommends shareholders to support the elections of additive board profiles and compensation reforms. We are not issuing guidance on how shareholders should vote on management-sponsored items.

“A Better Kao” Shareholder Proposals (2025 AGM)

4	Elect Director Skoufalos, Yannis	FOR
	Elect Director Velando, Martha	FOR
	Elect Director Venator, Lanchi	FOR
	Elect Director Dineen, Hugh	FOR
	Elect Director Lagodny, Anja	FOR
5	Executive Equity Compensation	FOR
6	Non-Executive Equity Compensation	FOR
7	Compensation Limit Adjustments	FOR

VOTE  #4
BETTER





Management's Report Card

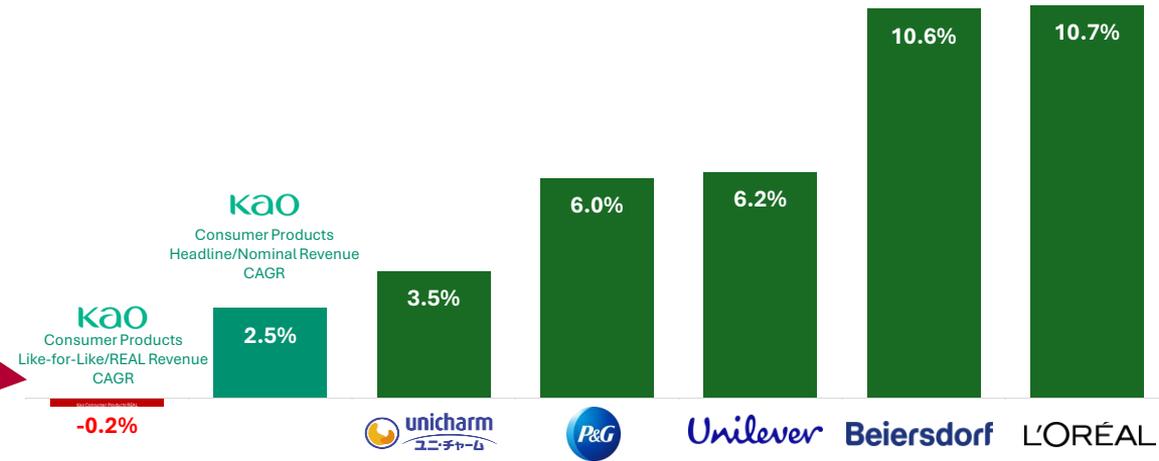
Failures in Cosmetics and Health & Beauty

Subject	Performance	Comments
Hygiene & Living Care	✓	Margin recovery in detergents through improved pricing and raw materials stabilized group profits. However, depending on this low-growth domestic segment masks management's failure to generate sustainable broad-based growth
Chemicals	✓	Improved spreads raised margins near cyclical peaks. Limited upside remains in this capital-heavy, cyclical business that's less profitable than what should be a well-run FMCG operation.
Health & Beauty	✗	Poor M&A and slow response to consumer trends has reduced margins from high teens to single digits over the last four years with no clear turnaround plan.
Cosmetics	✗	While macro issues exist, Kao missed growth in good times and suffered disproportionately in the downturn. A slow pace in focusing on key brands and expanding in high-margin derma is concerning.
Operational & Capital Efficiency	✗	High inventory days and cash conversion versus peers locks up capital needed for marketing and growth that could rapidly boost profitable revenue expansion.
Digital Strategy	✗	Poor adaptation to digital consumption has led to what we estimate are significant lost revenues. Making same mistakes that more advanced peers did instead of learning from their errors is a missed opportunity for Kao.

LOW Consumer Goods Revenue Growth

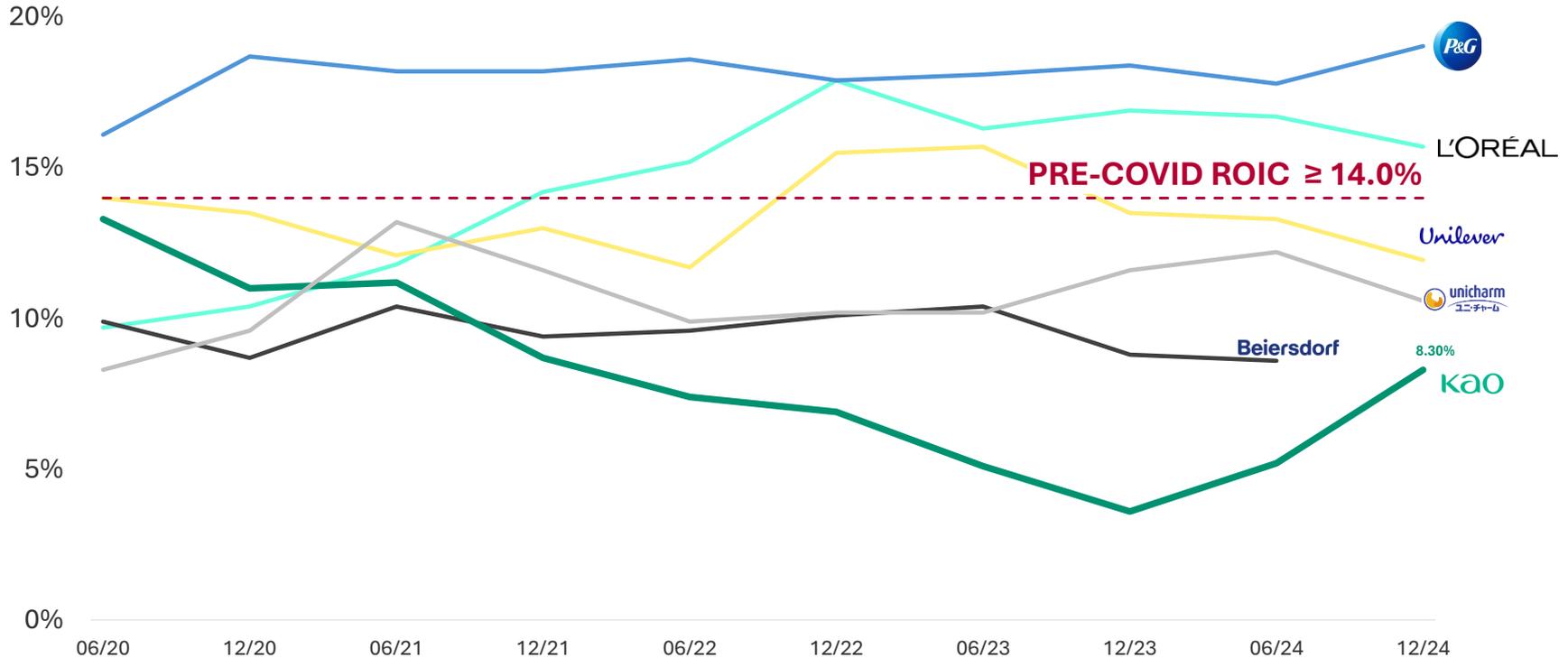
Underlying Real Sales CAGR 2020-24 (2020 = 100)

Kao is unique among global FMCG companies for having **NEGATIVE** underlying **REAL** sales growth between 2020-24 and no organic sales growth target.



UNDERPERFORM on ROIC

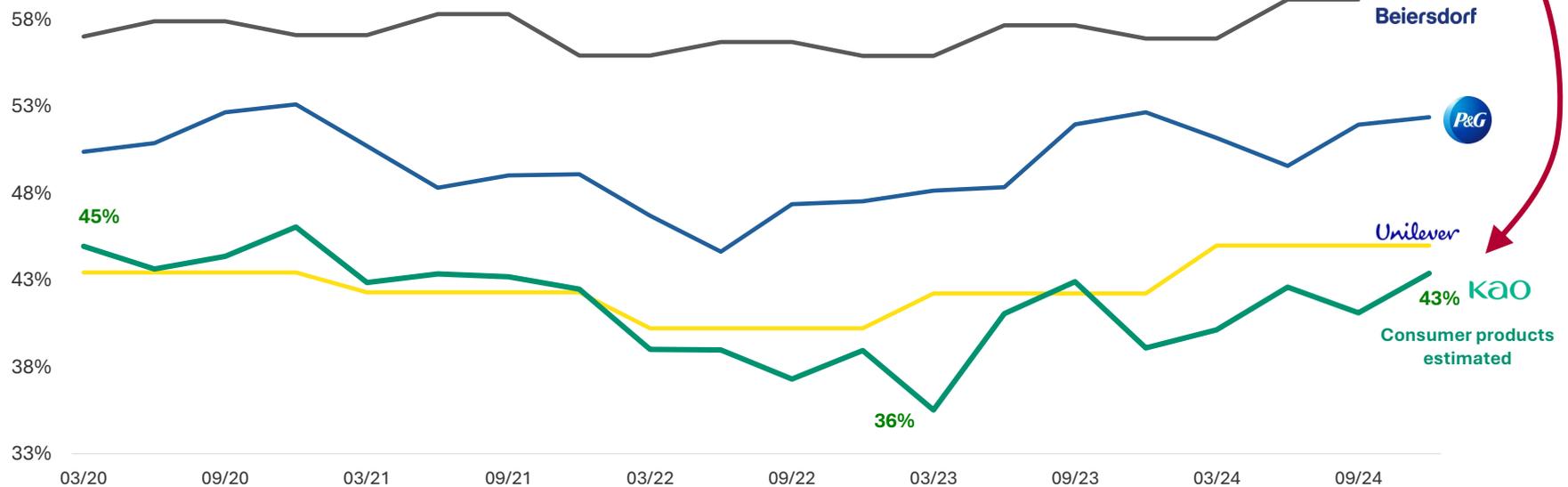
Return on Invested Capital (ROIC)



LAGGING on Consumer Products Margins a better kao

Estimated Consumer Products Gross Margin (2020-2024)

At a minimum, industry leading FMCG companies should achieve normalized gross margins of over 45%. Currently, we estimate Consumer Products Gross Margins remain below pre-Covid levels and far below peers.



DECLINING Margins in Health & Beauty

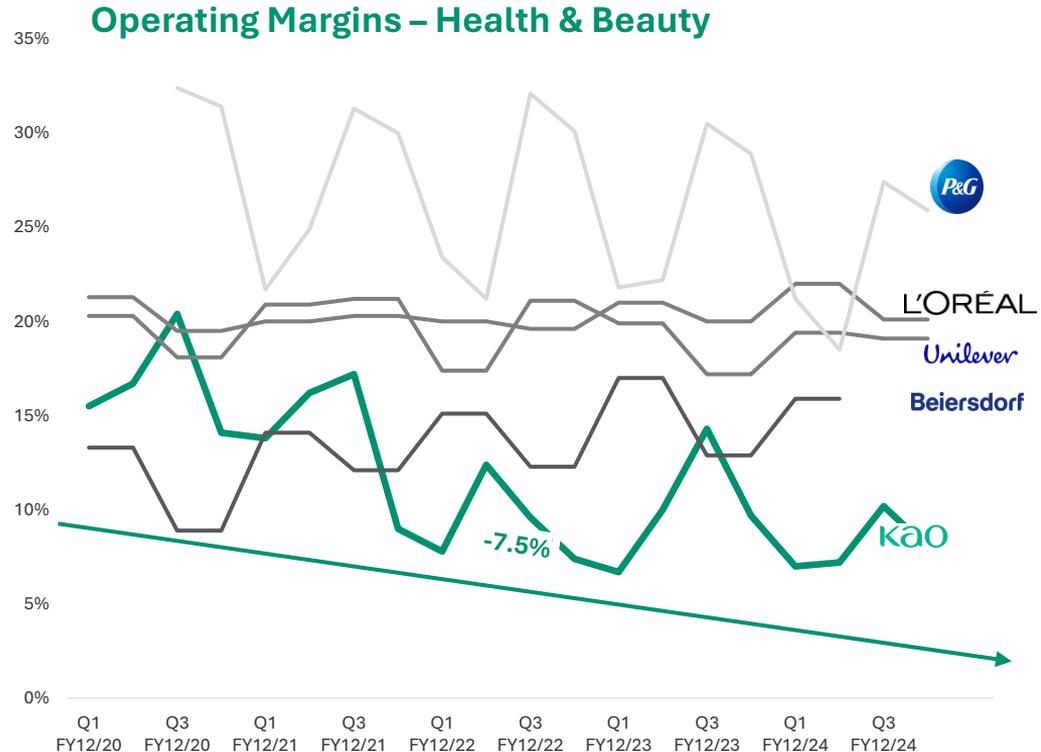
Best-In-Class Brands Obscured By Bad Choices

Kao has significant overseas potential via existing brands like Biore, Jergens, and Oribe in its Health & Beauty (H&B) segment.

Once a profitable mid-teens margin business, margins have been falling since 2020 and the past three year average operating margin is now just single digits.

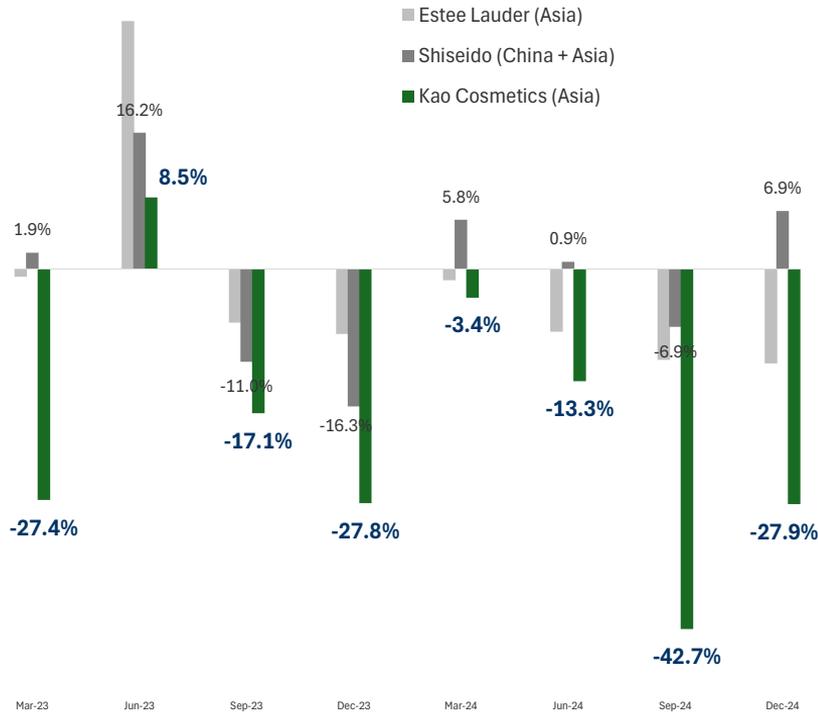
Management most recently blamed restructuring of its EU haircare business - but even if these impairments are reversed, profits were down last year suggesting deeper leadership and oversight issues.

As in Cosmetics, H&B has far too many small non-core brands and we believe H&B has been additionally handicapped by particularly poor management judgement and board supervision over M&A.



Cosmetics **FAILING** in Key Markets

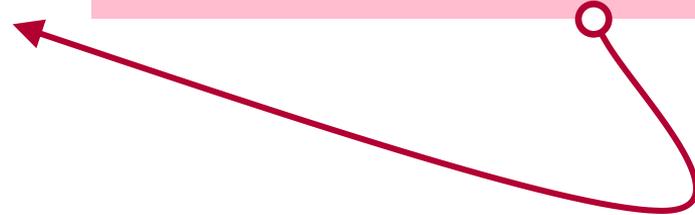
YoY Revenue Change in (Asian Cosmetics)



Kao Captures Less Upswing and More Downswing of the Asian Market than Peers

While the entire industry has suffered a collapse in demand from the Chinese market, **the scale of Kao's decline is unsettling.**

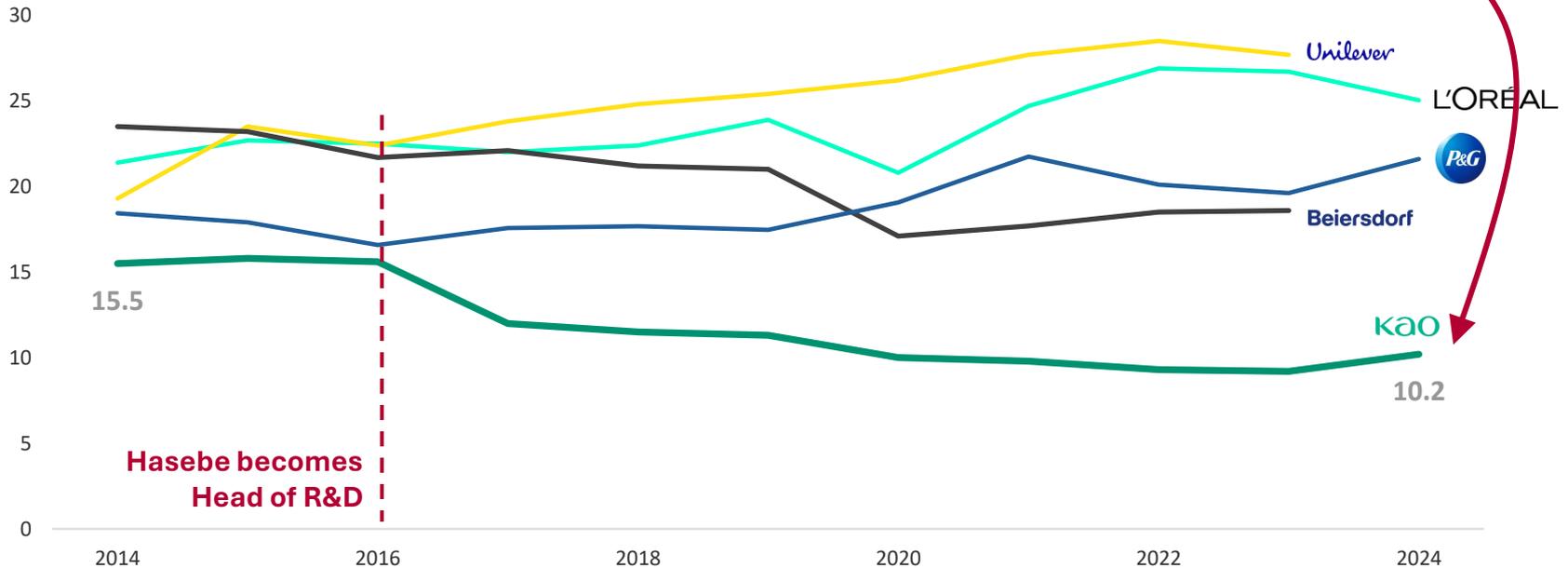
Despite having promising derma cosmetics brands like Curél, **Asian Cosmetics shrunk 21.8% YoY** in 2024. Meanwhile L'Oréal's derma business in China grew 14%.



UNDERPERFORMING on R&D

Return on Research Capital* (RORC) 2014-24

Kao is failing to effectively convert its large R&D spend into products that customers want to buy.



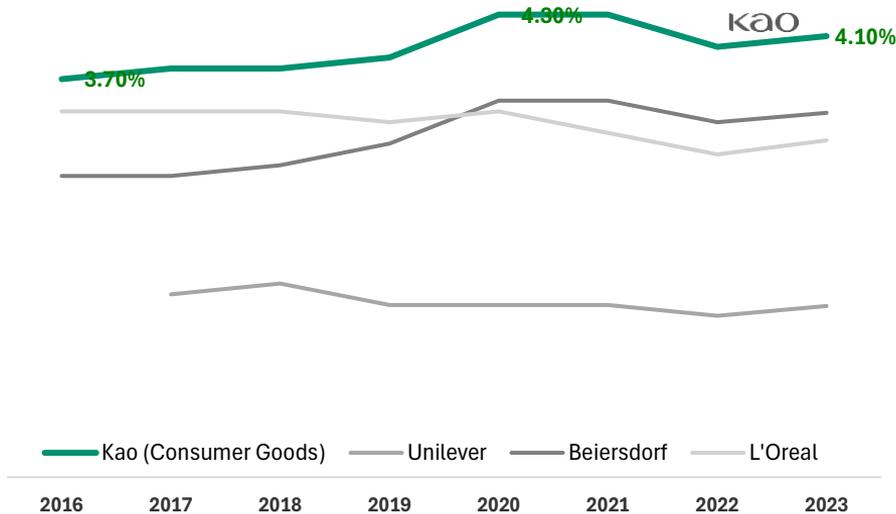
OVERSPENDING on R&D

Kao spends more on R&D as a % of Revenue than global peers

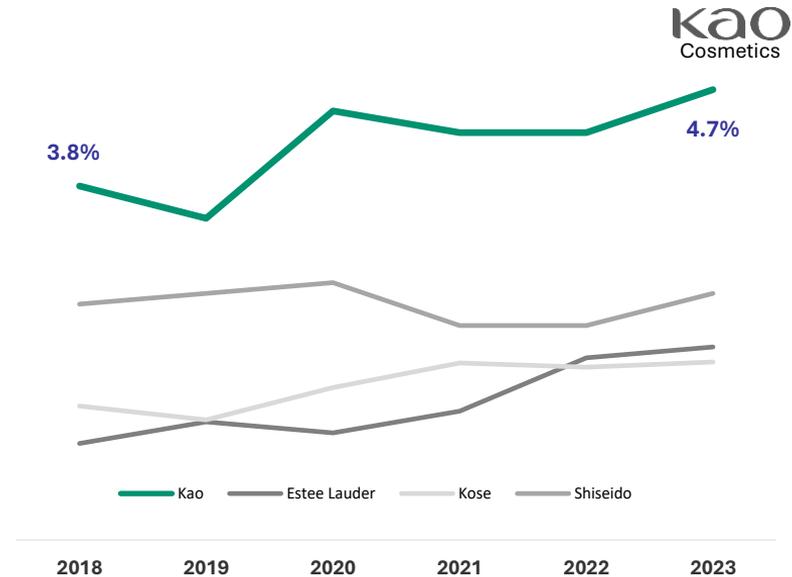
This is particularly acute in the Cosmetics and Health & Beauty divisions.

Oasis estimates that normalizing these costs to the business size would have added 250bps of operating income to both divisions in 2023.

R&D Spend as % of Revenue



R&D Spend as % of Revenue for Cosmetics

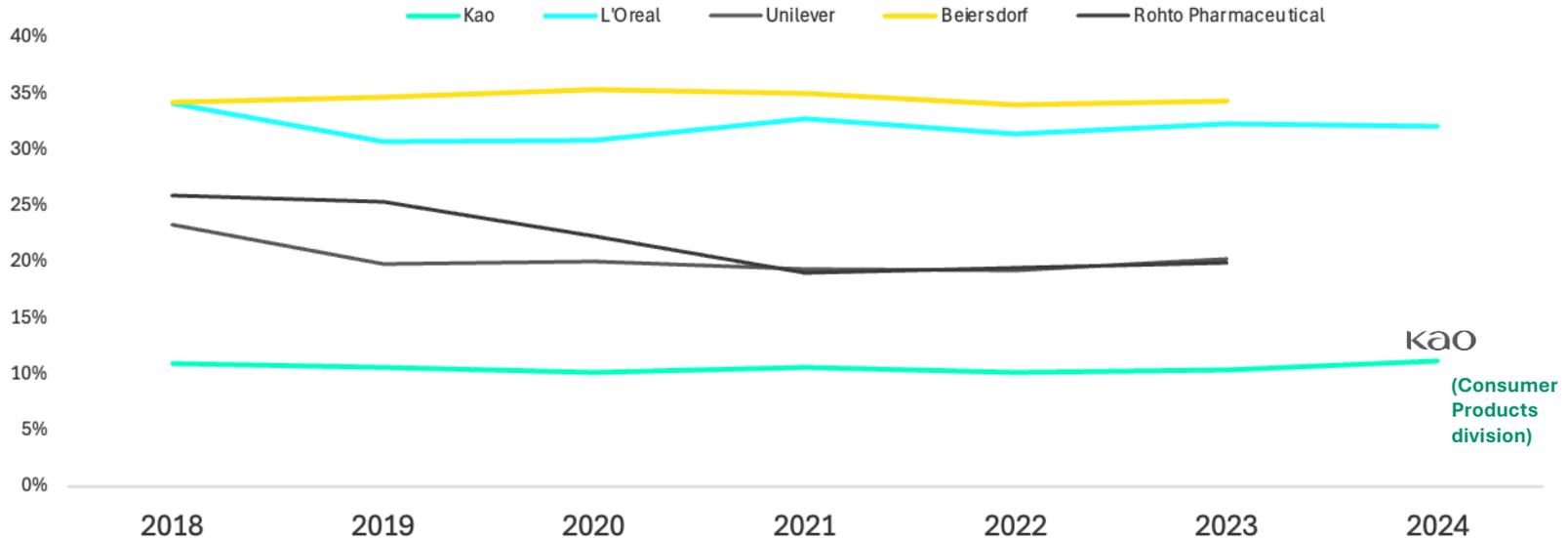


UNDER-INVESTING in Marketing

Group-wide Opportunity to Invest into Marketing...

Kao has a substantial opportunity to invest more in marketing. Relative to revenue, the Group's Marketing & Advertising Spend in consumer products segments is well below peers:

Marketing Spend as % of Revenue



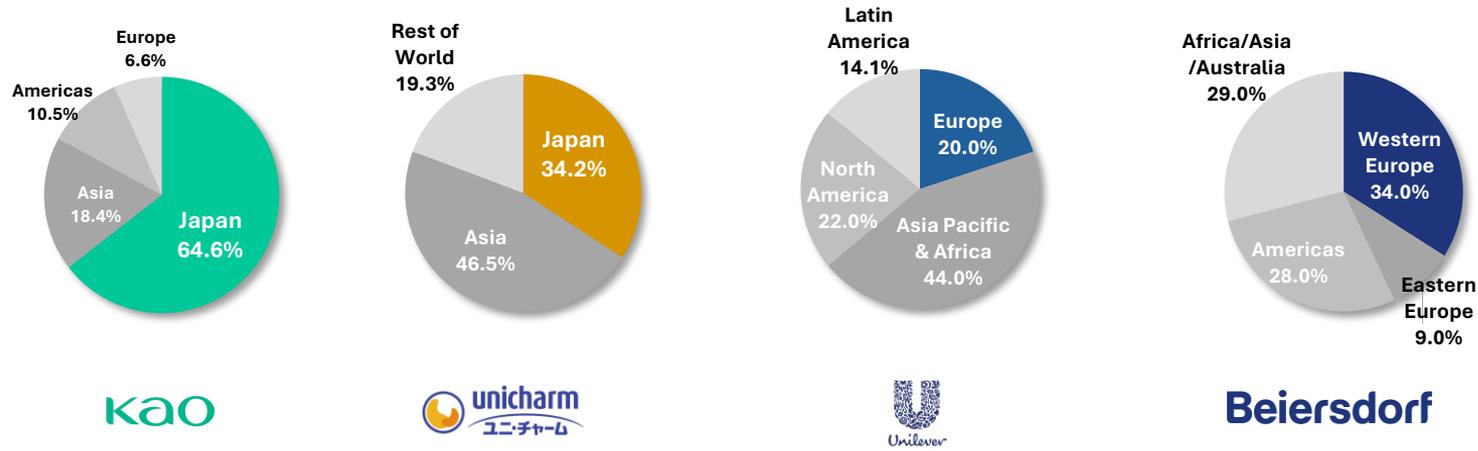
Greater investment would lead to increased brand visibility, consumer awareness, market share and competitiveness.

LACK of Geographic Diversification

Kao's Consumer Products Business Has Not Been Fully Internationalised

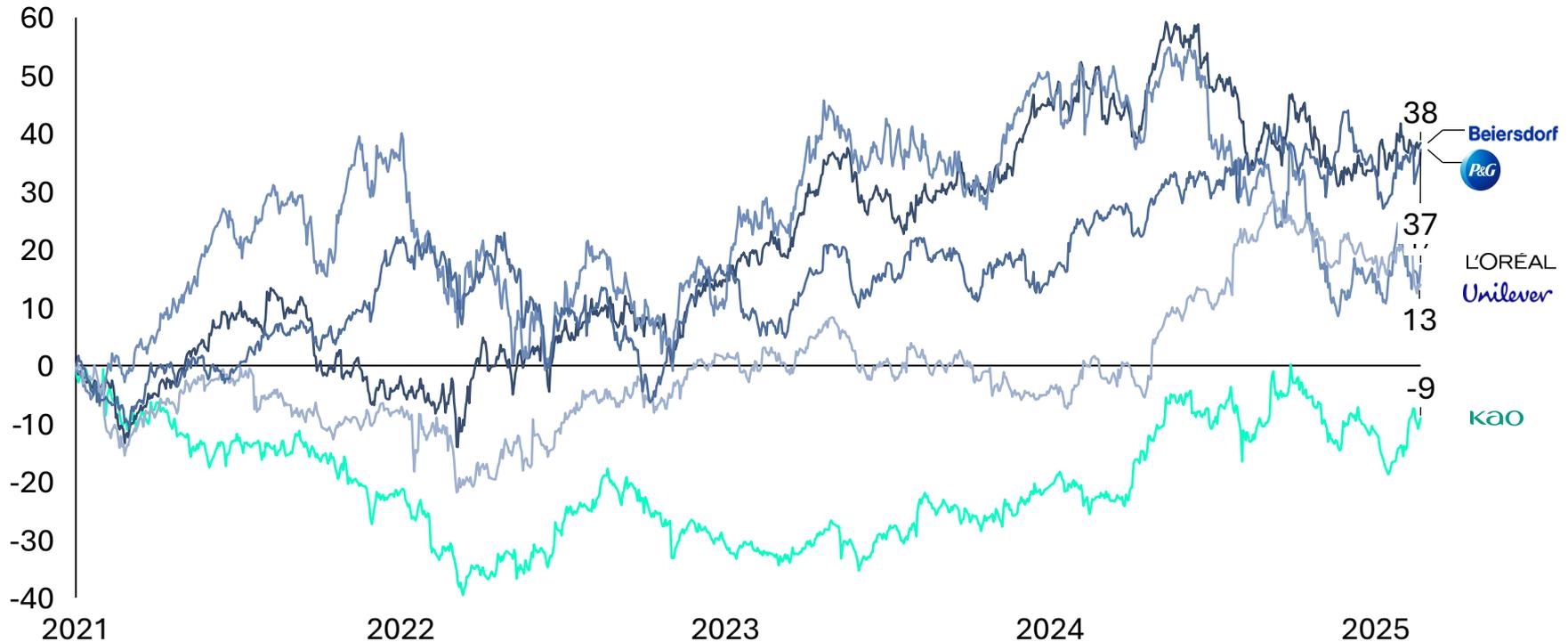
Like Unicharm, most global peers generate between 20-35% of revenue in their home market making them less prone to local revenue shocks.

Unlike Unicharm, Kao has **NOT** sought to leverage its strong brand portfolio or invested adequately in its overseas operations. As a result, nearly 2/3 of its Consumer Products revenue comes from Japan.



BELOW Peer Total Shareholder Returns

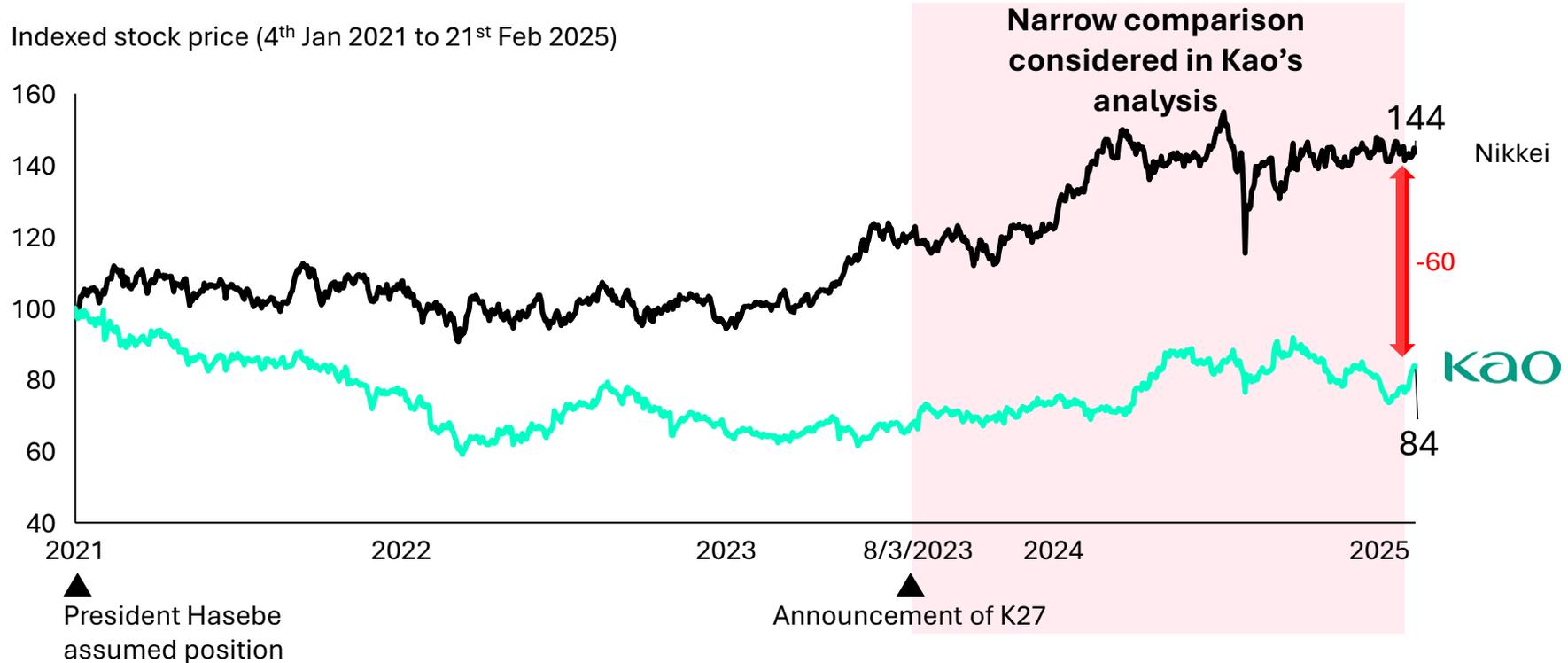
Total Shareholder Return (2021 – 21st February 2025)



BELOW Index Total Shareholder Returns

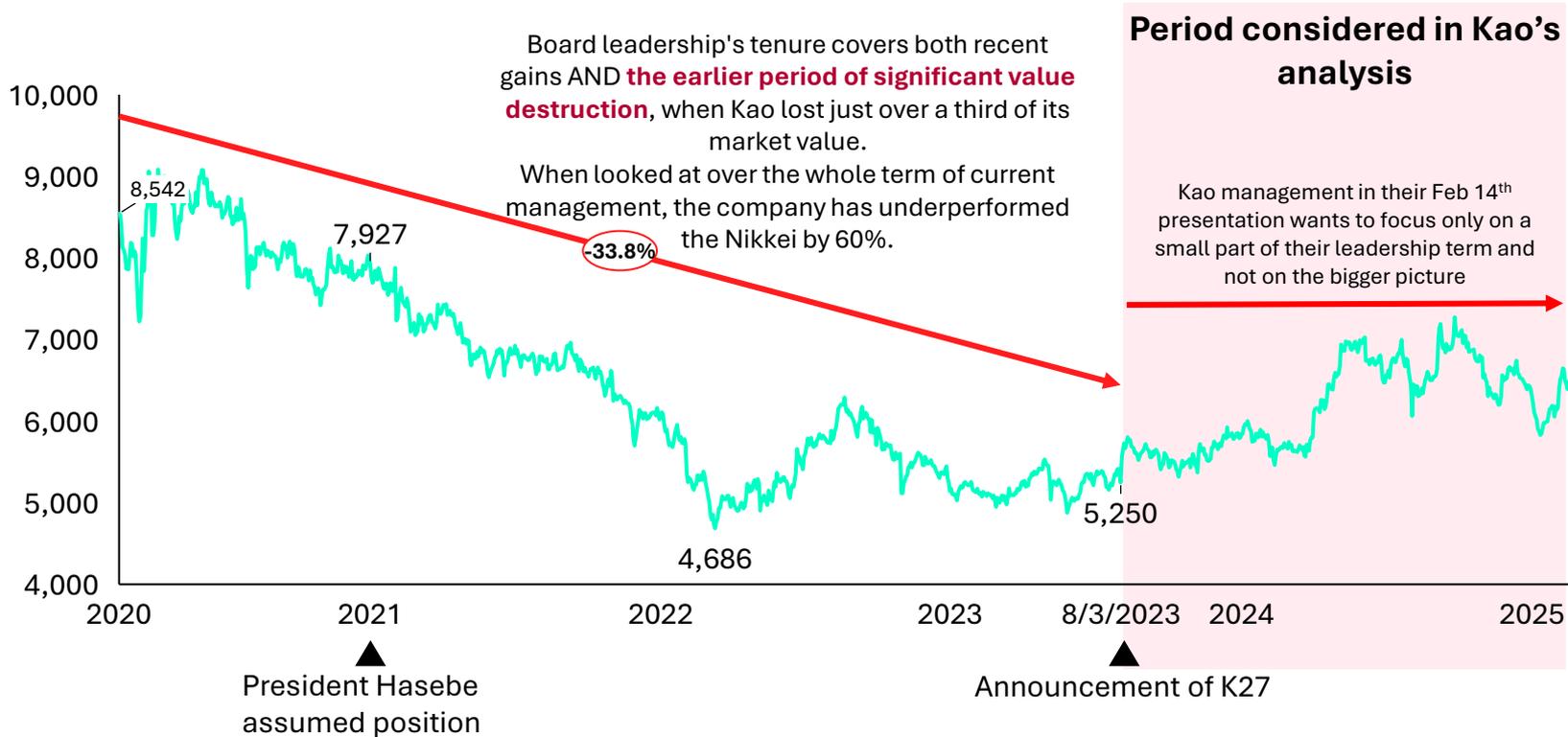
Under President Hasebe Kao has substantially underperformed the broader index.

Indexed stock price (4th Jan 2021 to 21st Feb 2025)



Stock Price Remains Depressed

Kao's Claim: "The steady progress of K27 can largely be attributed to the contribution of oversight and advice made by the current Outside Directors."





Kao is not interested in Competing Globally...



We want to be a company that is not compared to P&G or Unilever.

President Hasebe, [Weekly Economist Interview](#), April 2021



Kao has lost focus for **ANOTHER KAO**

Kao Focuses on Another Kao, Instead of A Better Kao

First introduced in K25, President Hasebe set out his vision to **pivot Kao into various fields** including health care and enzyme-driven batteries, reallocating resource from focusing on being “better” in existing segments.



“Mondrian was concerned that Kao risks losing focus on its core consumer goods business, which is under tremendous pressure related to raw material prices and increased competition”. **Stewardship Report 2023**

Kao Doesn't Understand its CONSUMERS

Management Believe Women Comprise Just Half the Customer Base

Industry-standard third-party consumer polling data shows the gender split for Kao is at least 69%.

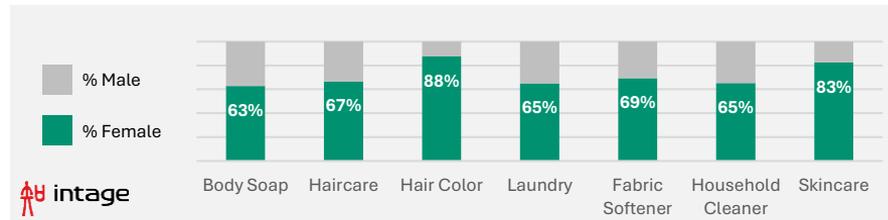
“
... Amongst the customers, women represent about half
 ”
 President Hasebe, Meeting with Oasis, June 2024




Meanwhile...

Peers' CEOs appear to have a much clearer understanding:

“
A disproportionate number of our consumers are women (...) the company heavily markets its products [to women]
 ”
 Jon Moeller, CEO, P&G – [Cincinnati Enquirer](#), February 2024

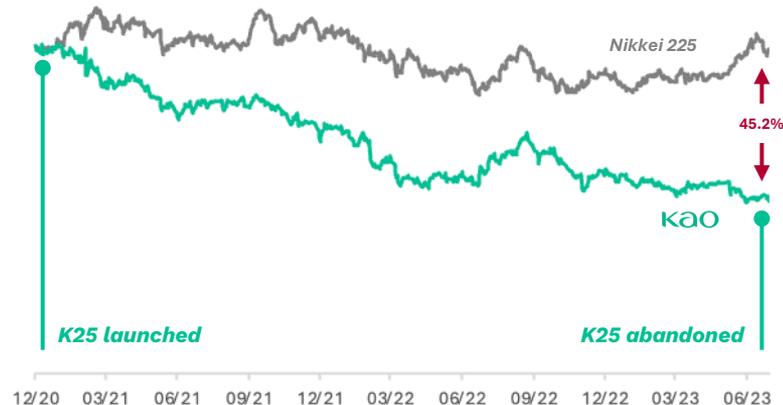



K25 – Abandoned Half-Way

K25 – Lacking Detail

Announced in December 2020, K25 was criticized for **lacking detail**. It contained just two financial targets - Net Sales and Operating Income. K25 made clear to investors that the new CEO's strategic intent was not aligned with what Kao's consumer brands needed to achieve growth.

Half-way into its term, Kao announced that it was abandoning K25, during which Kao's share price declined by nearly half.



K27 – Lacking a Growth Story

Introduced in August 2023, K27 received a **muted reception** from investors, failing to convince the market that Kao was committed to growth.

“ Killer Strengths, Just Needs a Killer Growth Strategy ”
 October 03, 2023
 SMBC日興証券

“ Kao has not been able to present a concrete action plan for its global expansion ”
 Analyst, Foreign Asset Manager
 Via Investor Survey Commissioned by Oasis, 2024

“ The plan is underwhelming ”
 Analyst, Domestic Asset Manager
 Via Investor Survey Commissioned by Oasis, 2024

See [here](#) for the Investor Survey carried out by an independent party for Oasis

K27 - Uninspired K27 Plan

Kao's K27 Plan is Under-Ambitious and has Failed to Convince the Market

Kao's current medium-term plan (K27) announced in August 2023 received **muted market reactions**, key shortcomings are:

1. **LACKS KEY METRICS: K27 HAS NO GROUP SALES TARGET.**

It's hard to plan for profitable sales growth when you don't know what you are aiming for.

2. **REMARKABLY UNAMBITIOUS IN ITS FEW TARGETS.**

For example, Kao's K27 ROIC target of 11% equals the **LOWEST** annual ROIC posted by a peer group of international FMCG companies over the past five years.¹

Kao's four "strategies" for achieving K27 objectives are **vague on the concrete actions and measurable milestones & metrics to be implemented and tracked** to hit the modest goals and grow profits.

Unsurprisingly, investor confidence in management's ability to deliver is low given its abandoning of the previous K25 Plan.

K27 Targets	
ROIC	Over 11%
EVA	Over JPY 70bn
Operating Income	Over JPY 211.7bn
Overseas Sales	Over JPY 800bn

Build 'Global Sharp Top' Businesses

'Global Sharp Top' Human Capital and Organizational Management

Improve Capital Efficiency/ Profitability

Build business through Co-Creation with Partners

Kao is Not Interested in Clear KPIs...



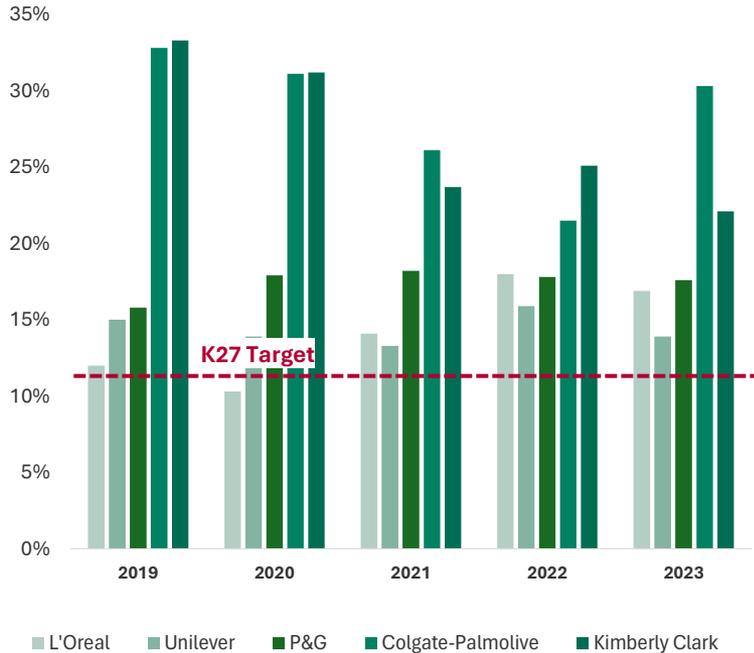
Conventional numerical targets are easy to manage because the degree of achievement is clear, but I had long felt that they did not fit in with Kao's culture, which values the clash of different qualities and challenges that we have fostered.

President Hasebe, August 2021, [Sentankyo](#)



K27 Targets Already Lag Peers

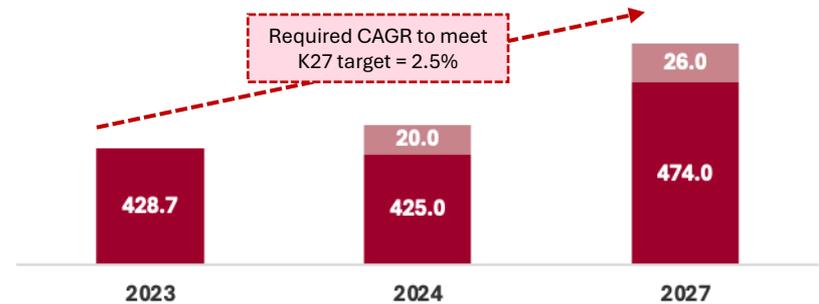
Kao's ROIC target is already being exceeded by peers



Overseas Net Sales

As Kao's target for overseas sales includes Chemicals, Oasis estimates the underlying foreign sales target for Consumer Products is just JPY 500bn.

Factoring in the acquisition of Bondi Sands, Kao requires a CAGR of just 2.5% to meet the target. Global FMCG companies should achieve this level of growth just through annual pricing adjustments alone.



In K20 (announced in 2017), Kao aimed for JPY 1tn from overseas sales by 2030. This target is not possible at this rate...

“ They need more aggressive targets in both growth and profitability ”

Analyst, Domestic Asset Manager
Via Investor Survey Commissioned by Oasis, 2024



Growth Drivers Are Not Growing

International Cosmetics

Global expansion in growth driver areas

- Actively investing in the businesses that we have designated as global growth drivers
- Each business in the Growth Driver area is steadily expanding its sales outside Japan

While Kao reports 12.1% revenue growth in international cosmetics (excluding China) this figure requires important context:

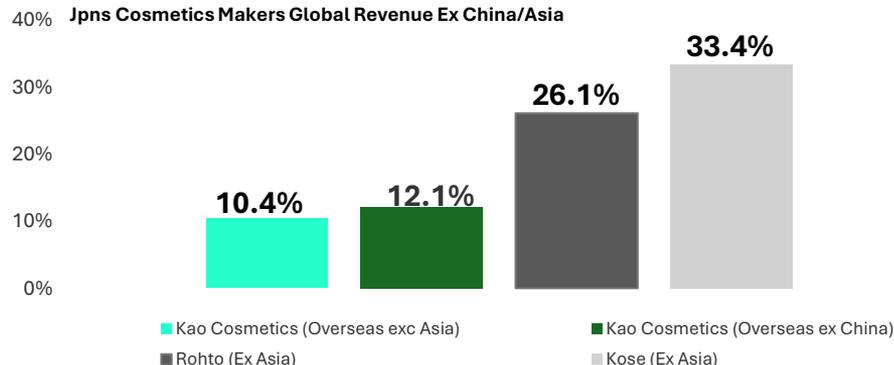
- **Excludes China:** This growth contrast sharply with – and failed to offset – Kao's Chinese market performance, where revenue declined by a 21% CGAR over the three years.
- **Lags Peer Performance:** Kao's international growth ex-China actually significantly underperforms peers in similar markets. Competitors like Kose achieved 33.4% CAGR in non-Asian sales and now surpasses Kao's revenue in markets outside Asia.

When looks at holistically this is NOT anywhere near the 'robust recovery' management claims.

In fact, **Overseas Cosmetic Sales have FALLEN 8.8% since K27 was introduced.**

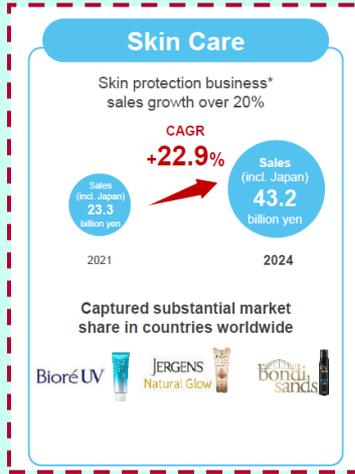


2021-2024 REVENUE CAGR



Skin Care is barely Growing

Skin Care – Kao's Claim



Kao's claimed 22.9% growth in Skin Care (2021-2024) warrants closer examination. **We think this growth primarily comes from consolidating Bondi Sands in 2024**, which generated AU\$190mn (18.2bn yen) in 2023, according to local media*.

Assuming Bondi Sands grew at 6.8% - the implied rate for the self-tan business in Kao's 2023 Skin Care Protection briefing - the UNDERLYING Skin Care business grew at just 0.7% CAGR.

Indeed, Kao management has talked about topline growth at Bondi Sands but hampered by increasing costs... which suggests **organic sales growth in skin protection may well have been NEGATIVE**.

Sunny days: Bondi Sands offloaded to Japan's Kao for \$450m

August 01, 2023

APR

Skin Care – The Reality

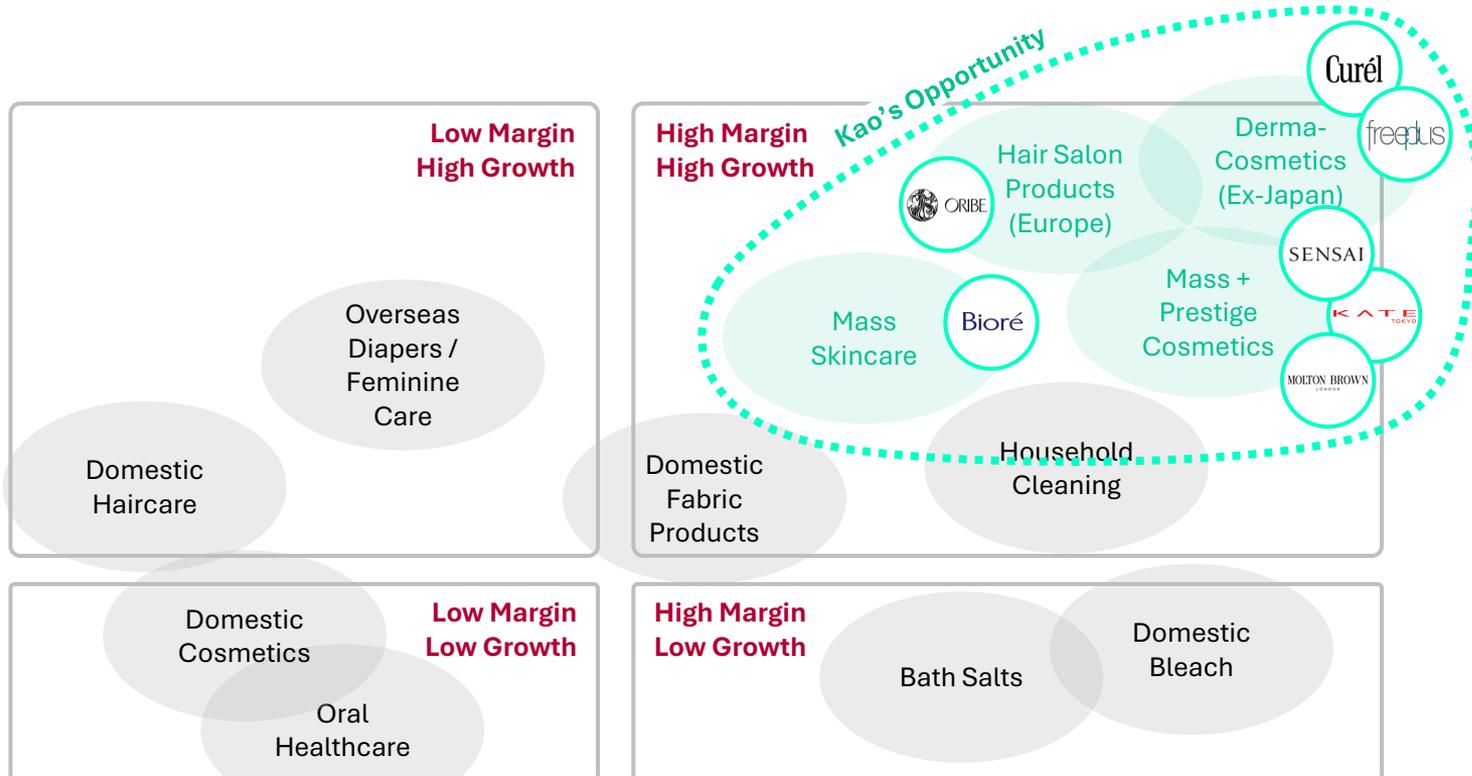
JPY Bn	2021	2023	2024
Skin Protection Headline Revenue	23.3		43.2
Bondi Sands Revenue		18.2	19.4
Underlying Skin Protection Revenue			23.8
		Kao's Claim	22.9%
		Actual CAGR	0.7%

This result underscores our advocacy for Kao to **PRIORITIZE ORGANIC UNDERLYING SALES GROWTH** over costly acquisitions. For this very reason, Oasis has made it a key pillar of our proposed overhaul of the long-term incentive scheme.





Well Positioned in Growth Segments



Kao Has an Impressive Brand Portfolio



freepus

Curel

Bioré

 ORIBE

SENSAI

MOLTON BROWN
LONDON

KATE
TOKYO

Derma
Cosmetics

Mass
Skin Care

Salon
Hair Care

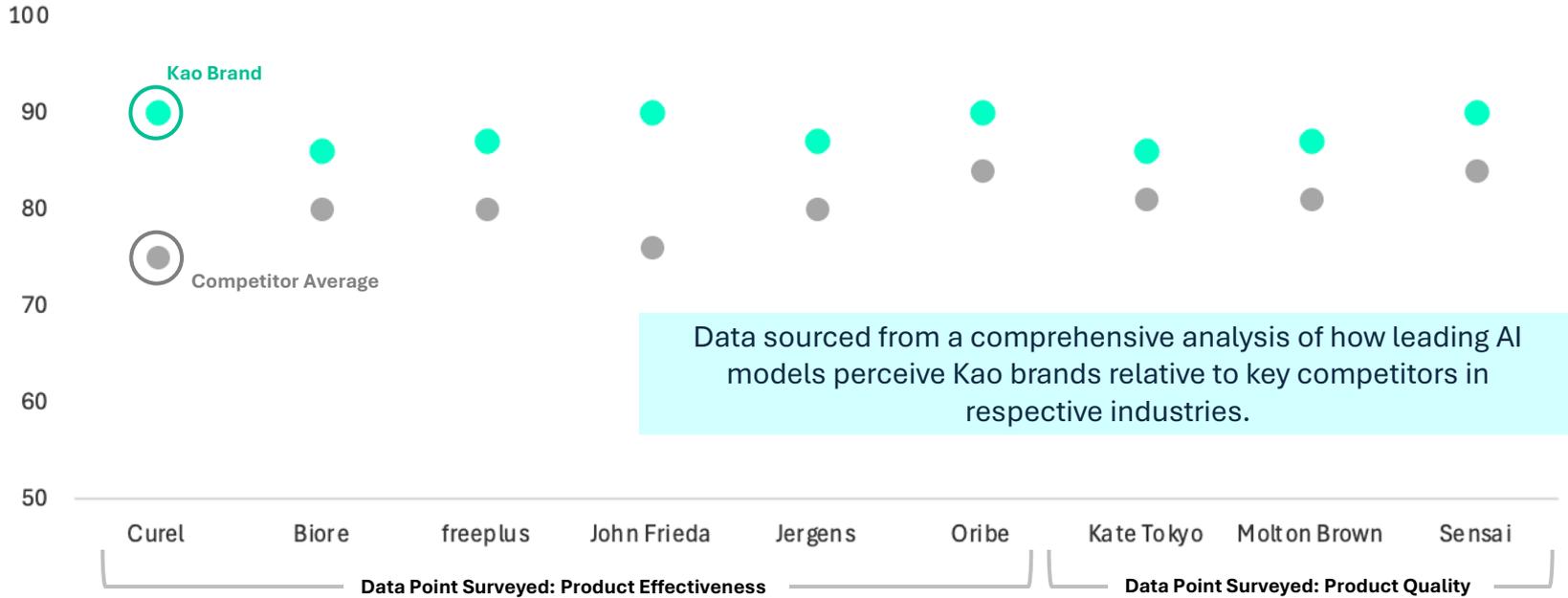
Prestige
Cosmetics

“Masstige”
Cosmetics

Mass
Cosmetics

Recognized for Product Quality...

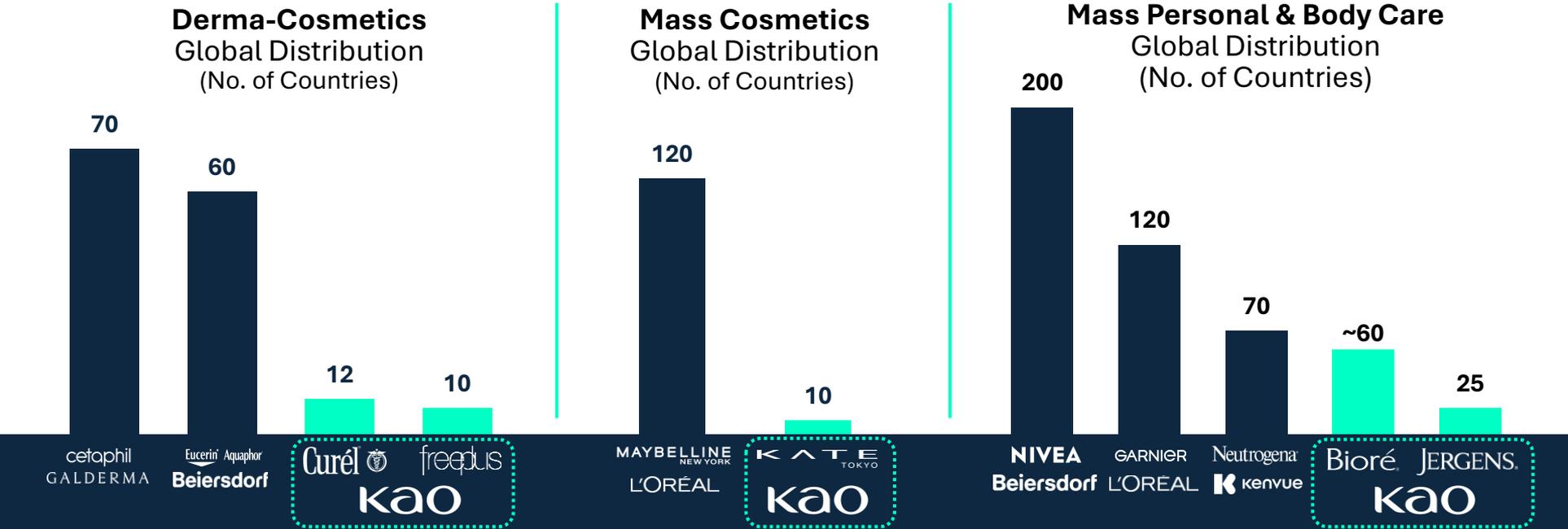
Kao Brands versus Peer Average score relating to Product Quality and Effectiveness



...But Limited Global Reach

Key Segment Global Coverage

Leading **Kao brands are limited in their global reach** compared to competing brands from Kao's peers. Occurring across different consumer segments, reviews of Kao products (referenced in Oasis' April 2024 presentation) in global markets comment on how **long and expensive it is to ship Kao products from Japan**.



Untapped Potential - Curél

Derma-Cosmetics are Still Resilient

Despite L'Oréal growing China derma-cosmetics 14% in 2024, Kao's Chinese cosmetics sales (mainly Curél and Freeplus) fell 34%. Despite this, until Q3, Kao was stating the performance for locally produced products was exceeding or in line with plans.

Despite starting from a lower base, Kao's growth target for Curél through to 2027 (8% revenue CAGR) lags peers.

China	Substantial decrease in sales amid slowing market growth and a tough competitive environment
	<ul style="list-style-type: none"> Among locally produced products, sales of freeplus were in line with the plan and sales of Curél exceeded the plan. Implemented restrictions of shipments to optimize distribution inventory.

Company	2024-27 Revenue CAGR Forecast
L'Oréal (Derma Beauty)	7.3%
Beiersdorf (Derma)	8.7%
Galderma (Derma Skincare)	8.6%
Kao (Curél)	8.0%



Untapped Potential - Bioré

Leader in Japan's Mass Market

Bioré is an internally developed **mass-market multi-category** (body, skin, and sun care) brand. We believe it generates over JPY 100 billion in revenue, making it one of Kao's largest brands.

Leveraging Kao's technological expertise, *Bioré* has a strong **track record of product innovation** (nose strips, charcoal face cleansers) and has grown its footprint in the sun care category using ultra-light formulations.

Bioré competes against brands like Beiersdorf's *Nivea* and Unilever's *Dove*. The market potential for *Bioré* is huge; *Nivea* achieved USD 5.7 bn in revenue in 2023...

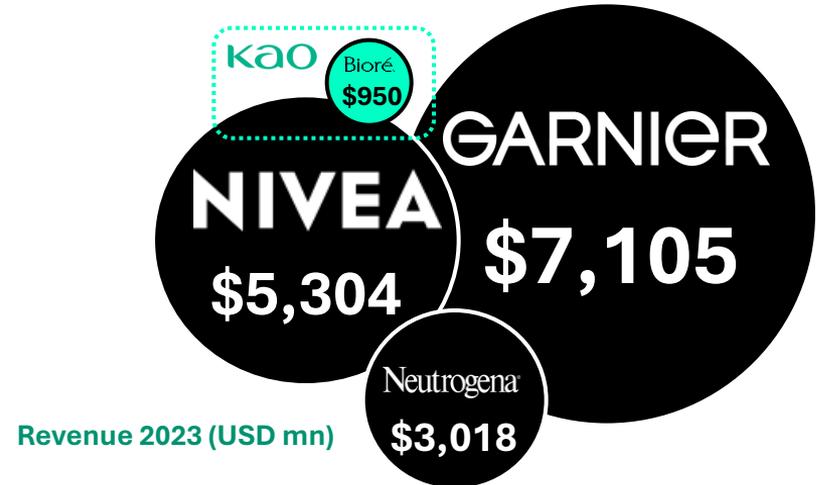
HOWEVER

Bioré is primarily focused on Japan, with just a small footprint in Asia ex-Japan and even more limited exposure to EMEA and the Americas.



Mass Personal Care Opportunity

- Dominant local body and skincare brand; highly regarded in UV protection
- Decent ASEAN footprint, untapped int'l growth runway based on our research



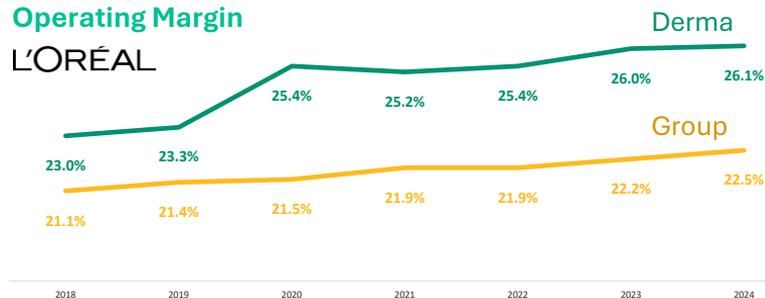
Untapped Potential - freeplus

Derma-Cosmetics are Still Resilient

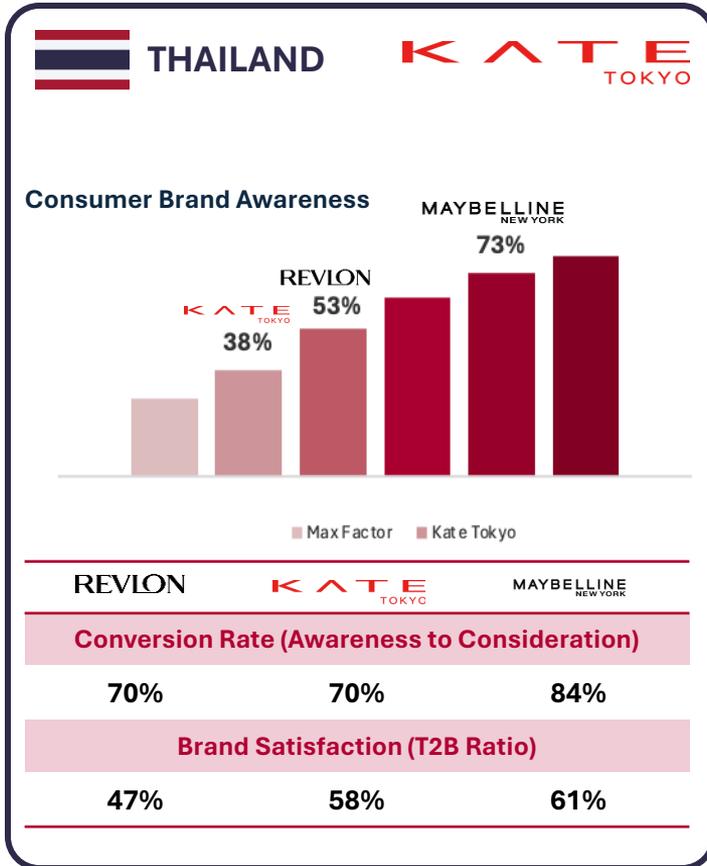
Even with the broader macro challenges faced by the Cosmetics industry in 2024, derma-cosmetics remains a growing...

2024 Year-on-Year Growth	Derma-Cosmetics	Group
L'Oréal (Dermatological Beauty)	9.3%	5.6%
Beiersdorf (Derma)	7.9%	4.7%
Galderma (Derma Skincare)	9.7%	6.8%

...and highly profitable bright spot.



Untapped Potential – Kate Tokyo



Oasis commissioned Nielsen, an independent third-party research firm, to conduct a consumer survey of Kao’s H&B and Cosmetics brands, revealing a large opportunity to grow the brands. Thailand is one of Asia’s most established FMCG markets, which President Hasebe has previously highlighted as a high-growth region (see below quote).

Kate Tokyo, a mass-market cosmetic brand targeting young females, has only a limited presence in ASEAN. Yet Kate Tokyo has **high brand satisfaction and conversion rates but low brand awareness among Thai consumers**.

This is typical of poorly marketed products and reveals that better advertising should raise consumer awareness and drive sales relatively easily.

Kate should have awareness levels equal at least to Revlon; and by working on brand loyalty and lower funnel conversion rates it should be able to expand usage share into the mid-single digits from low single digits, suggesting a long growth runway.

“ Especially in Thailand, there is significant growth. And of course, the growth rates are different from country to country, but in this targeted derma care area, there is distinctive growth. ”

President Hasebe, Meeting with Oasis, June 2024

Untapped Potential – Molton Brown

Kao's Prestige Cosmetics Opportunity



- Molton Brown is a premium British toiletries manufacturer and UK Royal Warrant Holder (under Queen Elizabeth II) and generated USD 135 million of revenue in 2023.
- Molton Brown has excellent brand equity and there is huge scope for margin improvement by expanding into less seasonal categories and reviewing its manufacturing and pricing architecture.



Revenue 2023 (USD mn)

Untapped Potential – Oribe

Cult Following Hair Products

Oribe, a US luxury salon haircare brand, commands a devoted following despite ultra-premium pricing. The brand shows significant growth potential compared to competitors like Olaplex Holdings and Milbon, which each generate \$400-500 million in revenue.

We estimate Oribe's revenue to be roughly half their size, Oribe could match these figures and more through expanded marketing and distribution beyond salons.

We think with the right investment this could be growing mid to high teens with operating margins in the low 20s. Brand awareness remains untapped even in the US market, with Oribe's social media following under 1 million compared to Aveda (3.0M), Olaplex (4.2M), and Kerastase (7.0M).





“A BETTER KAO” (APRIL 2024)



KATE
TOKYO

ORIBE

SENSAI

Curel

MOLTON BROWN
LONDON

a better
kao

To see Oasis' April 2024 presentation, go to:

www.abetterkao.com

Roadmap to A BETTER KAO

1

Commit to
**GLOBAL
EXPANSION**



2

Refine
**BRAND
PORTFOLIO**



3

Embrace
**MARKETING
STRATEGY**



4

Strengthen
**OVERSIGHT &
TRANSPARENCY**

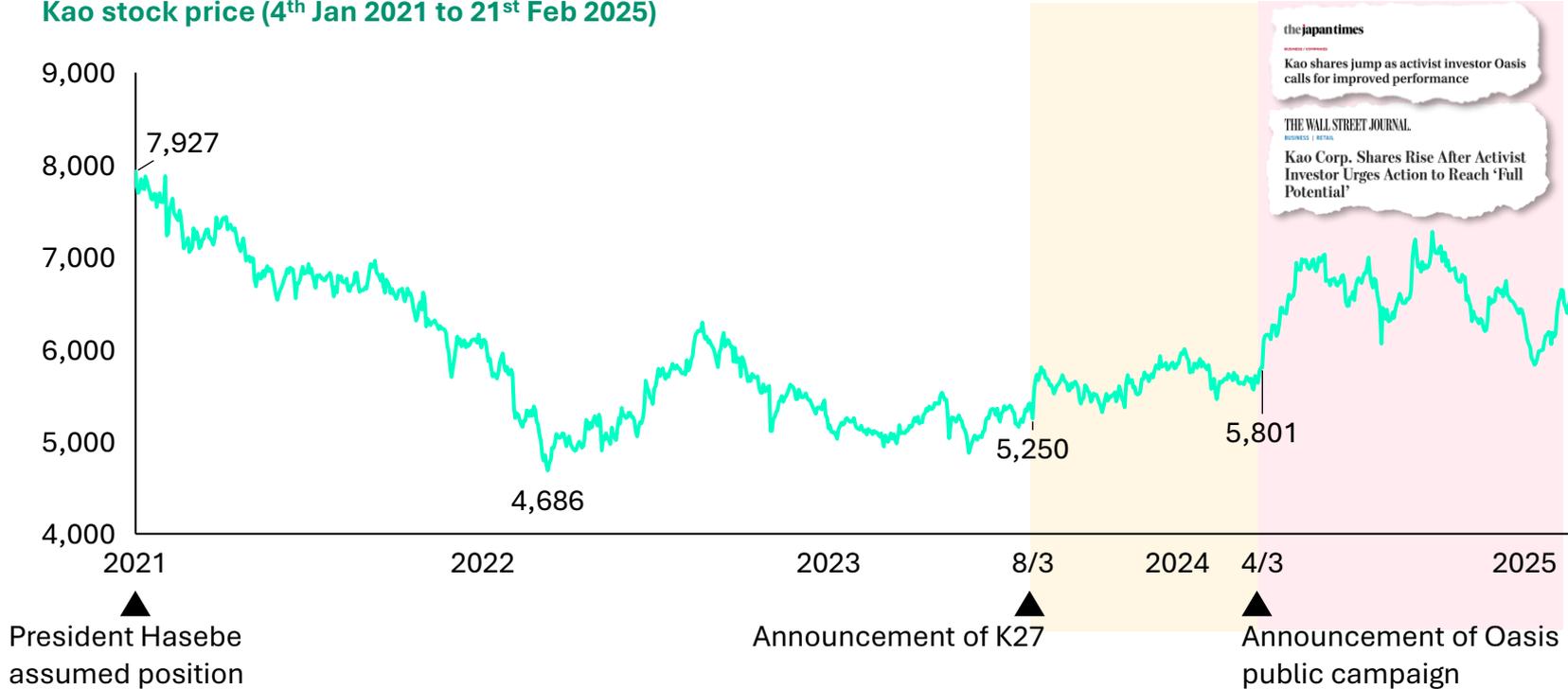


Market Reacted Positively

Impact on share price better for Oasis' campaign than by K27

Published in April 2024, "A Better Kao" was greeted with enthusiasm. In addition to a jump in Kao's share price, Oasis was directly contacted by institutional shareholders, retail investors, and sell-side analysts, expressing resonant views.

Kao stock price (4th Jan 2021 to 21st Feb 2025)





What do the analysts think?

“ We believe the question of whether Kao accelerates growth for beauty care and cosmetics in FY2025 is very important for achieving FY2025 guidance and the medium-term business plan ”

J.P.Morgan

6 February 2025

“ Growth strategies for health & beauty care and cosmetics look a bit underwhelming based on 4Q results and FY12/25 sales guidance ”

SMBC

6 February 2025

“ The health & beauty care business did not perform as well as we were expecting, due partly to the booking of costs associated with business revamps and higher marketing outlays. The cosmetics business also continued to struggle. ”

Daiwa

8 November 2024

“ [Hasebe] noted that cosmetics are a high-margin business and that the company would work towards a 15-20% OPM in the business without providing a timeframe ”

CLSA

11 June 2024

Investor Survey: Executive Summary

Oasis Management commissioned an independent third-party to conduct a survey of the investment community to gain perspectives on Kao. Namely, on matters of corporate strategy, growth initiatives and governance.

Feedback was gathered throughout November and December 2024 with an understanding of anonymity. The survey received responses from both buy-side and sell-side based in Japan and internationally.

Strategy

Responses were negative about K27; specifically, regarding its **ambitiousness** and **global expansion strategy**.

Frustration also centers around K27's **clarity and transparency**.

In addition, comments mention a lack of efforts toward **sustainable growth**, **underperforming brands**, and lack of **profitability in key regions**.

Management

Respondents communicated **distrust towards management** due to failure to deliver on global expansion, portfolio streamlining and **failure to effectively communicate on these issues**.

Further to this, respondents noted **skills gaps within management** and a **lack of urgency** in addressing underperformance.

Board

Responses noted a **lack of diversity** and outside perspectives on the Board, calling for **directors with experience** in varied geographies to better represent shareholders and **drive global growth**.

Incentivization

Respondents considered **ESG to be overweight** in management incentives. Among metrics Operating Margin, TSR, FCF Conversion and Operating Profit Growth were considered the most important.

See [Appendix](#) for extended results of the Investor Survey

Investor Survey: Executive Summary

Strategy

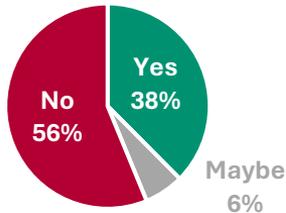
This strategy is **completely incoherent** “

The management team seems to think highly of K27, but the **reality is that it is not working well.** “

There are **a lot of things in the plan that are unclear.** “

We often hear about **abstract concepts**, but **we are not clear on their specific initiatives.** “

Do you think the K27 plan addresses all the major areas of improvement?



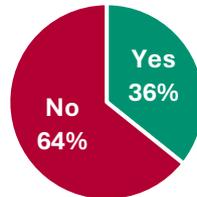
Management

What we want to hear from the Company is **why we should expect the next step to be different.** “

They should bring in specialist personnel with knowledge of global business. “

The management team's **abilities are extremely low (...)** Global skills are practically non-existent. “

Do you think Kao's approach to driving sustained growth is satisfactory?



Board

CPG is a street fight at the shelf (...) How do you do that with a **largely Japanese board that has nobody from marketing, nobody from E-Com, nobody from supply chain on there?** “

Even the director with the most international experience is not from the consumer sector “

The board of directors is not independent... **they are doing things in a half-hearted way** “

Rank Kao's Board in terms of Skills & Expertise
(Average Score of Responses)



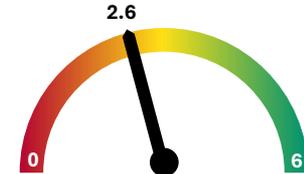
Incentivization

Despite underperformance by the company, some directors' compensation has gone up. This implies (...) lack of alignment to performance/financial results. **This is A CLASSIC sign of underperforming companies** “

Not enough compensation is tied to stock performance. “

Needs to make the evaluations and the process clearer “

How important is ESG in pay packages to encourage growth
(Average Score of Responses)

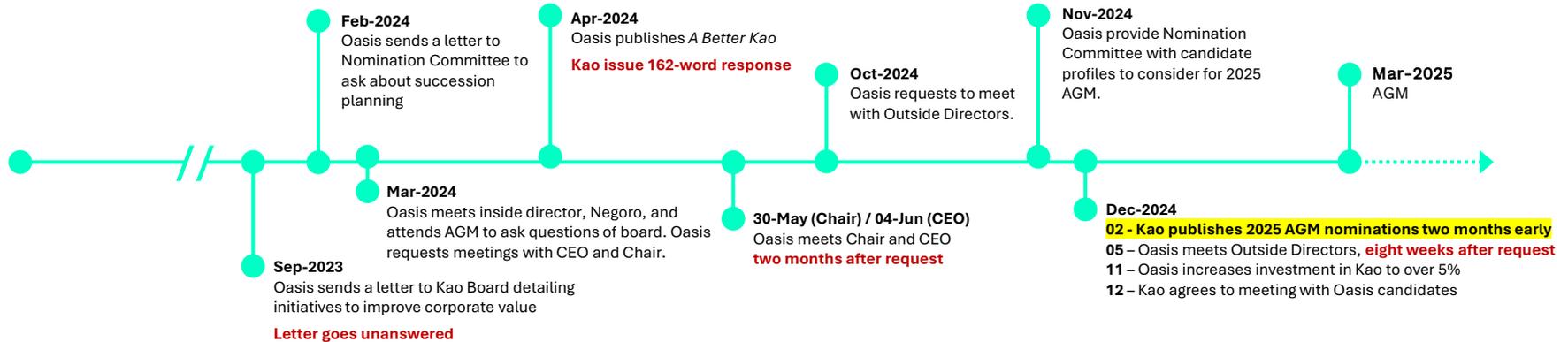




Oasis Engaged for a Better Kao

Escalation Process Faced with Unresponsiveness

In late 2023 after several years of underperformance and growing concerns over the Company’s strategic direction, Oasis escalated its engagement due to the lack of responsiveness.



In 2024, as Oasis has sought deeper engagement, Kao have responded by:

- Defensively announcing 2025 AGM director nominations **TWO MONTHS** earlier than usual
- Taking **ONE MONTH** to respond to private correspondence
- Offering availabilities **TWO MONTHS** after requests to engage with the President and Chair
- Providing a **45-MINUTE MEETING** without simultaneous Japanese English translation with the president; and a **30-MINUTE MEETING** with the chairman with 12 minutes taken out by an opening statement

It appears to not be an isolated issue¹...

“ We have to beg for meetings ”
Foreign Buyside Analyst

“ It took me two months to get a call with IR... ”
Foreign Buyside Analyst



Kao's Board Lacks Relevant Experience

Skills Considered Key by Kao

Additional Skills Considered by Oasis

	Management	Global	Consumer Goods Industry	Chemicals Industry	Branding	Human Capital Strategy	R&D	Environment / Society	IT/DX	Legal / Risk Management	Finance / Accounting	Cosmetics / Health & Beauty	Consumer Marketing	FMCG Supply Chain
Hasebe	X	X	X	X		X	X	X	X			X		
Negoro		X		X				X			X			X
Nishiguchi		X	X		X							X		
MacCallum		X	X		X	X		X	X		X			
Shinobe	X	X						X		X				
Sakurai	X	X		X		X		X						
Nishii	X	X	X			X					X			
Takashima	X	X								X	X			
Casanova	X	X	X		X	X		X						

New Kao-Nominated Director

Skills that directors did not possess in the 2024 Integrated Report (May 2024) but magically did in the Board's 2025 Notice of Meeting (February 2025).

Skills gaps on the Board, especially among Outside Directors, even according to Kao

INDUSTRY EXPERTISE

Kao's Outside Directors lack industry expertise. Only Nishii brings consumer goods experience from Ajinomoto. If Casanova joins, Kao will have just two directors with any consumer experience, neither specializing in HPC or cosmetics.

OPERATIONAL STRATEGY

Kao's Outside Directors lack key skills to guide its K27 strategy and FMCG priorities. The board has gaps in digital technology, financial control, operations, e-commerce, supply chain, marketing, and brand management.

INTERNATIONAL BRAND EXPERIENCE

Kao's Outside Directors spent most of their careers operating in Japan. They lack experience growing and scaling brands in competitive overseas markets - where Kao's best opportunities for sustainable profit growth exist.

Kao's Board is Weaker Than Peers

Kao's Board is **worst-in-class among global peers in coverage of skills** specifically outlined as strategically necessary to achieve the [K27 Management Plan](#). Much to Oasis' surprise, Kao claim that the skill profiles incumbent on the board are *"best suited for the continued oversight of Kao's strategy"*¹. We and leading competitors disagree...



	Management	IT/DX	Finance / Accounting	Consumer Marketing
KAO	66%	22%	33%	0%
L'ORÉAL	75%	63%	88%	N/D
P&G	N/D	57%	43%	64%
Beiersdorf	N/D	33%	75%	67%
SHISEIDO	82%	N/D	46%	27%
Unilever	100%	38%	88%	38%
unicharm	100%	71%	43%	43%

■ Worst-in-Class

N/D = Company does not include this skill in board skills matrix

Lack True Global Experience

Kao's outside directors lack real and recent overseas operational experience

Directors	Most recent overseas management role	Operational roles
Shinobe	None	-
Sakurai	None	Regional President for Japan and Korea 20-22
Nishii	2015	President, Ajinomoto do Brasil
Takashima	2014	Head of Americas Division, SMBC
Casanova*	2013	Managing Director of McDonald's Malaysia and Regional Manager of McDonald's Singapore and Malaysia

New Skills? Old Directors!

Kao's external directors are under-skilled with the relevant expertise to oversee a turnaround and overseas growth rollout in the Company's core consumer products division. However, three of them suddenly developed new skills in the past twelve months to fill out the board skills matrix – including Global expertise.

		Global	Finance / Accounting	Legal / Risk Management	Management	Consumer Goods Industry	Chemicals Industry	Branding	Human Capital Strategy	R&D	Environment / Society	IT/DX
Shinobe	2024 AR			X	X						X	
	2025 AGM – NEW!	X		X	X						X	
Nishii	2024 AR	X			X	X			X			
	2025 AGM – NEW!	X	X		X	X			X			
Takashima	2024 AR	X	X		X							
	2025 AGM – NEW!	X	X	X	X							
Sakurai	2024 AR	X			X		X		X		X	
	2025 AGM	X			X		X		X		X	



“We expect companies to... demonstrate the right and well-balanced skillset required for achieving sustainable growth of the company.”
Guidelines for Exercising Voting Rights, (Japanese Equities) (Source)

Missing Expertise in Leadership

Peers Focus on Business Development and Marketing – Kao on R&D only

Kao's largest rivals' CEOs have extensive experience both **globally** and at **competitor firms**. However, both President Hasebe and former President Sawada are **lifetime employees of Kao** from the **R&D department** with **little international experience**.

Executive Leadership in the last 5 years

	Global Experience	Peer Expertise	CEO Expertise
KAO	No	No	R&D
P&G	Yes	No	COO, CFO, Supply Chain, Divisional President
Unilever	Yes	Yes	CEO, CFO, Regional President, Divisional President, Marketing
L'ORÉAL	Yes	No	Marketing, Divisional President, Regional President
SHISEIDO	Yes	Yes	Marketing, Regional President, Business Development
Beiersdorf	Yes	Yes	Divisional President, Marketing, Regional President

NOTE: For all companies, the last five years encompasses two CEOs.

“ **Every president has been a researcher from Kao, but compared to other companies, it seems that they lack marketing knowledge and management performance (...) the management is unable to provide appropriate marketing direction** ”

Current Employee via Openwork (December 03, 2024)

Allergy to Hiring Externally Affects Execution

Resignation of Most Foreign Executive Officers in December 2024

At a critical time for international expansion, Kao lost three key foreign executives - Karen B. Frank, Mark Johnson, and David Muenz - leaving only Dominic Pratt and Joe Workman to oversee global growth of its Cosmetics and Health & Beauty brands.

01

An Unwillingness to Consider New Senior Talent to Help With Global Expansion

Rather than bringing in fresh senior talent to drive growth, Kao relies on familiar faces. Kao rehired Joe Workman, a former Kao Americas employee who left in 2019. Similarly, Lisa MacCallum's relationship with Kao dates back to the 1990s.

Kao must actively search beyond its network to find fresh talent capable of driving profitable growth.

02

Lack of Fresh Blood and Mid-Career hires to Drive Innovation at Home

Kao lags in hiring experienced mid-career talent domestically too, with only 18.0% of managers being external hires in 2023 - down from the previous year - compare this to Unicharm's 33.5%.

This internal-only approach limits Kao's digital transformation and marketing capabilities by restricting fresh expertise.

03

Closed to External Refreshment

Peers leverage industry expertise, and fresh perspectives

Competitors of Kao employ top management from peers. With this exchange comes competitiveness as practices, processes and skill migrate from peers. Unlike at peers, **all members of Kao's executive team have spent their advanced careers at Kao.**

ZERO Outside Appointments Announced in 2024

In December, Kao disclosed² seven new executive appointments to the executive officer group. **None of these appointments were from outside of Kao.** The closest to an outside appointment was Joe Workman, a retired Kao executive who rejoined the company.

Routes across which current Senior Executives have passed¹



2. Executive Officers to be newly elected *Underline: Changed position(s)

Name	New Position(s) as of January 1, 2025	Current Position(s) as of December 2, 2024
Joe Workman	<u>Executive Officer: President, American and EMEA, Consumer Care Business, Global.</u> Vice President, Global, Consumer Care, American and EMEA; Chairperson of the Board & President, Kao USA Inc.	
Mitsunori Saka	<u>Executive Officer: President, Global Consumer Care Business Connected, Global.</u> Vice President, Global Consumer Care - Business Connected Global Business Planning and Management, Global. Responsible for Kao Professional Services Co., Ltd.	President, Consumer Products - Global Business Planning and Management, Global
Jun Korzika	<u>Executive Officer: Vice President, Supply Chain Management - Manufacturing, and Technology Development Center, Global.</u> Vice President, Supply Chain Management - Manufacturing, and Technology Development Center - Demand & Supply Planning, Global	Vice President, Supply Chain Management - Demand and Supply Planning Center, Global
Yuki Nomura	<u>Executive Officer: Senior Vice President, Strategic Public Relations, Global</u>	Vice President, Strategic Public Relations - Consumer Communication, Global
Hironitsu Hoshikawa	<u>Executive Officer: Vice President Chemical Business, American and EMEA; President, Kao Chemicals Europe, S.L.</u>	President, Kao Chemicals Europe, S.L.
Junko Ohtani	<u>Executive Officer: Senior Vice President, ESG, Global</u>	Vice President, ESG - Global Strategy, Global
Tomoko Uchiyama	<u>Executive Officer: President, Global Consumer Care - Cosmetics Business, Global.</u> Vice President, Global Consumer Care, American and EMEA Cosmetics Representative Director, President, Kanebo Cosmetics Inc.	President, Consumer Products - Health & Beauty Care Business, Hair Care Business 1, Global; Project Leader, Consumer Products - Health & Beauty Care Business, Hair Care Business 1

Kao

Kao

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2025 AGM PROPOSALS

Targeted Solutions To Unaddressed Problems

- Proposal **4** **Appointment of five (5) Outside Directors**
- Proposal **5** **Revision of Compensation for Outside Directors**
- Proposal **6** **Grant of Restricted Stock Units (RSU) for Outside Directors**
- Proposal **7** **Approval of the Equity Compensation Plan for Inside Directors**



***Proposal #4:
Appointment of
Five Outside Directors***

World-Class Nominees

Fixing Operational Blind Spots In Board Oversight

		FMCG	Global	Independent	Skill Profile	Executive Experience
	Yannis Skoufalos	✓	✓	✓	FMCG Supply Chain Specialist	
	Yannis brings extensive supply chain experience, and a track record of delivering significant productivity improvements.					
	Martha Velando	✓	✓	✓	Chief Marketing Officer	 
	Martha has extensive marketing leadership experience and portfolio management capabilities from leading global brands.					
	Lanchi Venator	✓	✓	✓	Consumer Goods Commercial Leader	 
	Lanchi offers deep expertise in finance, strategy and pricing optimization in competitive consumer markets.					
	Hugh Dineen	✓	✓	✓	FMCG Turnaround Strategist	 
	Hugh has demonstrated exceptional ability in brand turnaround and rejuvenation at major consumer products companies.					
	Anja Lagodny	✓	✓	✓	Digital Transformation Leader	 
	Anja brings digital transformation expertise at both and international and Japanese-country level.					

Transformational, ADDITIVE Skills and Profiles

Keeping **CURRENT** external directors while adding five **NEW** external directors combines existing board knowledge with fresh eyes, operational skills and industry expertise to accelerate Kao's turnaround in Consumer Products.

	Skills Considered Key by Kao									Additional Skills Considered by Oasis				
	Management	Global	Consumer Goods Industry	Chemicals Industry	Branding	Human Capital Strategy	Research	Environment / Society	IT/DX	Legal / Risk Management	Finance / Accounting	Cosmetics / Health & Beauty	Consumer Marketing	FMCG Supply Chain
Shinobe	x	x								x				
Sakurai	x	x		x		x		x						
Nishii	x	x	x			x					x			
Takashima	x	x								x	x			
Casanova	x	x	x		x			x						
Skoufalos	X	X	X			X		X		X	X			X
Velando	X	X	X			X					X	X		
Venator	X	X	X			X				X	X	X		
Dineen	X	X	X			X				X	X	X		
Lagodny	X	X	X			X		X	X					

Key Skills Uplifts	Cosmetics / H&B		Marketing		Supply Chain		IT/DX	
	Current	a better kao	Current	a better kao	Current	a better kao	Current	a better kao
	0	4	0	3	0	1	0	2

Specialisms address **FUNDAMENTAL GAPS IN OPERATING STRATEGY**

Found Through a Global Search

As part of research into the “A Better Kao” presentation, Oasis analyzed gaps in the Kao board. In June 2024, Oasis mandated the support of **multiple external search firms** to begin an extensive global search for potential independent directors for Kao’s Board.

223 Candidates Identified

Oasis met with of these candidates, holding over 35 hours of interviews over a period of five months. Oasis considers a diverse array of skills essential to ensure Kao’s board has the best and most relevant expertise at its disposal.

32 Candidates Interviewed

From these candidates, Oasis is nominating 5 Independent Directors to Kao’s Board. All directors have extensive expertise in areas needed to make Kao better, and the strategic pillars described in Kao’s K27 mid-term management plan.

5 Candidates Selected

Wrongfully Disregarded by Kao

kao

The Board of Directors concluded that **none of these candidates possess the relevant board and management experience, expertise and engagement expected of the Company's Outside Directors**, and that these candidates would not contribute to the effectiveness of the Board and the enhancement of the corporate value.

Management

Within **Oasis' nominees is a former Global Head of Supply Chain at P&G**; How can the Board say NONE of the candidates have relevant management experience?

Expertise

Oasis' nominees have over a century of experience in diverse fields within FMCG – often peers of Kao. The notion that NONE of the candidates had appropriate expertise puts the judgement of the Nomination Committee – of whom none are from Kao's industry - in serious question.

Japan Experience

The Board is composed entirely of professionals who have spent their careers in or around Japanese companies. **Requiring knowledge of Japanese companies from any additional candidate is not additive when the emphasis is on scaling the existing brands overseas.**

WHERE CANDIDATES CAME FROM?

Kao are not clear on how they originated their candidates. Oasis questioned Kao in engagement on this and had no clear response. **Did Kao use independent search firms or just leverage their own internal networks?**

Evidenced by the profiles proposed, **Oasis sourced the candidates through a robust process that was supported by three independent search firms** to conduct a global search is robust and market leading.

Through Tactical Actions to Forgo Process

Clearly Defensive Actions

On December 2, Kao announced changes to its board of directors two months ahead of normal schedule.

On December 10, Oasis submitted and publicly disclosed a large share holdings report, indicating potential proposals to the Company. Only after this filing did Kao contact the five candidates.

On December 12, Kao claimed the premature announcement was meant to "clearly indicate that David Muenz, a Director and Executive Officer, is retiring."

This explanation lacks credibility.

When board members Toshiaki Takeuchi and Tomoharu Matsuda retired before the 2023 AGM, Kao made no such rushed announcements.

The stark contrast in handling these similar situations raises serious questions about Board transparency and approach to shareholder engagement.

Kao Announcements of Board Changes

	Executive Officer Changes*	Board Director Changes
2025 AGM	December	December
2024 AGM	December	February
2023 AGM	December	February
2022 AGM	December	February
2021 AGM	December	February
2020 AGM	December	February
2019 AGM	December	February

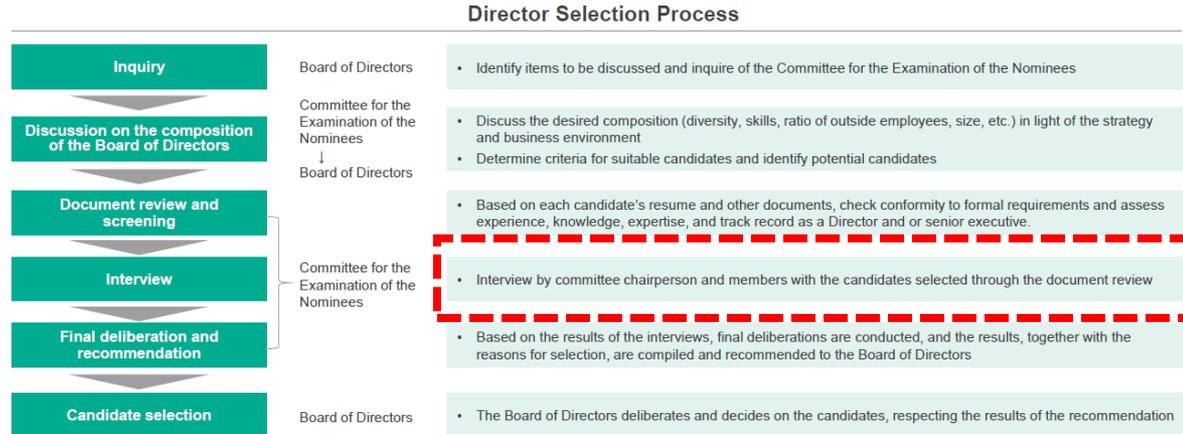
* Excluding executive board director retirements

Kao Doesn't Follow its Own Process

Committee for the Examination of the Nominees for Directors

Kao claims its “appropriate” process includes interviews with the Committee for the Examination of the Nominees for Directors. However, in breach of Kao’s own process, **only two members of the Committee interviewed the Oasis directors.** Why have other members of such Committee if they do not participate in their most important activity – determining candidates for the Board?

The two members that interviewed the candidates – Eriko Sakurai (Outside Director and Chair of the Committee) and Osamu Shinobe (Outside Director) – do not have industry experience, making their disparaging judgements of Oasis’ nominees all the more questionable.





THE NOMINEES

The Supply Chain Expert



Yannis Skoufalos

Male / Greek & American / 67

Yannis spent nearly 35 years at Procter & Gamble (P&G), where, for almost a decade, he presided over a team of more than 50,000 people in their global supply chain organization. During his tenure, Yannis oversaw more than USD 6.0bn worth of structural savings in the supply chain function across areas such as transportation, material, packaging, and logistics, and inventory reduction. Yannis was also responsible for sustainability, digitization, and innovation within the supply network.



Global Supply Chain



Cosmetics / Health & Beauty



Public Board Governance

Career Highlights



Joined 1984

Initial role in Product Engineering, then transitioning to Supply Chain



2007 – 2011

Product Supply Chain Operations



2011 – 2019

Global Product Supply Officer



2020 (current)

Non-Executive Director [Private Company]



2023 (current)

Non-Executive Director [Public Company]



2023 (current)

Non-Executive Director [Public Company]



2022 (current)

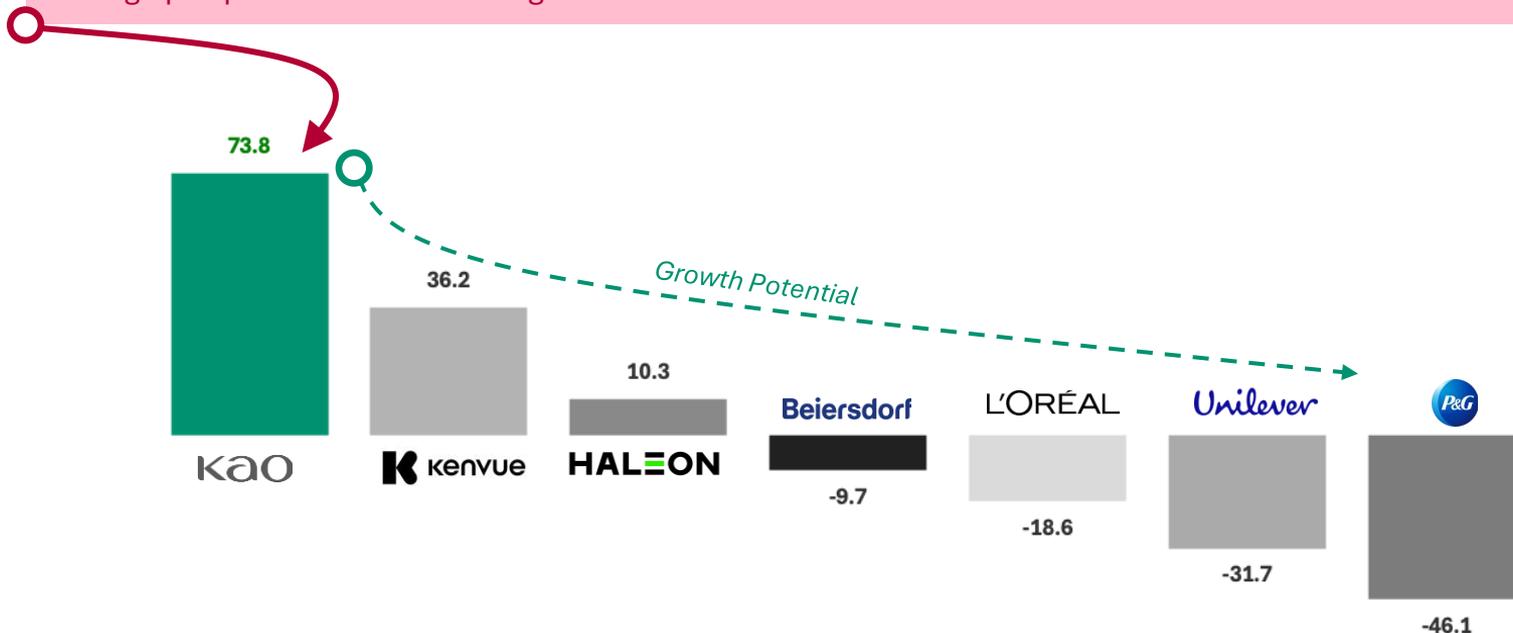
Senior Advisor

Yannis has held several other advisory roles for private companies.

Improving Supply Chain

Cash Conversion Cycle (Days)

Kao's cash conversion cycle is markedly higher than peers. While the chemical business has a naturally higher cycle than FCMG it is not enough to materially distort this for Kao. At current levels, it takes 2.0x as long as its next closest peer for goods to be paid for. Some of Kao's peers have negative working capital cycles, freeing up capital to invest in other growth initiatives.



Supply Chain Improvement Runway

Potential of Working Capital Optimization

Using consensus revenue forecasts, by optimizing working capital tied up in its supply chain, Kao could bring its Cash Conversion Cycle and Non-Cash Working Capital (relative to sales) down dramatically and free up over JPY 150bn by 2027 versus 2024 levels that could be better spent on growth initiatives.

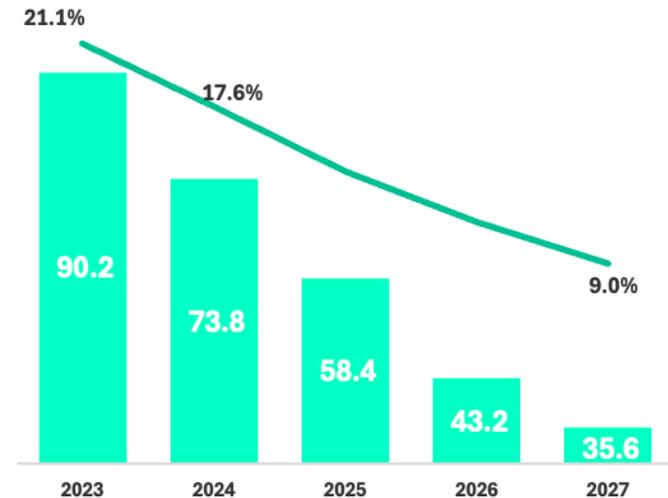
Note on Portfolio Management

Kao's structurally high inventory has been driven by brand and SKU proliferation.

Optimization of its product range could come alongside running a more targeted inventory strategy, optimizing demand forecasting, as well as the manufacturing and logistics process, and imposing tighter controls over working capital.

A more sophisticated grasp of working capital and supply chain dynamics is particularly critical if Kao wished to scale its international presence.

Working Capital Optimization



Supply Chain Improvement Runway

SKUs have ballooned but revenue has not followed

Growth in SKU numbers have weighed on supply chain, however, revenue has not followed.

“ SKUs have doubled over the past 10 years. The reason was to increase sales...”

Jefferies

September 1, 2023

“ There are too many SKUs, and I would say around 20% are not contributing to profitability or sales at all.”

Kao

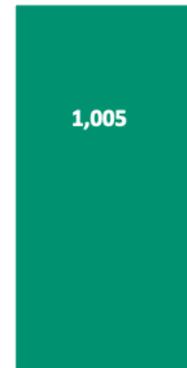
Former President, EMEA, Kao Corp.
Interview with Oasis, August 2023

Oasis interactions with Kao's IR team and competitors suggest the doubling of SKUs across the Group over the past decade and poor focus on inventory velocity probably drove around 200-300bps of consolidated gross margin erosion alone.

Implied CAGR of SKU # in the last decade

7.2%

Consumer Goods Revenue CAGR = 1.73%



FY12



FY22

Kao is **WRONG** about Yannis



Kao Claims...

“No experience as CEO or senior executive level of a global company”

“Lack of in-depth understanding and advisory experience with Japanese companies”

“The Board of Directors has not designated SCM as an area to be additionally strengthened”*

“The Company’s Board of Directors believes that the Company’s supply chain system is already at a sufficient level as outlined above, and there is no need for further enhancements”

However...

Mr. Skoufalos was a **Senior Executive at P&G**, responsible for Global Innovation and Sustainability Programs as well as **57,000 employees, 110 manufacturing plants and 220 distribution centers.** Using a similar standard, Kao external directors whose most senior role is running a local subsidiary of a multinational with less than 1,000 employees would be unqualified.

If Kao wants to expand globally (as per K27), the Board needs global expertise. Incumbent directors bring an existing wealth of Japanese expertise, but now it needs to diversify.

Kao has stated intentions to “establish a global manufacturing system” to make its skincare products a global growth driver, for which **it needs supply chain expertise.**

Kao’s lack of SCM expertise is also unusual for the industry. Unilever’s Chair Ian Meakins was president of European Major Markets and Global Supply for Diageo Plc, and Haleon Chair Sir David Lewis was a former UK Government Supply Chain Advisor.

Marketing Expert



Martha Velando

Female / Peruvian, British & Portuguese / 50

Martha previously served as Global Chief Marketing Officer (CMO) for Aesop, where she oversaw Product Development & Innovation, and marketing operations. Martha started her career within an internal strategy team tasked with pivoting the brand portfolio of Procter & Gamble (P&G) towards growth opportunities, then working in brand development at L'Oréal, refreshing and growing both existing and newly acquired brands in the portfolio. Martha has held other roles within luxury FMCG, as well as running a consumer insights and analytics practice.



**Global Consumer
Marketing & Branding**



Cosmetics / Health & Beauty



Brand Portfolio Management

Career Highlights



1996 – 2000

Business Development and Marketing roles

Lbrands

2002 - 2006

Marketing Strategy roles

L'ORÉAL

2006 – 2013

Marketing Director, Kiehl's, then Yves Saint Laurent, Group Brand Senior Manager, Lancôme

Nielsen

2013 - 2016

European MD, Marketing Effectiveness

COTY
SINCE 1904

2016 - 2020

Global VP, Marketing, then Fragrance Portfolio

DB
DE BEERS GROUP

2020 – 2022

SVP Global Marketing

Aēsop®

2022 - 2024

Chief Marketing Officer

Martha holds an MBA from Harvard Business School.

Absent Marketing Makes Kao an Outlier



There's not really people who are coming out marketing or branding getting into the top ranks

Kao Japan Former Brand Manager, Oasis Interview, 2023



Kao needs a Marketing Specialist on the Board

Aside from an executive shortage of marketing leadership, the Board also lacks any consumer marketing and branding expertise.

Marketing Board Member	
Kao	No
P&G	✓
Unilever	✓
Shiseido	✓
Reckitt	✓
Haleon	✓
L'Oréal	✓



Lacking Marketing Expertise

Kao has ignored calls to appoint a CMO

No Chief Marketing Officer ("CMO")

In contrast to most global FMCG peers, Kao has no formal CMO tasked with exclusively handling consumer marketing strategy. CMOs at major global peers are marketing specialists, often bring experience from elsewhere, and contribute to diversity that represents the customers:

Company	CMO	Gender	Career History
Kao	No	-	-
P&G	Yes	M	Various international branding and marketing roles at P&G since 1988
Unilever	Yes	F	Formerly P&G Cosmetics marketing Ex-President of Coty Consumer Beauty
Reckitt	Yes	M	Various international marketing roles at Reckitt since 1999
L'Oréal	Yes	F	Formerly at Mindshare, McCann and Dentau

At Kao, the executive considered to be a proxy is doubted:



Kao's CMO is effectively Nishiguchi... [he] is more of a sales guy and does not have the experience or ability to manage brands... Kao really should bring in a CMO from outside

Kao Former, Corporate Strategy Division, Oasis Interview 2023



Marketing is Downplayed at Kao...



The company with the highest profits and the most repeat customers actually has high loyalty and uses almost no marketing fees in their business. This may be a bit idealistic, but if you have an intensively researched product that for example that once it's out there can be used for a long time due to high loyalty, the marketing fees you need will actually be only very small.

President Hasebe, 2023 AGM



Shelf Space is Forgotten

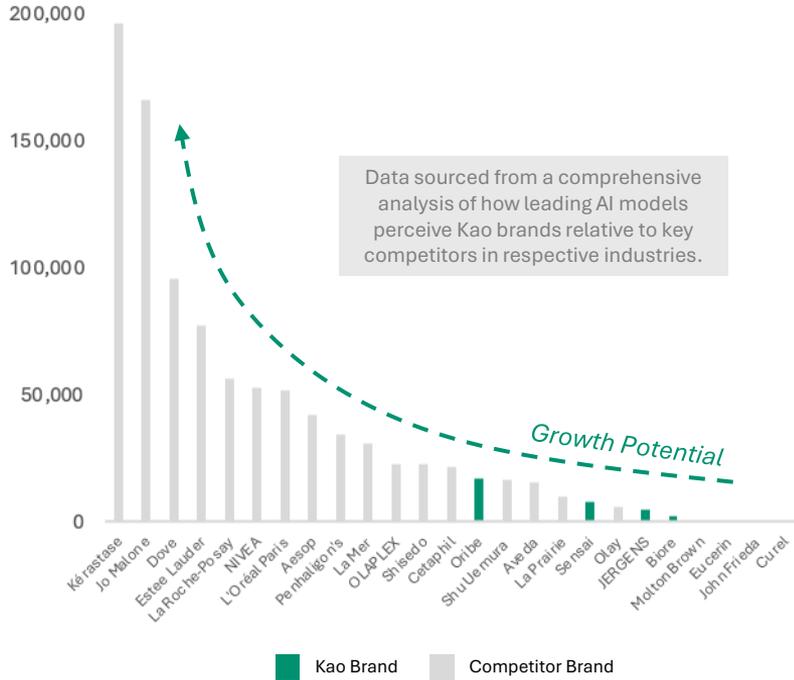


Rolto's Mentholatum, Shiseido's Senka and Kenvue's Neutrogena all using in-store display, POP marketing to drive sales.

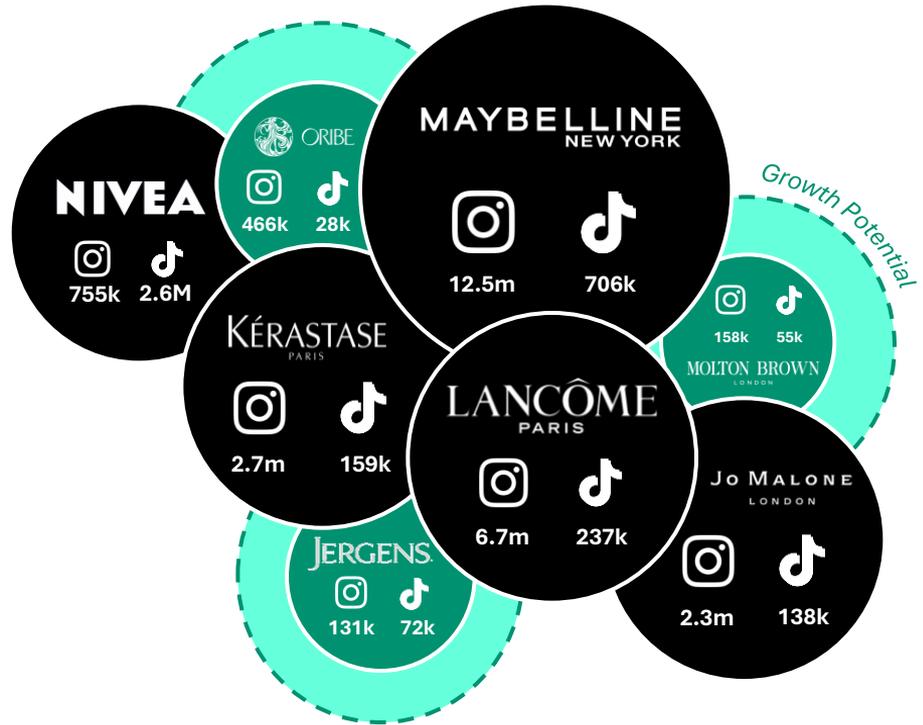
Kao's Curél brand displayed with poor shelf space and no signage

Social Media Growth Potential

Total Brand Engagement Across All Social Media Platforms - USA



Social Media Followers - USA



Marketing Investment Capacity

Translating Directly to High Potential Brands

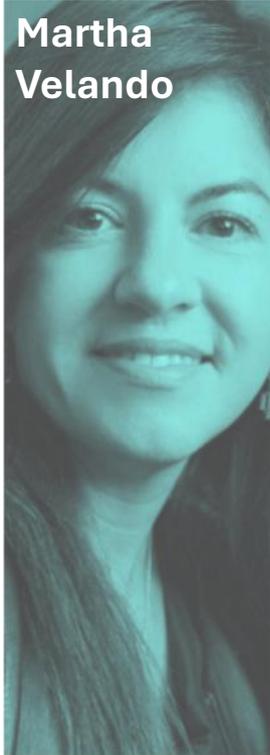
In 2023, Molton Brown generated GBP 12mn of revenue from the Americas, the world's largest cosmetics market. Based on online advertising spend compared to competitor brands in 2023, this leaves Kao enormous scope to grow. We think there is huge scope to grow the brand in the Americas IF Kao allocated funding into building consumer awareness and expanding distribution channels there.

“ The marketing is old-fashioned and lacks innovation, and it seems that other companies are taking market share. ”

Current Employee via Openwork (December 17, 2024) 



Kao is **WRONG** about Martha



Kao Claims...

“No experience as CEO or senior executive level of a global company”

“Lack of in-depth understanding and advisory experience with Japanese companies”

“Her tenure as CMO is short”

“Additional marketing expertise will not be necessary as this will be strengthened by our proposed candidates”

However...

Ms. Velando has both **C-suite level experience at a global cosmetics company**; and held **Global Vice President/Managing Director roles at key international competitors of Kao (Coty, L’Oreal etc)**.

If Kao wants to expand globally (as per K27), the Board needs global expertise. Incumbent directors bring an existing wealth of Japanese expertise, but now it needs to diversify.

Ms Velando’s marketing expertise – particularly the focus on global cosmetics and FMCG - is superior to that of any of Kao’s existing external board directors and nominees given it spans C-Suite roles at Aesop and senior roles at P&G, L’Oréal, and Coty.

Kao disclose that while the execution of business during the shift from K25 to K27 is deemed appropriate, **“the remaining key issue is the global strategy for cosmetics”** ([Source](#)). While Kao’s proposed candidates do bring skills of branding, neither are experts in cosmetics, **the area that Kao has identified as needing focused expertise.**

Additionally, **Kao’s lack of marketing expertise is highly unusual.** Key competitors such as L’Oréal and P&G routinely employ Chief Marketing Officers (or similar).

Financial Expert



Lanchi Venator

Female / American / 58

Lanchi brings more than two decades of experience in Consumer Goods at the intersection of Marketing, Financial Planning & Analysis (FP&A) and Strategy & Transformation. She was most recently Global CFO & Head of Strategy at Kentucky Fried Chicken Corporation and previously held leadership roles at The Estee Lauder Companies Inc., where she was responsible for development of financial strategy and built its Global Strategic Pricing function, which continues to enable process improvement through digitalization and automation.



Financial Planning & Analysis



Cosmetics / Health & Beauty



Global Strategy

Career Highlights

AT&TKearney

2000 - 2005

Manager



2005 - 2008

Director, Pricing Strategy



2008 - 2012

Exec. Director, North America Strategy



Joined 2012

Began as VP of Head of Global Strategic Pricing, then VP of Finance & Strategy



2021 - 2023

SVP, Global Finance Strategy & Operations



2023 - 2024

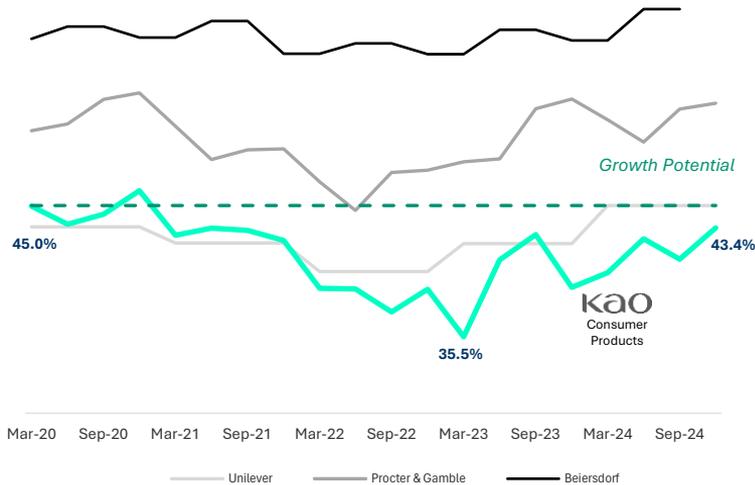
Global Chief Financial Officer & Head of Strategy

Lanchi holds an MBA from NYU Stern School of Business.

Consumer Products Margin Potential

Gross Margin Lags FMCG Peers

Depending on mix, FMCG gross margins should be a minimum of 45%. Kao operated at this level in 2020, however, margins have tightened, and levels have struggled to break 40% in consumer products segments.

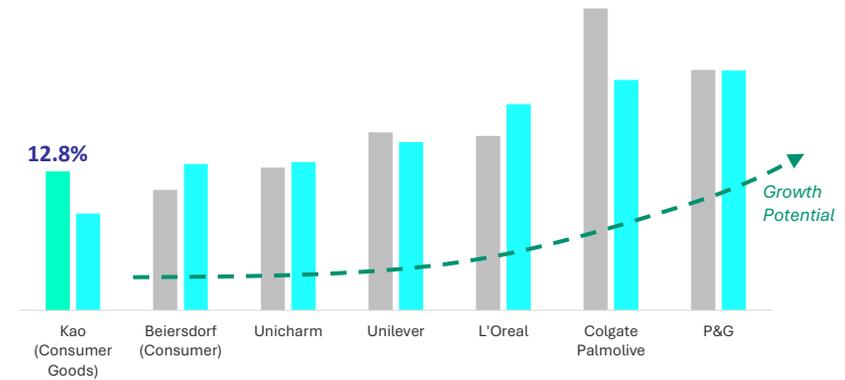


Note: Kao Consumer Products gross margin is estimated as it is not disclosed.

Operating Margin – Consumer Products

Despite established brands like Curél, Biore, and Oribe giving Kao a presence in US and Asian markets, operating margins have declined across all Consumer Products segments internationally.

Operating Profit Margin (2020 versus 2024)



In K20 (announced in 2017), Kao aimed for an operating margin of 17% by 2030. Now, Kao does not set a target...

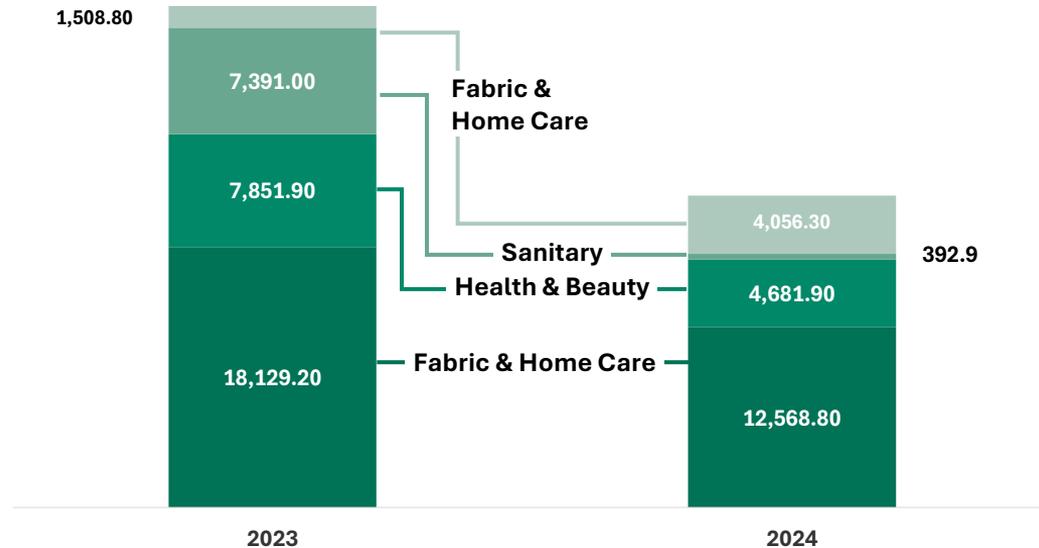
Pricing to Drive Profitability

Profitability through Price Hikes Available

Analysts and investors are excited by Kao's recent increases in prices for its products, however, 50%+ of pricing has been in Fabric & Home Care (which represents less than 30% of Consumer Products revenues).

Kao has not taken price in Health & Beauty and Cosmetics despite these segments constituting over half of Consumer Products sales combined and with the best overseas growth potential.

Breakdown of Pricing Drivers 2023 & 2024



Overly Focused on Promotions

Thailand Site Visits

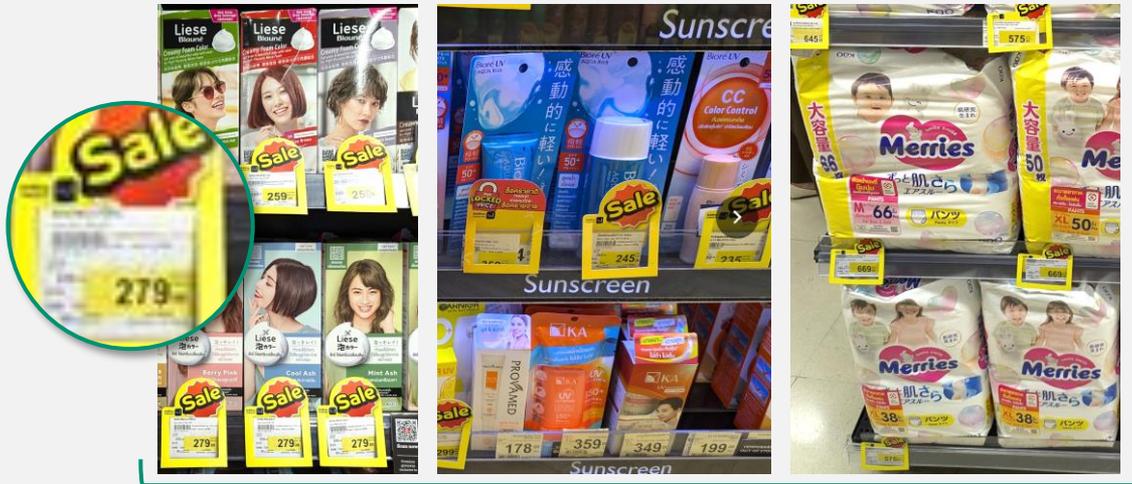


Kao's margins are squeezed at the outset by pricing lower than peers.



Profitability is further pressured by an over-reliance on promotions to drive sales.

A supermarket site visit in Bangkok, Thailand, in early November 2024 showed **ALMOST ALL** Kao products on offer were on sale. This contrasts with similar products offered by Rohto and Unicharm.



Kao products in haircare, sun care, diapers and fabric detergents were all discounted in one Bangkok supermarket



Neither Rohto nor Unicharm were discounting products

Inconsistent Pricing of Products

Kao's pricing problems hurt profits

Their beauty brands price often too low and inconsistently across markets globally.

Take Biore face scrub in Watson's, one of Malaysia's leading drugstores.

MALAYSIAN MEN'S FACE SCRUB			
Parent	Brand	Malaysian Ringgit Price per ML	Avg Peer Discount
L'OREAL	GARNIER MEN Oil Control	0.225	
BEIERSDORF	NIVEA MENS White Oil Clear Mud Foam	0.219	
KAO	MEN'S BIORE Foam Oil Balance Face Wash	0.145	-34.6%



- Kao could raise overseas prices **20-35%** over time IF it had stronger brand management.
- But to do this it would need marketing to think about defining customers to match competitors' pricing.
- With **70% of increases** hitting the bottom line, smart pricing would help drive revenue, profits AND declutters brands.

- While taking pricing up 20% in one go is tricky,

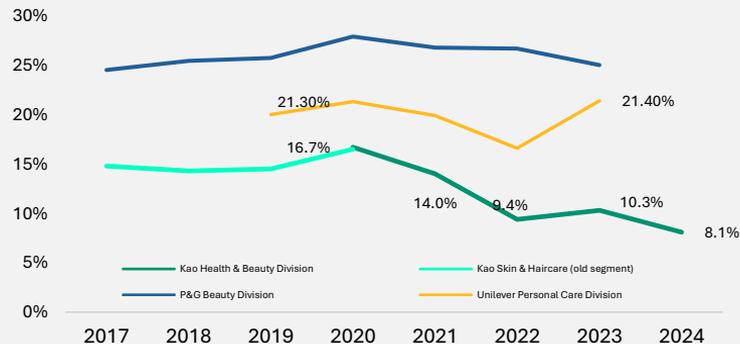
5%
price increase

backed by
proper
marketing

would lift operating margins 3%
for these SKUs based on our estimations.

- Over the long term better pricing and brand management could allow Kao to match Unilever's Personal Care margins.

Kao Health & Beauty vs. Peer Operating Margins



Lack of Discipline in M&A...

Kao significantly overpaid for Margin Dilutive Bondi Sands

Kao offered 40% above a previously rejected USD 320 million bid (37x earnings)¹.

Significant performance issues were also obvious **before** Kao made the acquisition. In 2022:

- Revenue tripled to USD 105.8 million but profits grew only 40% to USD8.7 million
- Gross margins of European operations (35.3%) were well below industry standards, and operating margins (12.7%) below Kao's own UV skincare business.

Both then collapsed as Kao was negotiating in 2023 with gross margins falling to 21.3% and operating margins to 0.6% in Europe. Despite these results Kao proceeded with the acquisition.

The result for Kao was clear margin dilution as well as serious **questions about the acquisition rationale, quality of post-merger integration (PMI) and board oversight.**



Sunny days: Bondi Sands offloaded to Japan's Kao for \$450m

August 01, 2023

APR

“ Health & Beauty (H&B) was sluggish, **NOMURA** down 4.3 billion yen, due to... increased costs at Bondi Sands ”

November 08, 2024

Kao is **WRONG** about Lanchi



Kao Claims...

“As CFO, she only served for a short time at a private company and she lacks management experience”

“Lack of in-depth understanding and advisory experience with Japanese companies”

“The Board of Directors has not designated Financial expertise as an area to be additionally strengthened at this time, considering the adequate composition of the board of directors proposed by the Company”

“At the document screening stage, it was confirmed that (...) her expertise and career do not align with the needs of the Company”

However...

This disregards Ms. Venator’s responsibility as **Head of Strategy alongside her CFO position**, which is to say nothing of her esteemed career history in management positions at multiple global brands.

If Kao wants to expand globally (as per K27), the Board needs **global expertise**. Incumbent directors bring an existing wealth of Japanese expertise, but now it needs to diversify.

While Ms. Venator’s expertise are under the umbrella of finance, **she specifically specializes in pricing strategy in personal care and cosmetics**, which (1) a key area for improvement at Kao given the lack of pricing it has achieved in its Health & Beauty and Cosmetics divisions versus its Fabric & Homecare unit, and (2) the Board would be aware of if they took the time to interview her. Moreover, Kao disclose that while the execution of business during the shift from K25 to K27 is deemed appropriate, *“the remaining key issue is the global strategy for cosmetics”* ([Source](#)) – Lanchi has extensive experience in Cosmetics.

The true reason why Kao refused to even meet with Ms. Venator when one of their largest shareholders proposed her as a Director candidate remains a mystery to Oasis. **She offers industry-leading expertise in finance and pricing strategy, and has worked at key industry peers.**

Branding Transformation Expert



Hugh Dineen

Male / American / 56

Hugh was most recently President and Chief Marketing Officer of one of the world's leading haircare product companies. He spent over 15 years as Vice President running the consumer products division of Johnson & Johnson, specializing in brand turnarounds. He revived multiple brands and grew revenue at one sub-scale brand by over ten times in three years. Hugh has also run substantial operations in Japan and managed brand strategy, including building out digital marketing, customer acquisition and analytics efforts in both B2B and B2C.



**Global Consumer
Marketing & Branding**



Cosmetics / Health & Beauty



Brand Turnaround & Growth

Career Highlights



1990 – 1997

Customer Business Development



1997 – 2006

Executive Director / GM



2006 - 2012

VP / GM (Large Consumer Portfolio)



2012 - 2015

Global VP, Global Marketing Head (Various)
Global VP, Head of Beauty



2015 - 2020

Chief Marketing Officer (CMO)



2021 - 2025

President, Global Brands & Global CMO



2021 - 2024

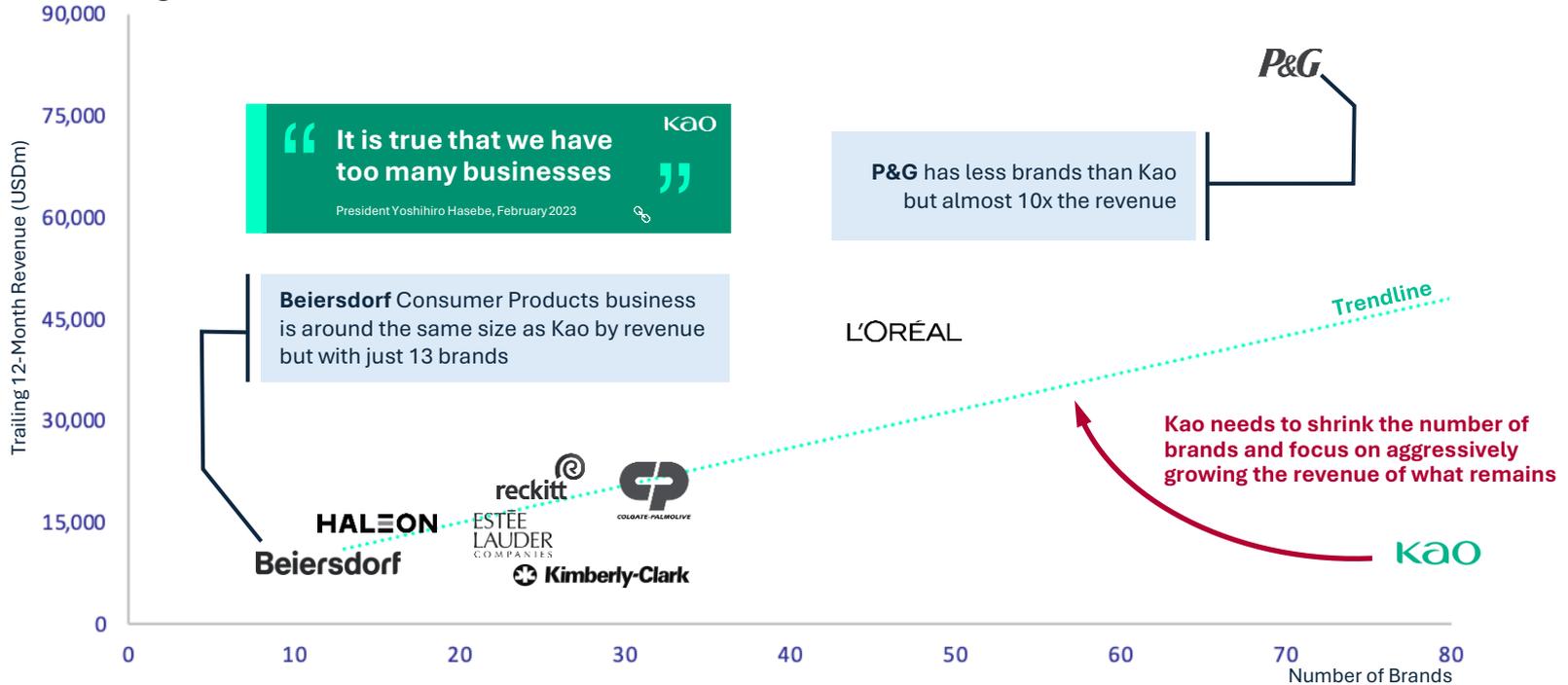
Non-Executive Director

Hugh holds an MBA from NYU Stern School of Business.

Brand Management Potential

Kao has too many brands

By their own admission, Kao have too many brands. Kao has committed to streamlining their portfolio, however, since June 2021, Kao has divested just two sub-scale brands. In the same period, Unilever has divested more than twelve brands and continues to conduct a strategic brand review.



Kao Has Failed To Manage Its Portfolio



We (will) consider divesting of brands or products that **generate five billion yen or less in sales, that have a profit margin of less than 15%, and that have no growth potential...** We aim to complete this **selection process** within **one to two years.**"

Yoshihiro Hasebe, June 2021
Small Meeting with CEO

kao



Since June 2021 Unilever has divested more than twelve brands generating over EUR2bn in revenue and continues to conduct a strategic brand review

Management has spent years talking about focusing on its largest, most profitable and fastest growing brands.

In 2021 it even outlined the criteria for divestment.

Since then, the only significant moves on divestment and exits have been the sale of two small businesses (its health drinks, and pet care lines), and the closure of a small cosmetics brand.

It was not until 2024 that the Company finally identified six priority Cosmetics brands – most of which Oasis had called upon earlier to be prioritized.

Given the underlying real sales has been effectively stagnant since 2020, the collapse in operating margins in Health & Beauty and Cosmetics and the long-tail of brands in both of these segments, it is hard to imagine that the Company has conducted a proper review of brands with no growth, low margins and JPY5bn or lower in revenue that should be reviewed.

Without a proper focus on Kao's strongest brands, it is hard to believe that Kao has the same 'right to win' in the global marketplace as peers and its poor portfolio management will continue to act as a drag on a turnaround.

Kao is **WRONG** about Hugh



Kao Claims...

“No experience as CEO or senior executive level of a global company”

“Lack of in-depth understanding and advisory experience with Japanese companies”

“Marketing expertise will not be necessary as this will be strengthened by our proposed candidates”

However...

Mr. Dineen’s positions as Vice President, President and CMO at various competitors to Kao qualify him, not to mention his role as a Non-Executive Director at a global consumer goods company.

If Kao wants to expand globally (as per K27), the Board needs global expertise. Incumbent directors already have an existing wealth of Japanese expertise. Kao’s challenge is not understanding Japanese consumers better; but growing its existing brands better globally.

Kao’s candidates have little experience with turning around or scaling FMCG brands internationally.

Ms. MacCallum has experience with corporate branding, but has not held an operational role since 2006, and has **no experience with marketing strategy in FMCG.**

Ms. Casanova has demonstrated an impressive track record at turning around a US Fast Food chain troubled Japanese operations, but this is not the same as **scaling up Personal Care and Cosmetics brands in Western markets.**

For these reasons, we **believe specialized industry expertise is key to drive a fast return to profitable growth at the Company.**

DX Expert



Anja Lagodny

Female / German & Swiss / 58

Anja was previously Chief Digital Officer at Japan Tobacco International. She created and implemented a two-year global digital transformation strategy and established a new digital business unit to leverage consumer data in the transition to E-Commerce and oversaw programs to drive efficiency gains in R&D, Supply Chain Management, and sales. Prior to this, Anja held senior leadership roles at Carlsberg Group and Mondelez Europe, where she created and implemented global E-Commerce and digital strategies focused on growing B2C and B2B online channels.



Global Digital Transformation



Diversified FMCG



Japanese Business

Career Highlights



2004 - 2009

Multiple roles up to Global Head of Consumer Relations & CRM



2010 - 2011

Sr. Account Exec. – FMCG Digital Transformation



2011 – 2016

Head of Digital, Social Media Marketing Operations & eCommerce Europe



2016 - 2019

VP, Digital



2019 - 2022

Chief Digital Officer / Global VP Digital Strategy (Member of the Board of Directors)



2022 (current)

Executive coaching and board advisory consultancy in Digital/AI Transformation and Digital Strategy.



2024 (current)

Chair International Chapter, Swiss Institute of Directors

Anja is also the Executive in Residence at IMD Business School.

A Digital Laggard

Misguided E-Commerce Strategy

My Kao interactive platform

Kao's new digital platform to connect directly and interactively with consumers

Creating Kao fans + New marketing platform

My Kao

くらしラボ

My Kao

Kao's new digital platform to connect directly and interactively with consumers

Incorrect Focus

- Kao owns strong **BRANDS** but is focused on creating **KAO FANS** rather than brand loyalists.
- Consumers want a strong **brand experience**, **NOT** a corporate marketplace.
- Marketing, SEO, and ads are generally **LESS EFFECTIVE** when multiple brands are mixed together in a site.

Kao Should Be Learning From Others' Successes

L'ORÉAL

Maybelline, Lancôme, Kérastase etc. are all sold via separate sites for stronger brand presence

ESTÉE LAUDER COMPANIES

Similarly, MAC, Clinique, Bobbi Brown etc all have their own independent E-Commerce experiences

Unilever

Dove thrives as a stand-alone brand complete with its own sites and story-telling. Unilever as a consumer 'brand' lacks the same emotional connection.

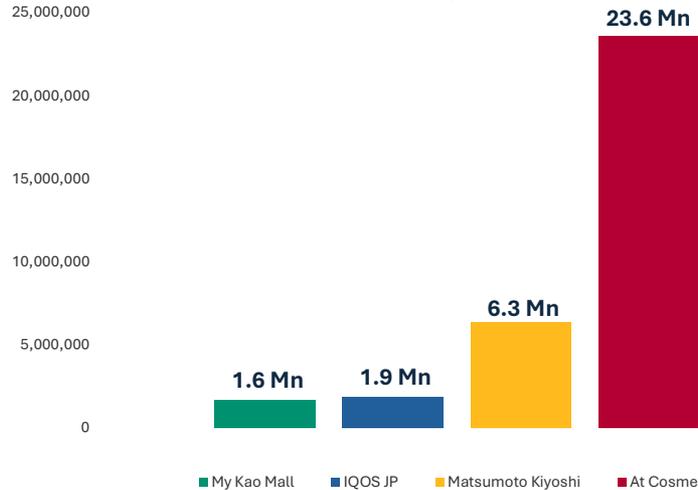
A Digital Laggard

My Kao Mall Japan – a disappointing consumer experience

My Kao Mall Japan – Kao's main EC site - performs poorly compared to specialist competitors.

Online beauty retailer @Cosme attracted 23.6 million visitors. Matsumoto Kiyoshi's website drew 6.4 million monthly visitors in 2024. My Kao Mall Japan lags far behind. Even e-cigarette operator IQOS Japan, which has a far smaller audience, attracted more visitors

Monthly median visitors (2024)

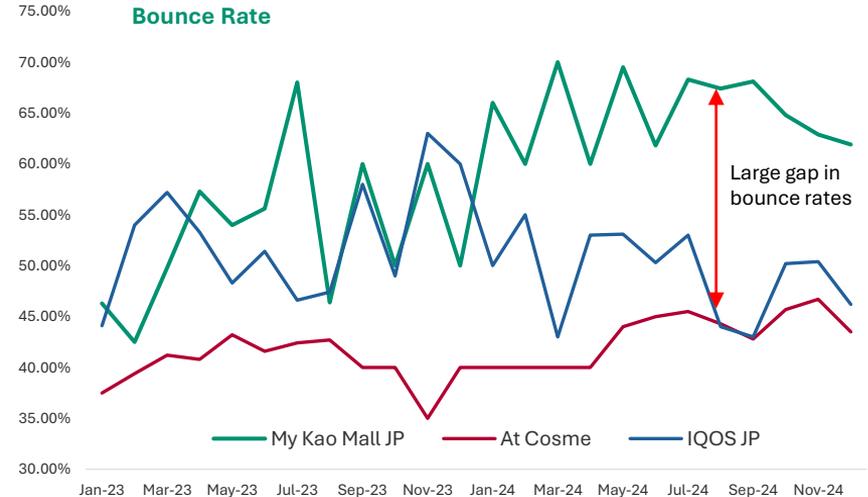


The site struggles with two further key issues:

1. Visitors rarely make purchases (conversion rates 3.5x lower than similar-sized sites IQOS), and
2. Most leave after viewing just one page (high bounce rate).

This suggests the EC strategy is not working, and consumers are not interacting with brands online via My Kao Mall.

Bounce Rate



Digital Strategy

Case Study: Focus on Kao brand visibility impact - Searching For Skin Care in Singapore

Kao faces digital challenges beyond just flawed multi-brand retail sites. The company's search engine optimization needs improvement in many overseas markets.

Take Curél, Kao's derma-cosmetics line. Despite derma-cosmetics being a high-margin segment with mass-market appeal and strong growth potential in Asia, Curél underperforms digitally in key regional markets.

In Singapore, where Kao has an established presence, Curél's online visibility lags significantly behind competitors. The brand appears in the top ten search results for only 31 skincare-related keywords—five times less than its direct competitor Cetaphil, and well behind other competitors like Cerave and Eucerin.

This represents huge lost brand visibility in one of ASEAN's most affluent and sophisticated markets.

Case Study: Curél Search Visibility - Singapore

BRAND	Top Ten Search Position Occurrence
CeraVe	336
La Roche Posay	378
Cetaphil	155
Eucerin	107
Curél	31

Search position analysis shows where brands rank in search results. The top ten positions are especially crucial for consumer visibility. Take an ASEAN market like Singapore, Curél rarely appears in the top 10 search results. Its competitor, Cetaphil, has five times search visibility with consumers than Curél. This suggests something as basic as Search Engine Optimization needs to be worked on.

Digital Strategy

Kao is not just playing catch up—it's repeating mistakes that larger, better-funded consumer goods companies made a decade ago instead of learning from them.

This has resulted in lost market share, reduced visibility to new customers, revenue streams, and consumer data, while reducing its ability to respond to changing consumer behavior both overseas and domestically.

Despite these challenges, Kao has brought in minimal external expertise to address this challenge and lacks an external director with digital strategy leadership skills who can [evaluate and guide Kao's DX Strategy](#).

We would like this to

CHANGE

External Director with Digital Expertise	
KAO	X
Beiersdorf	✓
HALÉON	✓
<i>P&G</i>	✓
<i>Unilever</i>	✓
K kenvue	✓
L'ORÉAL	✓

Kao does not own its own brand websites

Many of Kao's brand websites are up for sale in Japan

The screenshot shows a search for 'curel' on a domain marketplace. The search bar contains 'curel' and a search button labeled '実行'. Below the search bar are navigation options: '検索結果', '履歴', 'お気に入り', 'フィルター', and 'アフターマーケット' with a '新着!' badge. The results list several domains for sale:

Domain	Price	Notes
cure-l.com	¥3,499 (discounted to ¥1,158)	2年契約の初年度のみ
curel.co.jp	¥6,999/年	制限事項あり
sensai.co.jp	¥6,999/年	制限事項あり
moltonbrown.co.jp	¥6,999/年	制限事項あり
oribe.co.jp	¥6,999/年	制限事項あり

In fact, Oasis even bought one as a gift for Kao

The screenshot shows a search result for 'biore.jp' on a domain marketplace. The search bar contains '事業名や希望するドメイン名で検索' and a search button labeled 'ドメインの検索'. The result is titled 'あなたのビジネス' and features a photo of a person in a lab coat working in a laboratory. Below the photo, the text reads:

バイオリ
biore.jp
ドメイン, サイト

Kao is **WRONG** about Anja



Kao Claims...

“No experience as CEO or senior executive level of a global company or director of a listed company”

“The Board of Directors has not designated DX as a skill area to be additionally strengthened this time, considering our current adequate executive structure and composition of the board of directors proposed by the Company”

“When a candidate lacks experience as a director, it may be difficult for them to make effective decisions on complex management issues or to contribute smoothly to the decision-making process alongside other directors”

However...

This is false. Ms. Lagodny held the position of Chief Digital Officer / Global VP Digital Strategy for JTI, the global division and largest revenue generating segment of a publicly listed Japanese consumer goods company: Japan Tobacco Inc.

Kao’s most recent Board effectiveness evaluation states *“there was room to diversify skills in areas such as global branding and IT”*. **IT is therefore a necessary skill enhancement if Kao wishes to achieve its digital transformation ambitions** disclosed in the K27 plan.

It should also be noted that **Kao’s absence of digital expertise among external directors is highly unusual**. Haleon Plc. alone has three Independent Directors experienced in digital, including Asmita Dubey who also serves as L’Oréal’s Chief Digital and Marketing Officer

It is unclear how Kao can look at Ms. Lagodny’s career history and claim that she “lacks experience” or would be unable to *“make effective decisions on complex management issues”*.



***Proposal #5:
Revision of Compensation for
Outside Directors***

Proposal No. 5:

Revision of Compensation for Outside Directors

The total annual monetary compensation for all directors shall not

exceed **780** million yen

The compensation of outside directors should not

exceed **250** million yen

As established at Kao's 2016 Annual General Meeting, the total compensation for all external directors is capped at 100 million yen.

This cap is suitable for a board of just four external directors – or 25 million per external director as currently structured.

Given an expanded board it is necessary to raise the cap to accommodate the salaries for new external directors on a proportional basis, Oasis is therefore seeking to expand the current pay structure in line with an expanded board on a proportional basis.

This is not a pay increase.



***Proposal #6:
Stock Grant for Outside Directors***

Proposal No. 6

Current external directors only receive cash pay and the incumbent external directors have objectively low holdings given their tenure.

We believe all directors should have a personal stake in improving the Company's value.

Oasis proposes giving external directors stock compensation (RSUs) to better align them with Kao's long-term success.

This proposal would give each outside director annual stock grants worth

up to 5 million yen (1,000 shares)

with a total cap of

50 million yen (10,000 shares)

for all external directors.

Share dilution would be capped at

0.06%

over three years with a 3-year vest

	Board Tenure*	Shareholding in Kao (# / JPY**) [†]
Shinobe	7	3,100 / 20mn
Sakurai	3	300 / 3mn
Nishii	2	4,000 / 26mn
Takashima	1	0 / 0mn

* As at the 2025 AGM

** Assuming a share price of JPY 6,500

[†] as reported in the 2025 AGM Convocation Notice



***Proposal #7:
Equity Compensation Plan for
Inside Directors***

Poorly incentivized to grow

The Importance of Rewarding What Matters

New Compensation Plan: Wrong Targets, Wrong Results

At its March 2024 AGM, Kao introduced a new executive compensation scheme to align with K27.

With less than a third of long-term pay tied to business growth the new compensation scheme - aligned with K27's flawed targets - fails to link management incentives to long-term performance metrics essential for a successful turnaround.



The long-term incentive plan [is] not sufficiently performance based



PGGM Investments, Vote AGAINST Compensation at 2024 AGM

LONG-TERM INCENTIVE PLAN (EQUITY BASED)

VARIABLE	Business Growth	EVA, business growth of net sales, profit etc.	28.0%
	ESG	External Evaluation, Achievement of Kirei Lifestyle Plan	28.0%
	'Management Activities'	TSR, Employee Engagement Survey etc.	14.0%
FIXED COMPENSATION			30.0%

Low management stock ownership

Leadership's low shareholdings, particularly from President Hasebe who is the longest-serving internal member of the board, shows weak alignment with financial performance.

	Board Tenure*	Shareholding in Kao (# / JPY**)†
Hasebe	9	18,000 / 117mn
Negoro	2	12,400 / 81mn
Nishiguchi	2	17,800 / 116mn
MacCallum	0	0 / 0mn

* As at the 2025 AGM

** Assuming a share price of JPY 6,500

† as reported in the 2025 AGM Convocation Notice

Most concerning, President Hasebe's position on the Compensation Advisory Committee creates a clear conflict of interest in the setting and oversight of long-term incentives critical to driving Kao's revival.



This is especially relevant given Hasebe received a long-term bonus in 2023 tied to the K25 mid-term plan, despite the company being on course to miss its targets, and eight quarters of declining or negative EVA, according to Bloomberg calculations, and then abandoning the K25 plan.

We think the current incentive plan does not enhance corporate value.

Executive Compensation Proposal

Reform of Equity Compensation for Executives

Oasis proposes freezing the K27 Equity Compensation Plan and introducing a new long-term incentive plan based on feedback from institutional investors, peer benchmarking and input from third-party consultants.

The new scheme for FY2025-FY2028 emphasizes sustained value creation tied to quantitative targets for organic sales growth, segment-level gross profit margins, segment-level return on invested capital, relative Total Shareholder Return (“TSR”) and quantitative ESG.

Main Features

- **Rebalance:** retune equity compensation from 70:30 to 85:15 for PSU* and RSU* with better compensation for superior long-term operating performance.
- **Reprioritization:** overhaul the metrics underlying PSUs to prioritize those critical to corporate value creation.

Improvements proposed in Oasis’ Plan

- ✓ Pay plan oriented towards long-term value
- ✓ High level of pay linked to performance
- ✓ Plan based solely on quantified targets
- ✓ Metrics distinguish business segments
- ✓ Metrics prioritised based on value creation
- ✓ Metrics cannot compensate for each other
- ✓ TSR assessed relative to global peers
- ✓ ESG metrics defined clearly
- ✓ Designed with shareholder input
- ✓ Transparent disclosure for shareholders

Hitachi’s Compensation Chair explains the importance of a proper incentive scheme best



Compensation is an important engine for a company's growth...(is it) linked to the growth of corporate value?...
Verification against the market and global competitors is very important.

Takatoshi Yamamoto, Hitachi Compensation Committee Chairman

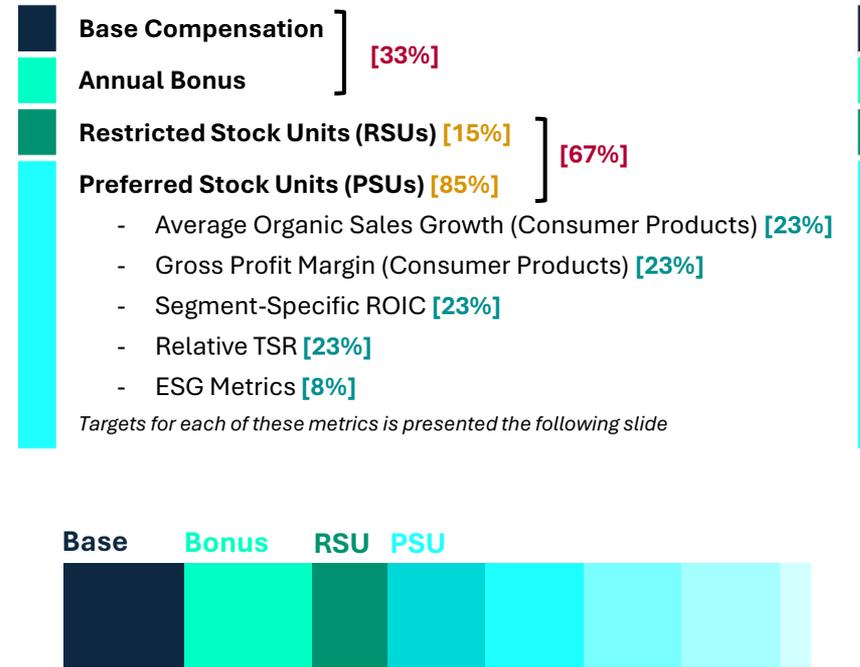


Aligning Executives with Growth

Existing K27 Equity Compensation Plan



Oasis Proposed Equity Compensation Plan



Executive Compensation Proposal

Oasis proposal emphasizes value creation tied to clear and measurable targets **and weighting these benchmarks appropriately.**

We believe it will align directors, management, staff and other stake holders around the shared ambition of realizing Kao's speedy return to financial health.

WEIGHT	METRIC	Min	Standard	Max	NOTES
23%	Average Organic Sales Growth Rate	3.0%	4.0%	6.0%	Excl impact of FX fluctuations
23%	Average Gross Margin for Consumer Products over the last two consecutive fiscal years within the Period	43%	44%	45%	
17%	Average ROIC for the Consumer Products Business during the Period	11%	13%	15%	
6%	Average ROIC for the Chemical Business during the Period	6%	8%	10%	
23%	TSR ranking among a peer group of 10 domestic and international companies during the Period	Within Top 50%	Top 20%	Top Rank	
6%	Reduction in Greenhouse Gas Emissions Scope 1 & 2 vs 2020 levels	40% cut	50% cut	60% cut	
2%	Reduction in Greenhouse Gas Emissions Scope 3 vs 2020 levels	15% cut	20% cut	25% cut	

Executive Compensation Proposal

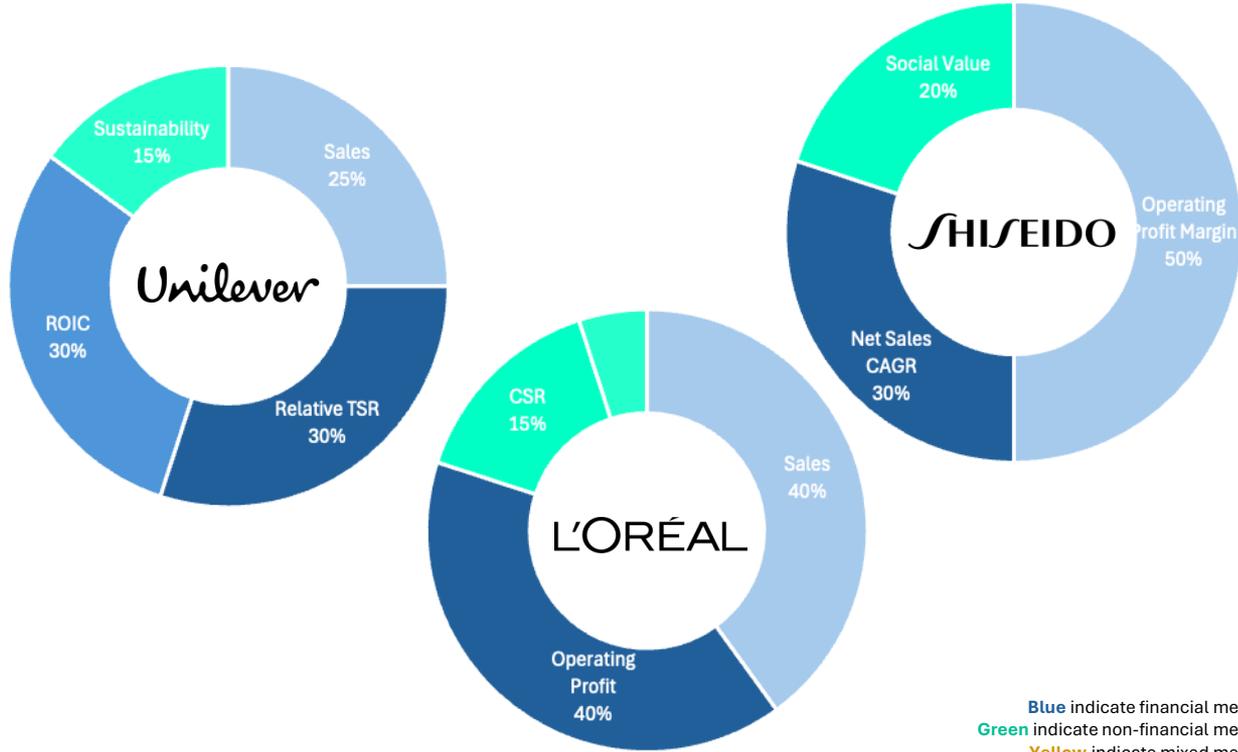
The Oasis proposal puts far more emphasis on tangible operating performance and rewards PSUs based on long-term benchmarks being met. The Oasis plan provides higher rewards than the current plan especially if benchmarks are exceeded.

The President's compensation package below illustrates our new incentive structure with the maximum payout scenario rewarding management better than the current plan.

		BASE (Cash)	STI (Cash)	LONG TERM INCENTIVE		TOTAL MAX PAYOUT
				RSU	PSU	
President	Current	100	200	30	140	470
	Proposed	100	200	30	255	585

Executive Compensation Proposal

Better Alignment of Metrics included in Stock Compensation





VOTE #4 A BETTER KAO

Investors Expect Better

-  **Relative Market Underperformance**
-  **Relative Operational Underperformance**
-  **Oversight of an Abandoned K25 Strategy**
-  **Oversight a Stagnating K27 Strategy**
-  **Oversight of Ill-advised M&A (Bondi Sands)**
-  **Oversight of Global Expansion (incl. Failure in China)**
-  **Lack of Urgency to Achieve Strategic Focus**
-  **Poor Development of Executive Team and Succession**
-  **Poor Development of Incentivization Structures**

Japan's Corporate Governance Code

Principle 4.7 Roles and Responsibilities of Independent Directors

Companies should make effective use of independent directors⁹, taking into consideration the expectations listed below with respect to their roles and responsibilities:

-  Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;
-  Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;
-  Monitoring of conflicts of interest between the company and the management or controlling shareholders; and
-  Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

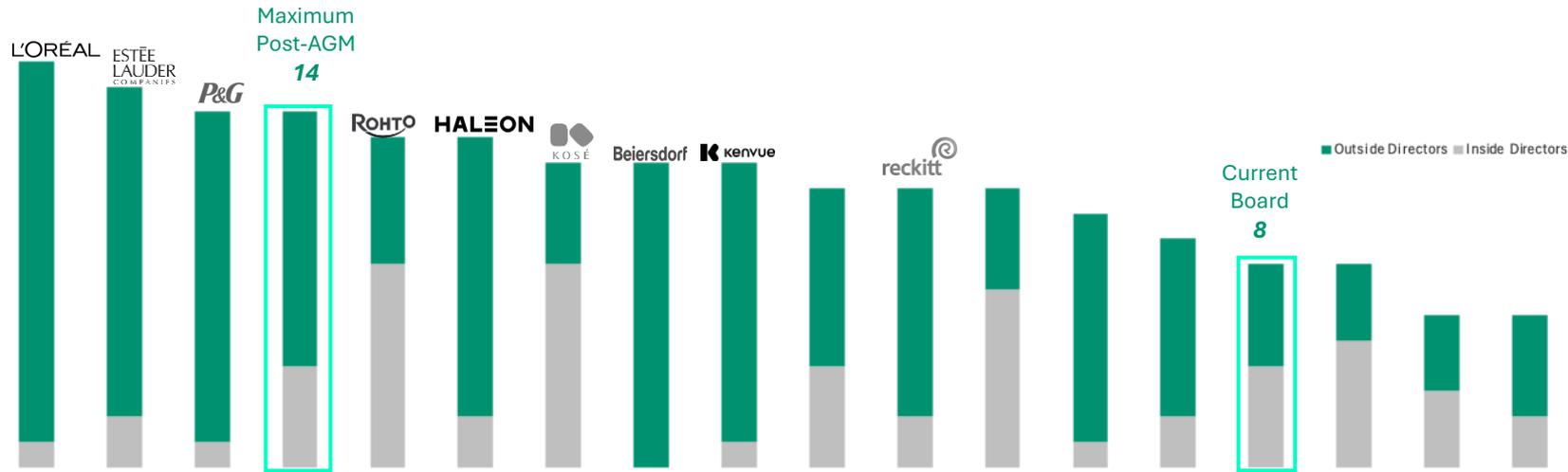


Room for both Oasis and Kao nominees

Expanding the board to peer-aligned levels provides more expertise, and more independence

FMCG peers commonly have boards larger than Kao's current size. Indeed, Kao's small Board failed in preventing several years of underperformance and strategic errors. Global peers have welcomed a large majority of outside directors meaning not only a stronger independent counterweight, but significantly greater scope to introduce strategic skills onto the board.

Oasis believes the low board size limits the coverage of skills, diversity and independence.



Transformational, ADDITIVE skills and profiles

Keeping **CURRENT** external directors while adding five **NEW** external directors combines existing board knowledge with fresh eyes, operational skills and industry expertise to accelerate Kao's turnaround in Consumer Products.

	Skills Considered Key by Kao								Additional Skills Considered by Oasis					
	Management	Global	Consumer Goods Industry	Chemicals Industry	Branding	Human Capital Strategy	Research	Environment / Society	IT/DX	Legal / Risk Management	Finance / Accounting	Cosmetics / Health & Beauty	Consumer Marketing	FMCG Supply Chain
Shinobe	X	X								X				
Sakurai	X	X		X		X		X						
Nishii	X	X	X			X					X			
Takashima	X	X							X	X				
Casanova	X	X	X		X		X							
Skoufalos	X	X	X			X		X		X	X			X
Velando	X	X	X			X					X	X		
Venator	X	X	X			X				X	X	X		
Dineen	X	X	X			X				X	X	X		
Lagodny	X	X	X			X		X	X					

Key Skills Uplifts	Cosmetics / H&B		Marketing		Supply Chain		IT/DX	
	Current	a better kao	Current	a better kao	Current	a better kao	Current	a better kao
	0	4	0	3	0	1	0	2

Specialisms address **FUNDAMENTAL GAPS IN OPERATING STRATEGY**

Vote for the Oasis Proposals

-  **Additive Skills** that are Strategic for Kao
-  Over a Century of **Industry Experience**
-  **Truly global expertise** in growth markets
-  Improved board **independence and diversity**
-  **Peer-aligned board size**
-  Zero threat to **board continuity** or control
-  **Peer-aligned incentivisation** structure
-  **Growth-focused targets** clearly defining pay outcomes
-  **Shareholding alignment** with all directors

#4



Yannis Skoufalos



Martha Velando



Lanchi Venator



Hugh Dineen



Anja Lagodny

#5/6/7



Reformed
Compensation



*Thank you for your attention
and, we hope, your vote*

OASIS

Appendix 1

Peer Long-Term Incentive Schemes

Lessons from peers

The Importance of Rewarding What Matters

Peers link long-term executive pay to metrics like organic sales growth, ROIC, and free cash flow to drive sustainable value creation.

Kao's key metrics have all deteriorated since 2020 due to insufficient management incentives to view them as barometers of corporate health and success.



- **Organic net sales growth**
(Management guides for 1.0-3.0% OSG)
- Adjusted diluted **Earnings Per Share**
- **Total Shareholder Return**
(Used as a modifier for above two)



- **Organic sales growth** in top half of peer group
- **Net Income growth** relative to peer group
- 95% **Free Cash Flow Productivity**
- **Total Shareholder Return** relative to peer group



- **Underlying Sales Growth** of 3.0-6.0%
- Underlying **ROIC** of **15.5-17.5%**
- Median to Upper Quartile **Total Shareholder Return** among peer group
- Proprietary sustainability index



- **Average Organic Sales Growth** of 2.0-4.0%
- **Modified Free Cash Flow Target**

Appendix 2

Investor Perceptions Survey

1. Strategy – K27 (“Global Sharp Top”)

Kao Thinks...

Capital Market has Reacted Positively to Kao’s Progress on K27.

In Reality...

Survey respondents are negative about K27, doubting its global expansion plans and criticizing the strategy's unclear, undifferentiated approach.

Selected Quotes – Shortfalls of K27

This strategy is **completely incoherent** – Foreign Buyside Analyst

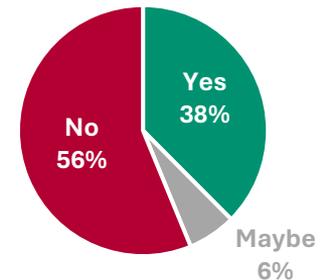
The management team seems to think highly of K27, but the **reality is that it is not working well.** – Domestic Buyside Analyst

Selected Quotes – Lack of Transparency

There are **a lot of things in the plan that are unclear.** - Domestic Buyside Analyst

We often hear about **abstract concepts**, but **we are not clear on their specific initiatives.** - Domestic Buyside Analyst

Do you think the K27 plan addresses all the major areas of improvement?



2. Management

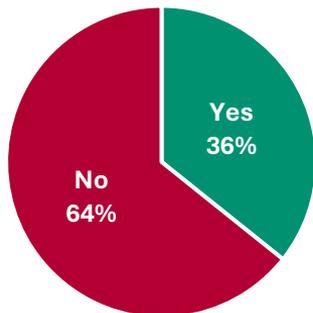
Kao Thinks...

“The strong leadership of President and CEO Yoshihiro Hasebe, and with the appropriate oversight and advice from the current Outside Directors”.

In Reality...

Investors are concerned over management's slow response to poor performance & missed targets, leading to doubts about leadership's execution ability.

Do you think Kao's approach to driving sustained growth is satisfactory?



Selected Quotes – Lack of Trust

What we want to hear from the Company is **why we should expect the next step to be different.** – Foreign Buyside Analyst

How do I rate the strategic competence of management? I would give them a zero. Actually, **can I give them a negative?** They failed to deliver on guidance and **the board made no change to management.** It's horrible. – Foreign Buyside Analyst

My sense is none of the management team are really what you would call 'professionals'... **they should bring in specialist personnel with knowledge of global business** – Domestic Buyside Analyst

The management team's **abilities are extremely low...** Global skills are practically non-existent. – Domestic Buyside Analyst

3. Corporate Governance

Kao Thinks...

The steady progress of K27 can largely be attributed to the contribution of oversight and advice made by the current Outside Directors.

In Reality...

Respondents believe the board lacks both accountability oversight and operational expertise.

Selected Quotes – Accountability & Oversight

Given the lack of change in management and lack of sustained growth, the board has not done a good job of oversight – Foreign Buyside Analyst

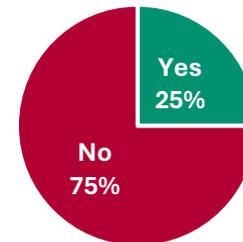
*The board of directors is not independent... **they are doing things in a half-hearted way** – Domestic Sellside Analyst*

Selected Quotes – Board Expertise

*CPG is a street fight at the shelf...How do you do that with a **largely Japanese board that has nobody from marketing, nobody from E-Com, nobody from supply chain on there?** – Foreign Buyside Analyst*

Even the director with the most international experience is not from the consumer sector - Domestic Sellside analyst

Do you think management is being effectively assessed by the board for its failure to achieve a positive EVA?



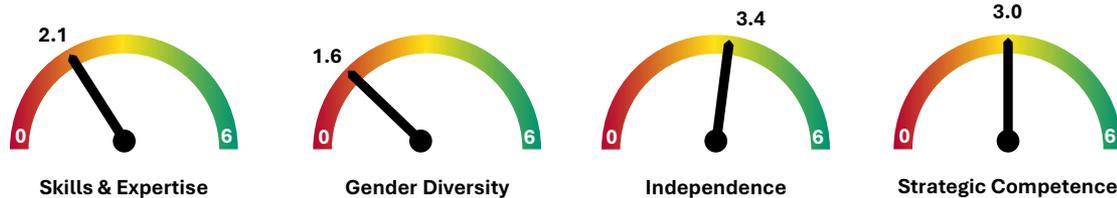
3. Corporate Governance

Selected Quotes – Board Composition & Shareholder Interactions

It took me two months to get a call with IR, much less an independent director – Foreign Buyside Analyst

*They need to do more to promote diversity... **The current situation is not at global levels...** (and) it would be good to see the benefits of diversity and inclusion reflected in the top line
– Domestic Sellside analyst*

Out of 6, Rank Kao's Board in terms of ... (Average Score of Responses)



4. Incentivization

Kao Thinks...

The current compensation system for Directors... is appropriate... the compensation system proposed by Oasis does not contribute to enhancing our corporate value.

In Reality...

Analysts think Kao over-weights ESG at the expense of key operational metrics and undermines management's focus on driving profitable business growth.

Out of 6, how important are these metrics for compensation packages to encourage sustainable growth?



*Despite underperformance by the company, some directors' compensation has gone up. This implies very little accountability and lack of alignment to performance/financial results.
This is A CLASSIC sign of underperforming companies – Domestic Buyside Analyst*

***Not enough compensation is tied to stock performance.** – Foreign Buyside Analyst*

*It needs to **make the evaluations and the process clearer** – Domestic Buyside Analyst*

5. Investor Views

Investors surveyed are generally supportive of the “A Better Kao” campaign, agreeing with the arguments made. Investors also contributed their own demands of Kao for future initiatives.

“ Selected Quotes – Respondent Demands

*If they don't initiate something more aggressive now, **they will find themselves becoming a largely irrelevant company.***

I want the number of brands to be reduced.

*It is necessary to **disclose the sales figures for each SKU and their trends.***

*What the board should do is **sort out governance.***

*The management team has to increase the effort to **capture more growth and higher margins** with their strong consumer brands.*”

Appendix 3

ESG

ESG AWARDS

Kao highlights its 18-year streak as one of



“the "World's Most Ethical Companies"”



as central to its ESG credentials. This award deserves closer examination since 28% of Management's long-term incentives tie directly to ESG metrics and external evaluations.

Ethisphere, the awarding organization, is a for-profit company that charges fees to define and measure corporate ethics. This self-nominated, "pay-to-play" award relies on proprietary self-reported surveys with an assessment process that lacks transparency and peer review.



< 18 consecutive years >

Only one in Asia

Only 6 companies globally

Selected as one of "World's Most Ethical Companies®"

Companies pay for both the self-assessment and rights to use Ethisphere's logo.

We think this creates **a major conflict of interest**, especially since Kao has not disclosed its 18-year fee history with Ethisphere or whether the company factors into third-party ESG evaluations.



Ethisphere's ethical credibility is questionable,

Having repeatedly honored arms manufacturers:

Elbit Systems
of America:

6 times

Leidos:

7 times



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