(Translation)

Kao Corporation

Corporate Governance

Last updated on March 1, 2018
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I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company's vision by 2030 is to make Kao a company with a global presence. In addition to financial strategies and initiatives including financial results, non-financial strategies and initiatives should be strengthened and both should interact with each other to allow a company to grow sustainably. Kao has announced that it recognizes ESG (Environment, Society and Governance) initiatives as an investment for the future, not as a cost, and is promoting them. Kao considers good corporate governance as a prerequisite and a driving force for strongly promoting the achievement of such a goal. The Company's basic stance on measures related to corporate governance is to set up and operate a management structure and an internal control system, timely implement necessary measures and achieve accountability so that the Company can swiftly respond to changes, realize efficient management that is sound, fair, and highly transparent, and continuously increase corporate value. The Company views accomplishing such tasks as one of its most important management issues. The Company has been actively engaging in activities to listen to stakeholders' voices and based on input from stakeholders and social trends, it conducts reviews of its corporate governance and implements the necessary measures and improvements, as needed, in an appropriate manner.

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

Ensure Adequate Coordination with External Accounting Auditor and Outside Directors (Principle 3.2.2 (iii))

The Company expects Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, to fulfill the role of coordination with the external Accounting Auditor as contact points on the Company's side, and the external Accounting Auditor's views, issues and other matters are shared with the Members of the Board, including the Outside Directors, through the Audit & Supervisory Board Members. In the course of such information sharing, if the Members of the Board judge it necessary, they ensure efficiency and adequate coordination by establishing opportunities for direct exchange of information with the external Accounting Auditor.

Regular Exchange of Information Solely among Independent Outside Directors (Principle 4.8.1)

To promote discussions from diverse perspectives, independent Outside Directors and Outside Audit & Supervisory Board Members hold meetings exclusively for independent outside members on their own initiative to exchange information and share awareness of issues related to the Company's management and the activities of the Board of Directors, development of future Senior Management, and other matters. Given the current situation of having good communications, ad hoc meetings among independent outside members are considered more appropriate for such communication than regular meetings scheduled by the Company. Also, a newly appointed member who attended the meeting expressed his view that he was reassured by the fact that outside members can make their proposals directly to the Company through frank exchanges of opinions undertaken at the meeting.

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

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

- "Management" means Members of the Board and Executive Officers.
- "Senior Management" means Executive Officers with titles.

1. Corporate philosophy (Principle 3.1(i))

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

(1) Mission

Our mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective. This commitment is embraced by all members of the Kao Group as we work together with passion to share joy with consumers and customers in our core domains of cleanliness, beauty, health and chemicals.

(2) Vision

We aim to be the global group of companies that is closest to the consumers and customers in each market, earning the respect and trust of all stakeholders.

(3) Values

1) *Yoki-Monozukuri* (The Company defines "*Yoki-Monozukuri*" as "a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction.")
2) Innovation
3) Integrity

(4) Principles

1) Consumer Driven
2) *Genba-ism* (The Company defines "*Genba-ism*" as the importance of observing things "on-site," in the actual location and environment, both internally and externally, in order to maximize our understanding of the business and optimize our performance.)
3) Respect & Teamwork
4) Global Perspective

(For further details regarding the "Kao Way," please see http://www.kao.com/jp/corporate/about/policies/kaoway/)

2. Long-term Business Strategy (Principle 3.1(i))

(1) Long-term Targets

As vision by 2030 based on the above corporate philosophy, the Company aims to become a company with a global presence by combining sustained "profitable growth" and "contributions to the sustainability of the world" by making proposals to resolve social issues and conducting social contribution activities through its business operations. To achieve this vision, the Company will promote the further reinforcement of the existing businesses that are its strength and the creation of new markets from a global perspective utilizing the R&D capabilities that will create value for the future, in addition to implementing basic measures to further raise the level of safety and security.

It is becoming difficult to predict various changes which will occur throughout the world in all aspects such as speed, size, and directions. To deal with these situations, the Company aims to achieve the above target by boosting the company's comprehensive strength under the slogan of "transforming ourselves to drive change".

The Company's vision by 2030 is as below:

Make Kao a company with a global presence through:

■ A distinctive corporate image
■ A high-profit global consumer goods company that exceeds:
  - 2.5 trillion yen in net sales (1.0 trillion yen outside Japan)
  - 17% operating margin
  - 20% ROE
■ A high level of returns to stakeholders

(2) Issues for Global Growth
To realize global growth, the Company intends to build and strengthen an integrated management system and nurture personnel to fully utilize and maximize the Kao Group's assets globally.

(3) Contribution to the Sustainability of World
The Company's basic stance is to contribute to the sustainability of the world through *Yoki-Monozukuri*. Making value offerings through new approaches to help resolve the social issues of the environment, health, the aging society and hygiene in particular will lead not only to social contributions but also to business expansion.
(For further details regarding contributions to sustainability, please see http://www.kao.com/global/en/sustainability/)

3. Mid-term business plan (Principle 3.1(i))
The Company regards K20 as an important milestone toward achieving its vision by 2030, and it has established the Kao Group Mid-term Plan 2020 (K20) targeting the four years from FY2017 to FY2020 to enhance corporate value.

K20 Goals - Three Commitments
1. Commitment to fostering a distinctive corporate image
   Become a company that is always by the consumer's side
   - Proposed image: Kao is a company that embodies *KIREI**1
2. Commitment to profitable growth
   - Continue to set new record highs for profits
   - Aim for like-for-like*2 net sales CAGR of +5%, operating margin of 15%
   - Three 100 billion yen brands (*Merries* baby diapers, *Attack* laundry detergents, *Bioré* skin care products)
3. Commitment to returns to stakeholders
   - Shareholders: Continuous cash dividend increases (40% payout ratio target)
   - Employees: Continuous improvement in compensation, benefits and health support
   - Customers: Maximization of win-win relationships
   - Society: Advanced measures to address social issues

Notes:
*1. *KIREI* is a Japanese word that represents the concept of cleanliness, beauty, health, purity, and fairness.
*2. Excluding the effect of currency translation, change of sales system, etc.

The Company upholds Integrity, passed down from Kao's founder, as one of the core Values of its corporate philosophy the Kao Way. This Integrity will continue to be embraced as K20 guides the Group's daily business activities. The mid-term plan directs the Kao Group to maintain thorough quality control and information control, sincere consumer communications, strict compliance implementation and effective crisis management. Through such endeavors, the Company aims to reinforce its credibility in a global society.
Moreover, the Company promotes to extend its profitable growth by creating new asset bases while making the best use of Group's existing assets.
(For further details regarding K20, please see http://www.kao.com/jp/en/corp_ir/imgs/presentations_fy2016_k20_01.pdf)

4. Basic position and policy on corporate governance (Principle 3.1(ii), Principle 4.9)
(1) Basic position on corporate governance
The Company's vision by 2030 is to make Kao a company with a global presence. In addition to financial strategies and initiatives including financial results, non-financial strategies and initiatives should be strengthened and both should interact with each other to allow a company to grow sustainably. Kao has announced that it recognizes ESG (Environment, Society and Governance) initiatives as an investment for the future, not as a cost, and is promoting them. Kao considers good corporate governance as a prerequisite and a driving force for strongly promoting the achievement of such a goal. The Company's basic stance on measures related to corporate governance is to set up and operate a management structure and an internal control system, timely implement necessary measures and achieve accountability so that the Company can swiftly

respond to changes, realize efficient management that is sound, fair, and highly transparent, and continuously increase corporate value. The Company views accomplishing such tasks as one of its most important management issues. The Company has been actively engaging in activities to listen to stakeholders' voices and based on input from stakeholders and social trends, it conducts reviews of its corporate governance and implements the necessary measures and improvements, as needed, in an appropriate manner.

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

1. The members of Management, who have diverse experience and knowledge regarding the operation of each of the Kao Group's businesses and divisions, conduct discussions based on their understanding of the business environment in which the Company operates and the strengths and issues of the Kao Group to create proposals for the Business Strategies. In the event that consideration from more diverse perspectives, including evaluation of risks, is appropriate when planning and otherwise dealing with Business Strategies, the members of Management strive to utilize external experts.

2. Inside Directors and Full-time Audit & Supervisory Board Members who are familiar with the status of the Kao Group's management and businesses, its strengths and issues, and other matters, and Outside Directors and Outside Audit & Supervisory Board Members with diverse experience and knowledge of business and other areas, a high level of expertise and insight, and a neutral, objective perspective deliberate from their diverse perspectives, including evaluating risks, at Board of Directors meetings and make decisions on proposed Business Strategies submitted by the Management.

3. The members of Management quickly and properly execute the Business Strategies utilizing their respective diverse experience and knowledge.

4. Each year, the members of Management ascertain changes in the business environment that forms the premises of the Business Strategies, consider the status of progress of the strategies, issues in their achievement and response to such issues, the necessity of changes to the strategies and other matters and report to the Board of Directors.

5. In response to the above report from the members of Management, the Outside Directors and Outside Audit & Supervisory Board Members through their diverse perspectives supervise and audit whether the Business Strategies have been executed properly and makes decisions on the necessity of changing the Business Strategies and other matters at the Board of Directors meetings.

(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. (Principle 4.10.1)
The Company uses a structure with the appropriate number of independent Outside Directors and Outside Audit & Supervisory Board Members who satisfy the "Standards for Independence of Outside Directors/Corporate Auditors of Kao Corporation" (hereafter, the "Standards for Independence") to provide a check on the status of deliberations of the Board of Directors from an objective perspective independent of the Company's Management so that the Company's management judgment is not biased toward the logic of persons inside the Company.
To conduct examinations from an objective perspective independent from the Management, the Committee for the Examination of the Nominees for the Members of the Board, which examines

candidates for Director, including for President and Chief Executive Officer, and the Compensation Advisory Committee, which examines the compensation system and remuneration levels of Members of the Board and Executive Officers, both include all independent Directors and independent Audit & Supervisory Board Members, Outside Directors and Outside Audit & Supervisory Board Members (hereafter, the "Independent Directors and Audit & Supervisory Board Members, etc.").
(For further details regarding the Standards for Independence, please see http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf)
(For information concerning appointment of Independent Directors and Audit & Supervisory Board Members, etc., please see "Outside Directors' Relationship with the Company (2)" in "Directors" below, as well as "Outside Audit & Supervisory Board Members' Relationship with the Company (2)" in "Audit & Supervisory Board Members" below.)

(4) Non-executive Director as Chairperson of the Board of Directors (Principle 4.6)
To more thoroughly separate execution and supervision, the Company uses a structure in which a non-executive Director serves as Chairperson of the Board of Directors.

(5) Company with an Audit & Supervisory Board
The Company has chosen to be a company with an Audit & Supervisory Board for the following reasons.

1. In addition to Outside Directors that include people with management experience, Outside Audit & Supervisory Board Members that include lawyers, certified public accountants and people with academic experience further increase the diversity of the Board of Directors by expressing opinions with a high level of expertise and insight and are useful for proper deliberation and supervision and audit of execution.
(For the Company's stance on nomination of Outside Directors and Outside Audit & Supervisory Board Members, please see "7. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors" below.)

2. Unlike in companies with a nominating committee and other committees or an audit committee, Audit & Supervisory Board Members with an independent perspective who do not concurrently serve as Directors enable objective audits of the execution of duties because they do not have the right to vote at Board of Directors meetings. In particular, independent Outside Audit & Supervisory Board Members enable audits from a perspective that is more independent from the Management.

3. Ability of Full-time Audit & Supervisory Board Members to Collect Necessary Information for Audits
The Company ensures cooperation on information collected by the Audit & Supervisory Board Members so that it is reported to the Outside Directors as necessary, in addition to audit reports to the Board of Directors.

(6) Promoting communications with shareholders
In order to improve its corporate value, the Company considers it important to communicate with shareholders and other stakeholders, thereby having better understanding of mutual views and positions, and taking appropriate measures based on the same. The Company will develop a structure to promote constructive communications with shareholders, and create opportunities to communicate with institutional investors and individual shareholders. In communication with shareholders, the members of Management participate to the extent possible in order to reflect the opinions of the shareholders in management properly. Pertaining to information of the Kao Group which is the basis for communication with stakeholders, the Company established Disclosure Guidelines, and is committed to timely, accurate and fair disclosure of information and proactively discloses information of social relevance as well as information which it is obligated to release publicly.
(For further details regarding IR Related Activities, etc., please see "14. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders"

and “2. IR Activities” in “III Implementation of Measures for Shareholders and Other Stakeholders” below.)
(For further details regarding Disclosure Guidelines, please see http://www.kao.com/global/en/investor-relations/management-information/disclosure/)

(7) Basic Strategy for Capital Policy
The Kao Group’s capital policy follows a basic strategy of securing a sound financial structure to make investments for sustainable growth and tolerate the related risks, and to make stable, continuous returns to shareholders. To realize this policy, the Kao Group uses Economic Value Added (hereinafter “EVA”), a management indicator that takes capital cost into account, as its main indicator and works to enhance its corporate value by improving EVA.
The Group manages all equity and interest-bearing liabilities as subject of capital cost and intends to optimize capital cost from the viewpoint of safety and capital efficiency. For equity, the Kao Group aims for a streamlined and sound structure from a medium- to long-term perspective with efficiency in mind and, while maintaining interest-bearing liabilities at a moderate level, aims to obtain high credit ratings which will allow it to procure capital for large-scale investments. The Kao Group is not subject to significant capital regulations except for general requirements under the Companies Act and others.
Although the Kao Group emphasizes shareholder returns, it realizes that investment for growth will meet the expectations of its stakeholders, and therefore prioritizes such investment. In addition to providing stable dividends, the Kao Group aims to continuously increase dividends to reflect improvement in business results. The Kao Group also uses surplus funds to flexibly conduct share repurchases.
In addition to making returns to shareholders, the Kao Group retains the capital necessary to conduct investments for growth in a timely fashion and to ensure sufficient soundness to deal with situations that exceed assumptions while improving EVA.
The Company was selected as the Grand Prix recipient of the “Corporate Value Improvement Award*” (FY2016) due to the positive evaluation of its management aimed at corporate value improvement incorporating EVA®, a concept used to measure true profit by factoring in the cost of invested capital. Continuous growth in EVA® is linked to increase corporate value, which means long-term profit not only for shareholders, but for all Kao Group stakeholders as well.

*“Corporate Value Improvement Award”: The Corporate Value Improvement Award was founded in 2012 to spread and promote management aimed at enhancing corporate value which is deemed desirable by TSE from the perspective of a market provider. All listed domestic companies on the TSE market are eligible for the award. The award is to honor listed companies with high corporate value and management practices deemed to contribute to the appeal of the TSE market, such as by improving corporate value through initiatives which consider capital cost and other investor concerns.
EVA is a monetary metric defined as NOPAT less capital cost. EVA is a registered trademark of Stern Stewart & Co.

5. Scope of Matters Delegated to the Management (Principle 4.1.1)
The Company has established the regulations of the Board of Directors and deliberation and reporting standards for the Board of Directors and the Management Committee to clearly set forth the matters to be deliberated on and reported at Board of Directors meetings and the matters to be delegated to the Management Committee, which is the highest executive decision-making body.
As set forth in 4-(2) above, the purpose of these regulations and standards is to realize the separation of supervision and execution by mainly having the Board of Directors conduct deliberations from various perspectives, including evaluation of risks, and deciding on the medium-to-long-term direction of management in the Business Strategies and, regarding the execution of the Business Strategies, delegate wide-ranging authority to the Management Committee, which is mainly composed of members with the position of Managing Executive Officer or higher who have abundant experience in business execution as persons responsible for core businesses or divisions, to accelerate decision-making and management. The Management Committee, in turn, is expected to conduct proper supervision by making clear the matters to be reported to the Board of Directors.
For example, the following matters have been set forth as requiring deliberations by the Board of

Directors.
-Direction of management, etc.: Basic management policies, basic business strategies, key investment strategies, mid-to-long-term plans and annual budgets
-Nomination or dismissal of key employees: Nomination or dismissal of Executive Officers, key persons in charge of organizations for which such Executive Officers are responsible, and key chairpersons of companywide committees in charge of corporate governance, compliance or other matters
Purchases of assets through merger and acquisition, investment or other means and large debts including borrowings and the issuance of corporate bonds are decided by the Management Committee, in principle. However, among these matters, extremely important items or items involving large outlays are submitted to the Board of Directors.

6. Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management (Principle 3.1(iv))
The Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings deliberate on the appropriateness of the Business Strategies, the risks related to their realization and other matters in an objective and multifaceted fashion. They also supervise and audit the status of execution. To conduct these tasks, the Company considers it important that parties from inside and outside the Company with a greater diversity of experience, knowledge, expertise and insight conduct examinations through joint contributions of opinions from various perspectives. Consequently, the Company nominates the appropriate Directors and Audit & Supervisory Board Members to realize this objective.
In addition, to promote sharing of the knowledge and information obtained related to the Company's management and businesses from predecessor to successor, the Company sets staggered terms of office for Outside Directors and Outside Audit & Supervisory Board Members.
Senior Management are nominated with emphasis on their understanding of the business environment and of the status of the Kao Group's businesses and management in order to deal with such environment necessary to plan the Business Strategies, and on their experience and ability to display strong leadership in quickly and properly executing the Business Strategies set by the Board of Directors.

7. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors (Principle 4.11.1, Principle 2.4)
In accordance with the above policy on nomination, the Company ensures diversity and a balance among the knowledge, experience and skills of the Board of Directors as a whole as follows. In addition, the Company sets the appropriate size of the Board of Directors in consideration of the simplification of the Board of Directors to accelerate decision-making for dealing with business expansion and other matters, and the balance of diverse personnel required to conduct the proper deliberations and supervision of execution, premised on the delegation of responsibility to appropriately placed Executive Officers.
Inside Directors are nominated with emphasis on their experience of the operation, including global operation, of R&D, marketing, sales, production and other divisions related to *Yoki-Monozukuri* and the operation of divisions related to corporate functions that support these divisions, as well as their understanding of the business environment in which the Company operates and the Company's strengths and issues for dealing with it, necessary for the appropriate planning and deliberation of Business Strategies.
Outside Directors are nominated with emphasis on diverse experience, their knowledge and high level of insight obtained from such experience that cannot be obtained from Inside Directors alone in deliberations on Business Strategies, together with consideration for their independence. Examples include experience, including global experience, managing a company that provides products and services in a different field from the Company, and consulting or academic experience. In addition, the Company aims to have Outside Directors comprise approximately half of the Board of Directors to ensure its diversity and influence.
Full-time Audit & Supervisory Board Members are nominated with emphasis on the balance of business experience of each person to date and the knowledge gained therefrom, experience working overseas, and qualities that can ensure independence from persons executing business. The nominees are selected from inside the Company from persons involved in corporate management of accounting and finance, operation of business, the supply chain from R&D to

production and sales and persons with overseas and other business experience.
Outside Audit & Supervisory Board Members are nominated with emphasis on a high level of expertise and insight from their experience as an lawyers, certified public accountant, academic or other profession, and their legal qualification in terms of being outside the Company and their independence. In addition, to increase the independence and neutrality of the Audit & Supervisory Board, a majority are Outside Audit & Supervisory Board Members who meet the Standards for Independence. When nominating Audit & Supervisory Board Members, the Company emphasizes experience, disposition, expertise and other characteristics necessary for deliberation, etc. of the Business Strategies.
Moreover, the Company recognizes that, in addition to knowledge, experience and ability, the diverse perspectives of women, non-Japanese and others contribute to the promotion of business, global expansion and proper supervision and auditing, and promotes the appointment of such diverse personnel as Members of the Board, Audit & Supervisory Board Members and Executive Officers.
(For further details of the active participation of women, please see “Others Measures” in “Other” in “3. Measures to Ensure Due Respect for Stakeholders” in “III Implementation of Measures for Shareholders and Other Stakeholders” below.)

8. Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management (Principle 3.1(iv))
To objectively confirm that all Director candidates, including candidates for the Director who will become President and Chief Executive Officer, conform with the above policy and stance, the Company has a Committee for the Examination of the Nominees for the Members of the Board, composed exclusively of all Independent Directors and Audit & Supervisory Board Members, etc. This committee also deliberates as necessary on the above nomination policies and other related matters.
With regard to nominees for Audit & Supervisory Board Members, the Audit & Supervisory Board, which includes three (3) independent Outside Audit & Supervisory Board Members as its members, examines the appropriateness and qualifications, etc. of each nominee, based on its independent and objective perspective and in accordance with the above-described policy and the policy of nominating nominees for Audit & Supervisory Board Members established by the Audit & Supervisory Board. Furthermore, with the consent of the Audit & Supervisory Board, the Board of Directors determines such nominees as the nominees for Audit & Supervisory Board Members to be presented in a proposal for the General Meeting of Shareholders.
With regard to Senior Management, the titles and responsibilities of all nominees of Executive Officers are reported to the Committee for the Examination of Nominees for Members of the Board and decisions are subsequently made by the Board of Directors.
(For further information concerning the Committee for the Examination of Nominees for Members of the Board, please see, in “Supplementary Explanation” in “Directors” in “1. Organizational Composition and Operation” in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” below.)

9. Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management, and Status of Concurrent Duties of Outside Directors and Outside Audit & Supervisory Board Members (Principle 3.1(v), Principle 4.11.2)
In line with the above nomination policy, the Company has nominated and appointed its current Directors, Audit & Supervisory Board Members and Senior Management as follows.
Inside Directors have abundant experience and knowledge of R&D, marketing, sales and other central functions of *Yoki-Monozukuri*, respectively, including their global operation. In addition, they are familiar with the global competitive environment in which the Company operates, stakeholders’ expectations of the Company including environmental preservation and other issues, and the corresponding strengths and issues, etc. of the Company. They are nominated and appointed with the expectation that they will utilize this experience and knowledge in the planning and deliberation of the Business Strategies and in the supervision of their execution at the Board of Directors.
Outside Directors have abundant experience and a high level of insight as the top management of

a manufacturing company, the top management of a financial institution, and a management consultant, respectively, including global operations, and are nominated and appointed with the expectation that they will utilize such experience and insight in deliberation, etc., of the Business Strategies.
Full-time Audit & Supervisory Board Members are nominated and appointed with the expectation that they will utilize their experience in R&D, the operation of business or other areas, their overseas experience and financial and accounting knowledge etc., in audits and will conduct audits independent of persons who execute business.
Outside Audit & Supervisory Board Members are nominated and appointed with the expectation that they will conduct audits from an independent standpoint utilizing perspectives based on their high level of expertise as a certified public accountant and a lawyer, respectively, and their abundant auditing experience and knowledge.
Every Audit & Supervisory Board Member is nominated with the expectation that he/she will utilize his/her experience, qualification and expertise in deliberation of Business Strategies and audit of execution.
For Outside Directors and Outside Audit & Supervisory Board Members, the Company will confirm that they would be able to devote sufficient time and effort to appropriately fulfill their respective roles and responsibilities despite their concurrent positions.
(For the reasons for nomination of each of the Outside Directors and Outside Audit & Supervisory Board Members, please see, in "II. Business Administration Organization for Managerial Decision-Making, Execution and Supervision, and Other Corporate Governance Structure" below, the section entitled "1. Organization Structure, Organizational Management, etc.," more specifically, the subsections "Relationship with the Company (2)" in "Matters Related to Members of the Board" and "Relationship with the Company (2)" in "Matters Related to Audit & Supervisory Board Members."
(For the status of concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members and for the reasons for nomination of each of the Inside Directors, please see "Proxy Statement" and "Business Report" of "Convocation Notice of the Annual General Meeting of Shareholders" at
http://www.kao.com/global/en/investor-relations/stock-information/shareholders/)

10. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc.
(1) Status of Appointment of Independent Directors and Audit & Supervisory Board Members, etc.
Three of the seven Directors are Outside Directors, all of whom satisfy the Standards for Independence. Three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, all of whom satisfy the Standards for Independence.
(2) Chairperson of the Board of Directors (Principle 4.6)
In the current structure, an independent Outside Director acts as Chairperson of the Board of Directors as a measure to further increase the neutrality and independence of the Board of Directors.
(3) Communication and Cooperation among Independent Directors, Audit & Supervisory Board Members and Management (Principle 4.8.2)
The Chairperson of the Board of Directors takes the role of promoting communication and cooperation with members of Management and Audit & Supervisory Board Members. In addition, all the Audit & Supervisory Board Members, including the independent Outside Audit & Supervisory Board Members, and the Representative Directors hold meetings to exchange opinions multiple times during the year.

11. Analysis and evaluation of effectiveness of the Board of Directors taken as a whole and summary of the results thereof (Supplementary Principle 4.11.3)
On at least an annual basis, an evaluation is conducted at a meeting of the Board of Directors, in order to make improvements aimed at enhancing the effectiveness of the Board of Directors. Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board of Directors, the Company believes that it is effective for all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to conduct an evaluation by expressing their own opinions and engaging in free and open

discussions. Accordingly, evaluation of effectiveness of the Board of Directors is currently conducted through self-assessment by the participating members at the Board of Directors meeting, without the appointment of a third-party consultant from outside the Company.

<Current Efforts>
For the FY2017 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held for January 2018, a survey of the seven Members of the Board and the five Audit & Supervisory Board Members was conducted on the topics below. Feedback on the results was then provided before the meeting, during which the evaluation and exchange of opinions were conducted.
(1) Efforts to address issues pointed out in the last fiscal year's evaluation of effectiveness of the Board of Directors
(i) Development of human resources
(ii) Focus and speed
(iii) Extension of internal controls and compliance to subsidiaries and sub-subsidiaries

(2) Viewpoints that are particularly expected of boards of directors in the Corporate Governance Code
(i) Discussion of the broad direction of corporate strategy (General Principle 4)
(ii) Establishment of an environment where appropriate risk-taking by the senior management is supported (General Principle 4)
(iii) Carrying out effective oversight of Directors and the management from an independent and objective standpoint (General Principle 4)
(iv) Establishment of appropriate internal control and risk management systems for compliance and financial reporting, and oversight of whether such systems operate effectively (General Principle 4)
(v) Constructive dialogue with shareholders and investors (General Principles 3 and 5)

(3) General operation of meetings of the Board of Directors (proceedings, agendas, reports, materials, discussion, etc.)

(4) Future issues for the Board of Directors

The following is a summary.
(1) Evaluation of efforts to address issues (i)-(iii) below, which were pointed out in the last fiscal year's evaluation of effectiveness of the Board of Directors
(i) Development of human resources
Promoting the globalization of business has been an ongoing issue. In addition to deploying the global human resources on which this process must be predicated, securing diverse human resources is a priority issue for addressing the major changes in consumer purchasing models and retail distribution models in recent years, and it is essential to proceed with greater speed.
(ii) Focus and speed
The Kao Group's strength is considered to be its speedy organizational management throughout the entire Group, which is made possible by the sharing of the "Kao Way." However, in the process of promoting the diversification of its human resources, how the Group will reconcile this strength with diversity is an issue.
(iii) Extension of internal controls and compliance to subsidiaries and sub-subsidiaries
Subsidiaries and sub-subsidiaries, as well as companies and employees that have newly become part of the Kao Group, are not readily visible to management and test the reach of internal controls. With an awareness of the particular difficulty of extending an attitude of compliance at these companies, the Board of Directors considers it necessary to further upgrade relevant frameworks and enhance their oversight.

(2) Evaluation of measures for viewpoints (i)-(v) below, which are particularly expected of boards of directors in the Corporate Governance Code
(i) Discussion of the broad direction of corporate strategy
After explicitly sharing the "Kao Way," which expresses the vision of the kind of company Kao intends to be, including among Outside Directors and Outside Audit & Supervisory Board

Members, matters such as the broad direction for achieving the Kao Group Mid-term Plan “K20” and the specific numerical targets and corporate governance structure to support it are discussed. The Board of Directors formulates annual themes for deliberation, which are composed with K20 in mind, and at the start of the meeting of the Board of Directors each month, the President and CEO and other executives report immediate and mid-to-long-term matters of concern. In FY2017, the first year of K20, while achieving its announced forecast, the Company also discussed portfolio management and other topics to achieve K20. In addition to these discussions on the immediate situation, the Board of Directors anticipates change in the environment in which it conducts business and indications of such change, including, for example, forecasts of changes that will impact the Company’s businesses that result from recent rapid advances in information technology and its environment in the areas of artificial intelligence and the Internet of Things, and discusses the broad direction of what the Company should be doing now to guide itself through these changes. The Board of Directors recognizes the importance of further enhancing these discussions.

(ii) Establishment of an environment where appropriate risk-taking by the senior management is supported

Systems that enable appropriate risk-taking, including internal control, compliance, and risk and crisis management systems, are in place and operating effectively. Outside Directors and Outside Audit & Supervisory Board Members express pros and cons and points to consider in making investments after confirming the measurement of risks on the execution side and preparations against those risks. This contributes to the execution side moving plans forward with confidence while taking risks. Outside Directors and Outside Audit & Supervisory Board Members may also request deliberation of items other than the agenda proposed by the execution side, which may lead the execution side to notice new risk issues and other factors.

(iii) Carrying out effective oversight of Directors and the management from an independent and objective standpoint

Under the Chairman of the Board, who is a non-executive, independent Outside Director, lively discussions are undertaken that transcend the boundaries separating internal and external perspectives, based on the respective insights of each Director and Audit & Supervisory Board Member. Inside Directors are aware of and strive to incorporate these discussions in execution. Independent Outside Directors, who have extensive management experience, full-time Audit & Supervisory Board Members, who regularly have access to detailed and specific internal information, and independent Outside Audit & Supervisory Board Members, who have diverse experience and expertise, cooperate with each other. As a result, highly effective oversight functions are carried out based on objective opinions that are premised on timely and accurate information.

(iv) Establishment of appropriate internal control and risk management systems for compliance and financial reporting, and oversight of whether such systems operate effectively

The Board of Directors has judged that appropriate systems for compliance, internal controls and risk and crisis management have been established and maintained. The Board of Directors will continue its oversight, including by confirming whether such systems are operating effectively, so that these systems are regularly revised and maintained in optimal condition.

(v) Constructive dialogue with shareholders and investors

The management, including the President and CEO, proactively conducts IR activities. The management directly provides explanations in their own words and engages in dialogue, and the Board of Directors receives feedback on the details, which enables interactive engagement with investors. Constructive engagement between shareholders and the Members of the Board, Audit & Supervisory Board Members and Executive Officers is also maintained through question-and-answer sessions at the General Meeting of Shareholders, shareholder tours of factories and the Kao Museum, and briefing sessions for shareholders. In all of these situations, dialogue is enabled by efforts to understand the other party. In various printed materials issued by the Company, the President and CEO, as well as Outside Directors and Outside Audit & Supervisory Board Members communicate messages in their own words to shareholders.

(3) General operation of meetings of the Board of Directors (proceedings, agendas, reports, materials, discussion, etc.)

To allow for productive discussions at meetings of the Board of Directors, materials are distributed beforehand to promote understanding of matters such as the background, purposes,

and content of the respective agenda items. Moreover, the Board of Directors Secretariat provides full explanations as required. Announcements are kept to no more than half of the planned time of each presentation, and proceed so that adequate time is secured for questions and discussion. Improvements have been acknowledged as a result of these measures, but further measures are required with regard to the methods of reporting and explanation to elicit valuable discussions at Board of Directors meetings.

(4) Future issues for the Board of Directors
With regard to strategies for human resources, the Board of Directors is sharing its awareness of the necessity to further accelerate and deepen discussions on discovering and developing human resources with a view ten years into the future in order to address the needs of global business expansion and rapid change in the business environment. For management, it will be important to not simply respond to change but to forecast, anticipate and lead change, and the Board of Directors must further discuss its business strategies, including with regard to non-financial (ESG) activities, and put them into effect. Furthermore, so that internal controls comply with laws and regulations, the Board of Directors must not only establish a control system, but also conduct oversight for regular reassessments to ensure timely and appropriate operation, in which the system functions effectively.

The Audit & Supervisory Board conducts an evaluation of its auditing effectiveness once a year as well. [Updated]

At an Audit & Supervisory Board meeting held in February 2018, all Audit & Supervisory Board Members expressed their opinions on the activities of the Audit & Supervisory Board Members in FY2017, also referring to the checklist of focus points for "Self-Evaluation of the Effectiveness of Kao's Audit & Supervisory Board Members and Audit & Supervisory Board Meeting." The attendees engaged in discussions based on those opinions, and made evaluations. The self-evaluation is shared with the Board of Directors by incorporating in the audit plan for the following fiscal year.

<Current Status>
- In addition to regular meetings to exchange opinions between Audit & Supervisory Board Members and Representative Directors, regular meetings to exchange opinions with Outside Directors have been established.
- To deepen cooperation with the Company's Accounting Auditor, global meetings with the accounting firm of the Company's Accounting Auditor have been held regularly, and consultations were arranged as necessary with accountants who are in charge for subsidiaries outside Japan.
- Cooperation with Department of Internal Audit, which is responsible for internal audits, has further deepened, leading to improvement in the precision and efficiency of audits.
- The tripartite auditing framework (Department of Internal Audit, Global, Audit & Supervisory Board and Accounting Auditor) has achieved steady development, enabling meaningful linkage.

<Issues>
- To facilitate Group control, the Audit & Supervisory Board intends to further strengthen cooperation by increasing opportunities for communication with Audit & Supervisory Board Members of group companies in Japan, among other measures. Moreover, to properly understand information pertaining to group companies outside Japan, the Audit & Supervisory Board will further strengthen cooperation with Department of Internal Audit, Global and tripartite auditing's aspect.

12. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties (Principle 4.14.2 "Training Policy for Directors and Audit & Supervisory Board Members)
The Company provides Directors and Audit & Supervisory Board Members with opportunities to improve their understanding of the Company's business and business environment and knowledge about corporate governance, etc and pays expenses which are required to fulfill their respective roles and duties. In particular, the Company provides Inside Directors and Full-time Audit &

Supervisory Board Members with basic training as top management and auditors, knowledge regarding the Companies Act, corporate governance and related issues, useful information for observance of laws and regulations and for management, and other matters. Also, to deepen the understanding of Outside Directors and Outside Audit & Supervisory Board Members of the details and current status and other matters regarding the Kao Group's business strategies and businesses, the Company explains these matters at the time of inauguration and thereafter conducts tours of factories and business sites, explanations by the relevant officer and other measures as necessary.

＜Details of Current Efforts＞

-As future candidates for Director or Audit & Supervisory Board Member, participation by Executive Officers in training programs held by external institutions to acquire the skills and knowledge and attain the deep discernment required of top management

-Explanation of the Companies Act, corporate governance and related issues upon inauguration

-Explanation of the Business Strategies, details of businesses, operating structure and other matters upon inauguration

-Visits to main factories and major business sites, etc.

-Lectures to foster well-rounded character and insight as a top management

-Lectures on the Companies Act, corporate governance and other matters by experts and lectures on useful information regarding management by top management of other companies and knowledgeable persons

-Briefings on compliance, including prevention of insider trading

13. Policy and Procedures for Determining Remuneration for Members of the Board and Senior Management

In order to ensure remuneration for Directors and Officers is an effective incentive, etc. for achieving business plans, the Company's fundamental position on remuneration of Members of the Board and Executive Officers is as follows: (1) a compensation system which attracts a diverse range of excellent candidates in order to establish and improve competitive advantages; (2) compensation which promotes continuous improvement of corporate value and shares interests in common with shareholders; and (3) a highly objective and transparent decision-making process regarding compensation.

The Company has a Compensation Advisory Committee composed of all the Independent Directors and Audit & Supervisory Board Members, etc. and all the Representative Directors to examine and evaluate whether the compensation system and remuneration levels for Directors and Executive Officers adequately match the abovementioned basic stance. The Company also deliberates as necessary on the abovementioned basic stance.

In addition, the Company will consider the appropriate global remuneration system for officer, managers and employees to promote global business expansion.

(For further information, please see "Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration" in "Remuneration for Members of the Board" in "II. Business Administration Organization for Managerial Decision-Making, Execution and Supervision, and Other Corporate Governance Structure" below.)

14. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders (Principle 5.1)

The Company considers its shareholders and investors to be important stakeholders. It emphasizes constructive dialogue to raise corporate value, and considers it important to deepen mutual understanding of stances and standpoints and to adopt proper responses based on such understanding.

To contribute to realizing constructive dialogue with shareholders and investors to raise corporate value, the Company proactively discloses socially useful information about the Kao Group in addition to disclosures required by law. The Company established rules on information disclosure and the prevention of insider trading, conducts information disclosures fairly without selective disclosure to specified persons, clarified the obligation to maintain confidentiality of insider information, as well as regularly conducts education for their thorough implementation.

An investor relations division is in charge of measures for dialogue with institutional investors, and in addition to routine meetings with institutional investors inside and outside Japan, it conducts briefings and other presentations on summaries and the progress of the Business

Strategies, the status of operating results and businesses, shareholder returns and other matters. The President and Chief Executive Officer and Management participate to the extent possible in order to have opportunities for direct conversations with institutional investors that enable dialogue for increasing corporate value from a long-term perspective, and to make it easier to reflect the results of the dialogues in management.
The content of questions and opinions received from institutional investors and other matters from the abovementioned briefings and other presentations are reported as required at meetings of the Board of Directors and of the Executive Officers for utilization in the future management of the Company.
A shareholder relations division is primarily in charge of measures for dialogue with individual shareholders, and conducts tours of factories and facilities that introduce details of the Company's businesses so that individual investors understand such details and hold the Company's stock with a longer-term perspective. Moreover, when conducting these initiatives, the members of Management participate to the extent possible in order to have opportunities for dialogue with shareholders. In addition, the Company regards the operation of the General Meeting of Shareholders as an opportunity for dialogue with its valued and important shareholders, and secures sufficient time for questions, among other measures.
In the future, in addition to explaining financial information, the Company intends to further enhance its explanation of non-financial information including its stance on corporate governance.
To promote constructive dialogue with shareholders, relevant divisions including the investor relations division, accounting and finance division, legal and compliance division, and corporate strategy division will cooperate to consider and implement methods for explaining non-financial information such as publication on the Company's website and holding presentations, an organizational structure for dealing with dialogue with shareholders and other matters. Managers in charge of the investor relations division, the shareholder relations division and the corporate communications division, which integrates public relations, sustainability and other areas, will work together to integrate and promote these activities.
(For further details regarding IR Related Activities, etc., please see, in "III. Status of Measures Taken in Respect to Shareholders and Other Stakeholders" below, the section entitled "2. Status of IR Related Activities.")

15. Policies for Cross-Shareholdings* and Standards for Exercise of Voting Rights (Principle 1.4)

The Kao Group holds the shares of other listed companies only in cases where it considers such shareholdings, including the number of shares held, to be reasonable in consideration of their necessity in terms of business activities such as maintaining and strengthening business alliances and transactions and other matters. These cross-shareholdings are subject to the impact of trends in stock markets and the business environment in which the Company operates. However, each year the Board of Directors ascertains the reasonableness of cross-shareholdings and reviews their continuance and the number of shares held.
The Company exercises the voting rights of cross-shareholdings after comprehensively determining whether the proposals contribute to the establishment of a proper corporate governance system and to increasing the medium-to-long-term corporate value of the issuing company, as well as their impact on the Company. The Company engages in dialogue with the issuing company on the details of the proposals and other matters as necessary.
＜Details of Current Efforts＞
Under the above policy, the Company has reviewed the purpose and size of its shareholdings for each issue of stock it holds, and worked to revise its holdings while engaging in dialogues and negotiations with business partners and others. As a result, the number of issues of cross-shareholdings the Company holds as of December 31, 2016 decreased to 56 from 74 as of December 31, 2015 (the total amount on the balance sheet decreased from ¥10,349 million to ¥8,093 million). All voting rights at annual general meetings of shareholders held during 2016 by companies in which the Company holds shares were used to approve proposals, because there were no proposals that raised concerns of damage to the corporate value of the relevant company. The above details were reported at the meeting of the Board of Directors.
*Cross-Shareholdings: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral

ones.

16. Procedures for Approval of Related Party Transactions (Principle 1.7)
To obligate Members of the Board, Audit & Supervisory Board Members, Executive Officers and employees of the Kao Group to act with priority on the interests of the Kao Group, the Company has established the "Kao Guidelines on Preventing Conflicts of Interest" after their approval by the Board of Directors. In cases where Directors and Officers, managers and employees of the Kao Group engage in transactions with the Kao Group on behalf of themselves or of a third party, these guidelines provide that a notification be submitted to the Compliance Committee Secretariat and that, depending on the details of the notification, the Compliance Committee Secretariat shall require notification of or approval from the Board of Directors, the Management Committee or the Compliance Committee Secretariat Meeting.
In addition to these guidelines, Directors obtain the approval of the Board of Directors in cases of self-dealing or transactions involving conflicts of interest pursuant to the Companies Act.
Because the Company has no major shareholders who hold 10% of more of its stock, the Kao Group has not established procedures for approval of transactions with major shareholders.

2. Capital Structure

Foreign Shareholding Ratio: More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,370,300	7.75
Japan Trustee Services Bank, Ltd. (Trust Account)	29,564,000	5.97
JP Morgan Chase Bank 380055	16,992,543	3.43
State Street Bank and Trust Company 505223	14,737,919	2.98
Japan Trustee Services Bank, Ltd. (Trust Account 5)	9,376,800	1.89
State Street Bank West Client-Treaty 505234	8,913,267	1.80
Tokio Marine & Nichido Fire Insurance Co., Ltd.	7,598,074	1.53
Japan Trustee Services Bank, Ltd. (Trust Account 7)	7,538,100	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 1)	6,964,900	1.41
Japan Trustee Services Bank, Ltd. (Trust Account 2)	6,872,500	1.39

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

Supplementary Information

1. On March 22, 2017, BlackRock Japan Co., Ltd. and seven other companies filed an amendment to the large shareholdings report, which is open to public, stating that BlackRock Japan Co., Ltd. and seven other persons held shares of the Company as shown below as of March 15, 2017. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of December 31, 2017.
[Number of shares held (thousands) / Percentage of shares held to the total number of outstanding shares]
BlackRock Japan Co., Ltd. and seven other persons / 30,938 / 6.25%

2. On June 21, 2017, Sumitomo Mitsui Trust Bank, Limited filed an amendment to the large shareholdings report, which is open to public, stating that Sumitomo Mitsui Trust Bank, Limited and two other persons held shares of the Company as shown below as of June15, 2017. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of December 31, 2017.
[Number of shares held (thousands) / Percentage of shares held to the total number of outstanding shares]
Sumitomo Mitsui Trust Bank, Limited and two other persons / 26,455 / 5.34%

3. On July 3, 2017, The Bank of Tokyo-Mitsubishi UFJ, Ltd. filed a large shareholdings report, which is open to public, stating that The Bank of Tokyo-Mitsubishi UFJ, Ltd. and three other persons held shares of the Company as shown below as of June 26, 2017. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of December 31, 2017.
[Number of shares held (thousands) / Percentage of shares held to the total number of outstanding shares]
The Bank of Tokyo-Mitsubishi UFJ, Ltd. and three other persons / 25,545 / 5.16%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	December 31
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

None

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

None

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

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members

Details of the information about Audit & Supervisory Board Members are reported on the Japan Audit & Supervisory Board Members Association's website.
http://www.kansa.or.jp/support/el009_130711_2.pdf

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	0 (Not stipulated)
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	7
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Sonosuke Kadonaga	From another company								△			
Masayuki Oku	From another company								△			
Yukio Nagira	From another company								○			

*Categories for "Relationship with the Company"
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past;

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past
a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Sonosuke Kadonaga	○	Mr. Sonosuke Kadonaga had executive authority at McKinsey & Company, Inc., Japan (McKinsey), but he resigned in June 2009. Although the Company engages in transactions with McKinsey in terms of the entrustment of services, the amounts involved in such transactions account for less than 0.1% of the Company's net sales and less than 1% of McKinsey's net sales for the latest fiscal year, respectively.	(i) Mr. Sonosuke Kadonaga has expertise in relation to international corporate management gleaned from his considerable experience at a foreign-affiliated consulting company. In addition, as a measure to enhance the neutrality and independence of the Board of Directors, Mr. Kadonaga, as an Independent Outside Director, has chaired the meetings of the Board of Directors since March 2014, and has thereby contributed to enabling active discussions at such meetings without any distinction between Inside/Outside Directors. In view of these facts, the Company expects Mr. Kadonaga to supervise the management of the Company as an Independent Outside Director. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5(3)2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to Mr. Sonosuke Kadonaga, and also that Mr. Sonosuke Kadonaga has the necessary independence based on

			the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Masayuki Oku	○	Mr. Masayuki Oku had executive authority at Sumitomo Mitsui Banking Corporation (SMBC), but no longer has such authority since April 2011 in SMBC. The Company conducts regular bank transactions with SMBC and the Company has loans from SMBC, but the total amounts of loans were less than 2% of the total assets of the Company as of the end of the latest fiscal year.	(i) Mr. Masayuki Oku has played an active role internationally in the fields of finance and financial affairs, such as being a manager of a major financial institution, and has considerable experience and expertise in relation to global corporate management. Mr. Oku has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Company, based on his considerable experience and expertise. In view of these facts, the Company expects Mr. Oku to supervise the management of the Company as an Independent Outside Director. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5(3)2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to Mr. Masayuki Oku, and also that Mr. Masayuki Oku has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Yukio Nagira	○	Mr. Yukio Nagira has executive authority at Nitto Denko Corporation and although the Company engages in transactions with Nitto Denko Corporation in terms of purchasing goods, the amounts involved in such transactions account for less than 0.1% of the Company’s net sales and Nitto Denko Corporation’s net sales for the latest fiscal year, respectively. .	(i) Mr. Yukio Nagira has considerable experience and expertise in relation to global company management and human resources development, gleaned principally from his time as a manager of a manufacturing company which responds to changes in the business environment and actively pursues its overseas operations. In addition, based on such company’s proprietary technologies, Mr. Nagira has been actively involved in the

			creation of new business and has made effective use of merger and acquisition projects. The Company expects that Mr. Nagira will offer proposals helpful to the Company in the global expansion of its business, the maximization of its assets and the development of new assets, all of which are essential for accomplishing the Kao Group Mid-term Plan "K20." In view of these facts, the Company expects Mr. Nagira to supervise the management of the Company as an Independent Outside Director. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5(3)2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to Mr. Yukio Nagira, and also that Mr. Yukio Nagira has the necessary independence based on the "Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Committee for the Examination of the Nominees for the Members of the Board	Compensation Advisory Committee
All Committee Members	6	9
Full-time Members	0	0
Inside Directors	0	3
Outside Directors	3	3
Outside Experts	0	0
Other	3	3
Chairperson	Outside Director	Outside Director

Supplementary Explanation [Updated]

The Company has established the Committee for the Examination of the Nominees for the Members of the Board and the Compensation Advisory Committee which fulfill functions similar

to the nominating committee and compensation committee of a “company with committees.”
To incorporate an independent and objective perspective, the Committee for the Examination of the Nominees for the Members of the Board consists exclusively of all Outside Directors and all Outside Audit & Supervisory Board Members, with the chairman chosen by the members, and in FY2017 an Independent Outside Director held the position again.
Prior to the election or re-election of Members of the Board (including Representative Directors, Chairman of the Board of Directors and President & Chief Executive Officer), the Committee conducts examinations and submits its opinions of the nominees’ appropriateness to the Board of Directors. Furthermore, with the appointment by the chairman, President & Chief Executive Officer attends the meeting to contribute by submitting necessary and sufficient documents for an examination (including a summary of the new management structure, incorporating a classification of duties of the Members of the Board and Executive Officers, in addition to materials related to the subjects of the examination) to each member of the Committee and work to enhance the examination by making arrangements such as creating opportunities for the Director nominees and the Committee members to meet beforehand.
The Committee met three times in FY2017, and in addition to examining the appropriateness of Director nominees, it discussed the composition and diversity of the Board of Directors, including the proportion of Inside Directors and Outside Directors, and the qualities and abilities required of the Chief Executive Officer and Members of the Board of the Company, among other issues, and reported the results of its examination to the meeting of the Board of Directors.

The Compensation Advisory Committee is composed of the Chairman of the Board of Directors (the Chairman of the Board of Directors has been absent since the Board of Directors meeting held on March 28, 2014) and all Representative Directors, who are familiar with the current compensation system and the duties of each position, and all Outside Directors and all Outside Audit & Supervisory Board Members to incorporate independent and outside perspectives. The chairman is chosen by a vote among the Committee members, and in FY2017 an independent Outside Director served as the chairman again. The Committee is asked to provide its opinion on and conducts reviews of the compensation system and remuneration levels of the Members of the Board and Executive Officers. In FY2017, the Committee met one time in October, all members were present, and reviewed and reported that keeping the current compensation system and remuneration levels of them is reasonable at the meeting of Board of Directors in December.

[Audit & Supervisory Board Members]

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

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

□Cooperation between Audit & Supervisory Board Members and the Accounting Auditor
At the start of the accounting audit for each fiscal year, the Audit & Supervisory Board Members

receive from the Accounting Auditor an audit plan describing matters such as the fundamental audit policy, the major items and sites to be audited and the main contents of the audit. The Audit & Supervisory Board Members also exchange views with the Accounting Auditor regarding the contents of the audit plan.

In each quarterly settlement of accounts, the Audit & Supervisory Board Members receive from the Accounting Auditor, in the course of the quarterly audit conducted by the Accounting Auditor, reports on the main content of the audit and whether any material problem has been found in the audit so far conducted, and also exchange views with the Accounting Auditor. At the time when the Accounting Auditor submits a quarterly audit report to the Board of Directors of the Company, a quarterly audit report meeting is held, where the quarterly summary of the audit results are reported to the Audit & Supervisory Board Members by the Accounting Auditor.
Similarly, in the settlement of accounts for each fiscal year, the Audit & Supervisory Board Members have opportunities to mutually discuss with the Accounting Auditor the contents of their audits, in the course of the audit conducted by the Accounting Auditor. Furthermore, the Audit & Supervisory Board Members receive an audit report from the Accounting Auditor within the time frame prescribed by law, as well as a summary of the audit results, which are later used by the Board of Audit & Supervisory Board Members in preparing its audit report.
The Audit & Supervisory Board Members also contact the Accounting Auditor whenever necessary to cooperate in forming their respective audit opinions.

□Cooperation between Audit & Supervisory Board Members and Internal Auditing Divisions
Audit & Supervisory Board Members regularly meet, on a quarterly or semiannual basis, with the Department of Internal Audit and the Legal and Compliance Department, as well as the internal auditing divisions of the Company concerned with environment and safety, product quality management, risk management, and other areas, to hear about their activities and to exchange views. When necessary, Audit & Supervisory Board Members and these divisions provide each other with the information they have, which serves to deepen the cooperation and raise the levels of their respective audit activities.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yumiko Waseda	Attorney-at-law										△			
Toraki Inoue	CPA													
Hideki Amano	CPA													

*Categories for "Relationship with the Company"
* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
"△" when the Audit & Supervisory Board Member fell under the category in the past;
* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. An Audit & Supervisory Board Member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company

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

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Yumiko Waseda	○	Ms. Yumiko Waseda belonged to Mori Hamada & Matsumoto (MHM), but resigned from the office in March 2013. Although the Company engages in transactions with MHM, in terms of legal consultation, the amount involved in such transactions accounts for less than 0.1% of the Company's net sales and MHM's net sales for the latest fiscal year, respectively.	(i)The Company expects that Ms. Yumiko Waseda will effectively use her highly professional skills as an attorney-at-law, and her considerable experience and knowledge in the auditing of the Company. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5(3)2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to Ms. Yumiko Waseda, and also that Ms. Yumiko Waseda has the necessary independence based on the "Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.
Toraki Inoue	○	—	(i) The Company expects that Mr. Toraki Inoue will effectively use his highly professional skills as a certified public accountant, and his expertise, including in relation to fields such as the International Financial Reporting Standards (IFRS), which the Company employs from FY2016, as well as his experience as a corporate accounting consultant based thereon, in the auditing of the Company. (ii) The Company determined that none of the requirements for prior discussion as provided in Section

			III.5(3)2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to Mr. Toraki Inoue, and also that Mr. Toraki Inoue has the necessary independence based on the "Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.
Hideki Amano	○	—	(i) Mr. Hideki Amano has a high level of professional expertise as a certified public accountant. At a major auditing firm, he has acted as a chief auditor for numerous leading companies operating overseas, and based also on his experience as a steering committee member of a major international auditing firm in alliance with such auditing firm, he has considerable expertise in global management. The Company expects that Mr. Amano will make full use of his experience in the auditing of the entire Kao Group, including in relation to the global expansion intended by the Company. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5(3)2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to Mr. Hideki Amano, and also that Mr. Hideki Amano has the necessary independence based on the "Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	6

Matters relating to Independent Directors/Audit & Supervisory Board Members

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

□The Company's Policy for Independence of Outside Directors/Outside Audit & Supervisory Board Members

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

to qualify as an independent director/Audit & Supervisory Board Member.
Please read these Standards on the Company's website.
http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

It is described in following "Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration" in Remuneration for Members of the Board.

Recipients of Stock Options	

Supplementary Explanation

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

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Director

Supplementary Explanation

The remuneration, etc., paid to the members of the Board for FY2017 (ended December 31, 2017) is as follows:

Measures taken in respect to remuneration, etc., to the members of the Board include: implementing a new performance share plan under which the Company's shares etc. will be vested or paid to the members of the Board etc. depending on, among others, the level of achievement of performance targets in the mid-term plan, etc. and clarification of the link between bonus amounts and corporate performance, based on EVA and other factors.

Aggregate amount of remuneration, etc. paid to members of the Board for FY2017:
To 8 members of the Board: 501 million yen (including 60 million yen paid to 4 Outside Directors)

Notes
1. The above number of Directors includes 1 Outside Director who resigned at the conclusion of the 111th Annual General Meeting of Shareholders held on March 21, 2017.
2. The aggregate amount of remuneration, etc., paid to Members of the Board includes the following amounts:
(1) The amount to be paid as the bonuses to Members of the Board
145 million yen to 4 Members of the Board
(2) The amount accounted for as performance-based share incentive plan.
105 million yen to 4 Members of the Board
3. Maximum aggregate amounts of remuneration, etc., are as follows:
Maximum aggregate amounts of remuneration, etc., to be paid to Members of the Board
An annual amount of 630 million yen (resolved at the 101st Annual General Meeting of Shareholders held on June 28, 2007)
This amount includes an annual amount of 100 million yen for Outside Directors (resolved at the 110th Annual General Meeting of Shareholders held on March 25, 2016), and does not include remuneration paid to Members of the Board who also serve as employees of the Company, for

their services as employees.
(For reference)
Based on a resolution adopted at the 111th Annual General Meeting of Shareholders held on March 21, 2017, the Company has introduced a performance-based share incentive plan for its members of the Board of Directors (excluding Outside Directors) and its Executive Officers, which shall be applicable separately from the maximum aggregate amount of remuneration, etc., for the members of the Board. Under this stock incentive plan, trust money of up to 1.85 billion yen is contributed concerning the fiscal years subject to the Company's mid-term plan (the initial period to be covered being the period of four fiscal years from the fiscal year ending December 31, 2017 to the fiscal year ending December 31, 2020), and the Company's shares are acquired through a trust and are then vested, etc. through the trust, depending on factors such as the level of achievement of performance targets in the mid-term plan.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company's compensation system for Members of the Board, Audit & Supervisory Board Members and Executive Officers is aimed at i) securing and retaining diverse and excellent personnel to establish and improve competitive advantages; ii) promoting prioritized measures for lasting increases in corporate value; and iii) sharing interests in common with shareholders.
Remuneration of Members of the Board, other than Outside Directors, and Executive Officers consists of (a) a base salary, (b) a bonus as short-term incentive compensation, and (c) performance-based share incentive plan as long-term incentive compensation, and is designed to provide an impetus for continuing annual improvement in business results and medium-to-long-term growth. Linkage of remuneration to business results increases with rank and takes into account the responsibilities of each position and individual performance. An overview of the components of remuneration is as follows.

(a) Base salary
A base salary is paid as fixed monthly remuneration in an amount determined in accordance with duties as a Member of the Board or Executive Officer and rank.
(b) Bonus as short-term incentive compensation
When the full bonus payment rate is paid, the bonus is set at 50% of the base salary for the President and Chief Executive Officer, 40% of the base salary for the Executive Officers with titles other than the Chief Executive Officer and 30% of the base salary for other Executive Officers. The bonus payment rate is set within a range of 0% to 200%, depending on the degree of achievement of targets for net sales and income (gross profit less selling, general and administrative expenses), the degree of their improvement from the previous year, and the degree of achievement of the target for Economic Value Added (EVA), the Company's main management metric, which takes into account capital cost.
(c) Performance-based share incentive plan as long-term incentive compensation
Within a four-year target period from FY2017 to FY2020 (hereinafter, the target period), the period covered by the current mid-term plan, Company shares, etc. are delivered to the Members of the Board excluding Outside Directors and Executive Officers in accordance with the degree of achievement of targets adopted under the mid-term plan, etc. This performance-based share incentive plan comprises two parts: a performance-based part in which Company share, etc. is delivered in accordance with the degree of achievement of targets adopted under the mid-term plan, etc., and a fixed part in which a certain number of Company share, etc. is delivered annually. The purpose of the performance-based part of the system is to provide an impetus for achieving the targets of the Company's mid-term plan as well as to increase the link between performance and compensation over the medium to long term. The purpose of the fixed part of the system is to strengthen shared interest with the Company's shareholders by promoting the holding of shares by the Members of the Board excluding Outside Directors and Executive Officers. The performance-based part accounts for 70% of shares delivered, with the fixed part accounting for 30%. When the performance-based coefficient for the performance-based part of the system is at 100%, the yearly share

remuneration amount is set at approximately 40% to 50% of a base salary.
Compensation for the Outside Directors, who hold a position independent from the Company's business execution function, is limited to a fixed monthly salary.
The compensation system and compensation standards for the Members of the Board and Executive Officers are examined by the Compensation Advisory Committee and determined by the Board of Directors. The Compensation Advisory Committee comprises the chairman of the Board of Directors as well as all of the Company's representative directors. In addition, the Committee includes all of the Company's Outside Directors and Outside Audit & Supervisory Board members, from the perspective of ensuring objectivity and transparency in the decision-making process. As such, over half of the Committee's members are independent.
Compensation for Audit & Supervisory Board Members consists of fixed monthly remuneration. Compensation standards are determined at meetings of the Audit & Supervisory Board.
Compensation standards for the Members of the Board, Executive Officers, and Audit & Supervisory Board Members are determined each year after ascertaining standards at other major manufacturers of a similar size, industry category, and business type to the Company using officer compensation survey data from an external survey organization.

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

To allow for active discussions at meetings of the Board of Directors, the Board of Directors Secretariat provides Outside Directors with sufficient explanations by distributing materials on matters such as the background, purposes, and content of the respective agenda items, as necessary, prior to the meeting of the Board of Directors as necessary.
Furthermore, under this support system, administrative divisions such as the Department of Internal Audit, and the Legal and Compliance Department provide the Outside Audit & Supervisory Board Members with assistance upon the Outside Audit & Supervisory Board Members' request.

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

Name of Consultants, Advisors, etc. who have retired from Representative Director and President, etc.

Name	Title / Position	Description of Tasks	Form and Conditions of Services (Full-time, Part-time, Paid or Unpaid, etc.)	Date of Retirement from President, etc.	Term
-	-	-	-	-	-

Total number of Consultants, Advisors, etc. who have retired from Representative Director and President, etc.	0

Others

The Company has no such system.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

□Outline of the Current Corporate Governance Structure
The Company has introduced, within the framework of a "Company with an Audit & Supervisory Board*," the Executive Officer system in order to separate the supervision function from the execution function. Following the conclusion of the 111th Annual General Meeting of Shareholders held in March 2017, the Company has: seven (7) members of the Board, including three (3) Outside Directors (seven (7) out of seven (7) are male); five (5) Audit & Supervisory Board Members, including three (3) Outside Audit & Supervisory Board Members (four (4) out of five (5) are male and one (1) is female); and twenty-six (26) Executive Officers, including five (5) Executive Officers, with the title of Senior Managing

Executive Officer or Managing Executive Officer and without concurrent positions in the Board of Directors (twenty-four (24) out of twenty-six (26) are male and two (2) are female). All Outside Directors and all Outside Audit & Supervisory Board Members maintain their neutrality, independent from the Company's management. In order to improve the transparency and other aspects of discussions in the Board of Directors, an Independent Outside Director has become the chairman of the Board after the 108th Annual General Meeting of Shareholders held in March 2014. The term of office for Directors and Executive Officers is one year.

*For information concerning reasons for adopting a company with an Audit & Supervisory Board, please see "(5) Company with an Audit & Supervisory Board" in "4.Basic position and policy on corporate governance" in "Matters to be disclosed based on each principle of the Corporate Governance Code" in "1.Basic Position on Corporate Governance" in "Basic Position on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" above.

□Activity for strengthening the auditing function of the Audit & Supervisory Board Members
For improving the auditing effectiveness and strengthening the auditing function, the Company increased the number of its outside Audit & Supervisory Board Member by one from the 107th Annual General Meeting of Shareholders held in March 2013. Five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members who are independent from Kao's management, have attended important meetings such as meetings of the Board of Directors, the Management Committee, the Internal Control Committee and related committees, etc., made site visits to plants and research laboratories, etc. for auditing purposes, heard opinions from business sections and functional sections, performed investigations concerning domestic and overseas subsidiaries, held meetings for exchanging opinions with Representative Directors of the Company and its material subsidiaries, held meetings by Audit & Supervisory Board Members of Domestic Group Companies (which are held semiannually and intended principally for the exchange of opinions between the Audit & Supervisory Board members of the Company and its subsidiaries) and enhanced cooperation with Compliance Hotlines. To assist the Audit & Supervisory Board Members with their duties, the Company assigns two staff members, one who has considerable financial and accounting knowledge, and one who has considerable legal knowledge. Administrative departments such as the Department of Internal Audit, the Legal and Compliance Department and the Accounting and Finance Department also perform some staff tasks.

In addition, the accounting firm, Deloitte Touche Tohmatsu LLC as the Company's Accounting Auditor, ensures, in accordance with applicable laws, regulations, etc., that none of its employees who become involved in the audits of the Company will be involved in such audit for more than 7 accounting periods. The Company executed an audit contract with Deloitte Touche Tohmatsu LLC with respect to audits required under the Companies Act and the Financial Instruments and Exchange Law, and pays remuneration to the accounting firm in accordance with this contract. To ensure the reliability of disclosed information relating to the Company's financial results and audit quality, the Accounting Auditor formulates an audit plan and secures necessary and sufficient time for audits. In addition, the Accounting Auditor conducts sufficient coordination, including holding regular meetings and exchange of information with the Executive Officer in charge of accounting and finance, the Audit & Supervisory Board Members and Department of Internal Audit, respectively.
The names of the certified public accountants (CPA) who engaged in the audit for FY2017 (ended December 31, 2017) and the composition of the assistants in the audit are as follows:

- Name of the CPAs engaged in the audit:
  Designated Limited Liability Partner/Engagement Partner: Toshiyuki Ono, Taiji Suzuki and Kenichiro Shiga
- Composition of assistants in the audit:
  16 CPAs and 17 others

The election, reappointment and dismissal of the Accounting Auditor are appropriately

evaluated and decided at the Audit & Supervisory Board meeting, after collecting information from the Company's finance and management divisions, internal auditing divisions and the Accounting Auditor, based on evaluation criteria established by the Audit & Supervisory Board, taking into account factors such as the existence of a cooperative network with partner auditors overseas made up of multiple accounting firms and the quality, expertise and independence of proposals and advice for resolving issues, accelerating the settlement of accounts and increasing audit efficiency. As a result, the Audit & Supervisory Board confirmed the suitability of the audit methods and results of the current Accounting Auditor, and resolved at a meeting in January to reappoint the current Accounting Auditor. This resolution was reported at the meeting of the Board of Directors in February.

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

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

*For information concerning reasons for adopting a company with an Audit & Supervisory Board, please see "(5) Company with an Audit & Supervisory Board" in "4.Basic position and policy on corporate governance" in "Matters to be disclosed based on each principle of the Corporate Governance Code" in "1.Basic Position on Corporate Governance" in "Basic Position on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" above.

□Matters Related to Outside Directors (Roles and Functions of Outside Directors)
The Outside Directors are expected to share, in the course of management of the Company, their considerable experience and expertise as a manager of a global manufacturing company or a major financial institution or a management consultant, and the Outside Directors fulfill the checking functions from neutral positions, independent of the Company's management, to ensure that the managerial decisions of the Company are not biased by the views of its internal members. Also, an Independent Outside Director has become the chairman of the Board.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations[Updated]
Early Notification of General Shareholder Meeting	The Company strives for the early dispatching and disclosure of the convocation notice of its Annual General Meeting of Shareholders ("AGM") every year so that our shareholders can fully examine agenda items of AGM. Prior to the dispatching of the printed convocation notice, on February 21, 2018, the Company uploaded and disclosed it on the Timely Disclosure Network of the Tokyo Stock Exchange and on the Company's website for the AGM to be held on March 23, 2018.

	（http://www.kao.com/global/en/investor-relations/stock-information/shareholders/） The printed copy of convocation notice was dispatched on February 28, 2018.
Allowing Electronic Exercise of Voting Rights	The exercise of voting rights by electromagnetic means was started at the 100th Annual General Meeting of Shareholders held in 2006.
Participation in Electronic Voting Platform	The use of an electronic voting right exercise system for institutional investors (“Platform” operated by ICJ, Inc.) was also started at the Annual General Meeting of Shareholders held in 2006. Furthermore in order to encourage the exercise of voting rights by the foreign shareholders, who hold close to 50% of the Company's total shares, the Company conducts surveys on shareholders who actually own the shares and provides them with the summary of the notice of Annual General Meeting of Shareholders in English. The Company also encourages the exercise of voting rights by Japanese Institutional Investors at analyst meeting and interviews for full-year financial results.
Providing Convocation Notice in English	English translation (summary) of the convocation notice is published on the Company’s website on the same day as Japanese.
Other	<Determination of an Appropriate Date for the Annual General Meeting of Shareholders> The Company decides on a date for its Annual General Meeting of Shareholders within the three-month period after the fiscal year-end by designing a schedule premised on providing sufficient time for deliberation by shareholders who have received a convocation notice and ensuring a sufficient number of days for an audit of the financial statements by the Accounting Auditor then considering factors including securing an assembly hall with the capacity to hold the attendees and days when members of the Board and Audit & Supervisory Board Members, including Outside Directors/Audit & Supervisory Board Members, and Executive Officers can attend. <Providing Appropriate Information to Shareholders> The Company works to enhance the content of its convocation notices for Annual General Meetings of Shareholders by conducting regular revisions to proactively incorporate information considered conducive to appropriate judgments by shareholders, in addition to items required by law. Also, it provides institutional investors and others with explanation as necessary. At the Annual General Meeting of Shareholders, the Company provides shareholders with easy-to-understand explanations of the main parts of the business report, major issues and the medium-to-long-term outlook using projected images (an approximately 40-minute explanation in the previous fiscal year) and a thorough question-and-answer session (questions from 13 persons in an approximately 90-minute session in the previous fiscal year). The Company also provides opportunities for shareholders who desire to make the acquaintance of Directors and Audit & Supervisory Board Members and Executive Officers to do so after the close of the Annual General Meeting of Shareholders. <Response in the Event a Considerable Number of Votes are Cast against a Proposal by the Company> For proposals against which a considerable number of votes have been cast at the Annual General Meeting of Shareholders, after conducting an analysis of the causes, including confirmation of matters such as benchmarks for the exercise of voting rights by institutional investors, the Company works to gain understanding of its stance through explanations to institutional investors by sending letters or conducting direct dialogues. In addition, the Company takes the advice and opinions of institutional investors seriously, and uses them to reconsider and improve items related to such proposals against which votes were cast. <Delegation of Powers of the Annual General Meeting of Shareholders to the Board of Directors>

	The Company enables the delegation of certain powers of the Annual General Meeting of Shareholders, such as issuing an interim dividend and exempting members of the Board and Audit & Supervisory Board Members from liability, to the Board of Directors. Such delegation is premised on the attendance at Meetings of the Board of Directors (seven members of the Board and five Audit & Supervisory Board Members) of the six outside members, who consist of three Outside Directors, including three Independent Outside Directors, and the three independent Outside Audit & Supervisory Board Members, representing half of attendees, thus maintaining a structure for conducting checks from the perspective of shareholders.

2. IR Activities

	Supplementary Explanations	Explanation by Representative(s) of the Company
Preparation and Publication of Disclosure Policy	The Company has established Disclosure Guidelines which set forth its commitment to strict compliance with the Companies Act, the Financial Instruments and Exchange Law, and other applicable laws and regulations, as well as the rules set down by the Tokyo Stock Exchange (TSE), particularly through the timely disclosure of information falling under the scope of TSE's "Securities Listing Regulations." The Company's Disclosure Guidelines are published on the Company's website. http://www.kao.com/jp/en/corp_ir/disclosure.html	
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings are held twice a year, on the date of the announcement of full-year and interim financial results. A business management overview and management policy are reported and explained by the President and CEO, and the actual and expected corporate performance are reported and explained by the Senior Vice President of the Accounting and Finance. As part of a constructive dialogue with a view to enhance the corporate value, small meetings between the President and CEO and analysts and institutional investors are held regularly. Furthermore, plant tours and business operation seminars are held whenever appropriate.	Yes
Regular Investor Briefings for Overseas Investors	To hold constructive dialogues with a view to enhance the corporate value and to facilitate the exercise of voting rights, the President and CEO visits North America and Europe once a year, respectively, and also visits to hold dialogues with various institutional investors whenever appropriate. Also, other members of the management visit Asia adequately, and they explained the Company's management policy, as well as matters such as the managerial environment and business performance and outlook, and answered questions subsequently asked by investors.	Yes
Posting of IR Materials on Website	Reports of financial results, quarterly reports, annual securities reports, quarterly securities reports, notices of convocation of shareholders meetings, summary of resolutions at shareholder meetings, integrated report, shareholders' reports (year-end and interim) and presentation materials at shareholders meetings and financial results briefing sessions (held twice a year) are published on the Company's website. Furthermore, reports of financial results, summaries of quarterly reports, summary of resolutions at shareholders meetings, presentation materials at shareholders meetings and financial results briefing sessions are translated into English and published on the Company's website on the days that they are announced. Q&As from various	

	meetings are disclosed in Japanese and English. Investor information in Japanese available at: http://www.kao.com/jp/corporate/investor-relations/ Investor information in English available at: http://www.kao.com/global/en/investor-relations/
Establishment of Department and/or Manager in Charge of IR	Corporate Strategy performs IR functions, aiming to reinforce strategic disclosure of information. A total of five members respond to IR issues at the head of one Vice President.
Other	(Measures aimed at individual shareholders) The Company sends shareholders' reports (year-end and interim) to shareholders every March and August. Furthermore, a "Kao Museum Tour" (Tokyo), a "Kao Kawasaki Plant Tour" (Kanagawa) and "Kao Eco-Lab Museum Tour" (Wakayama) and "Company Briefing" (Osaka) are held for shareholders who own one unit share or more. The tours and the meeting include explanations from Management of Kao's performance, mid-term management plan and status of shareholder returns as well as subsequent question and answer sessions with shareholders. (Measures aimed at institutional investors) The Company conducts exchanges of opinions with multiple institutional investors regarding how to promote constructive dialogues and ESG, and makes use to improve information disclosure and daily IR activities. Also, the Company held a seminar on Kao Group Mid-term Plan 2020 (K20). (Published integrated report) Kao Group has embarked on the Kao Group Mid-term Plan 2020 (K20) as of this fiscal year. The company aims to enhance its corporate value globally through this four-year plan. The vision outlined in K20 is to make Kao a company with a global presence. This will be accomplished by achieving sustainable and profitable growth and contributions to the sustainability of the world through business activities focused on resolving social issues, as well as various corporate social responsibility initiatives. With the launch of K20, the company decided to release the Kao Integrated Report 2017, which covers both financial and non-financial information. Kao's Financial Report 2016 is also available in PDF format. http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/financial_reports_fy2016e_01.pdf

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

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Kao Way, an essence of the Company's corporate philosophy, declares, "Our mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective." The "Vision" section of the Kao Way further states, "We aim to be the global group of companies that is closest to the consumers and customers in each market, earning the respect and trust of all stakeholders." Furthermore, the Principles of Corporate Ethics in "Kao's Business Conduct Guidelines" state, "Kao Corporation seeks to be an honest and exemplary company,

	guided by sensible and fair actions and driven by a fundamental adherence to ethical principles that go beyond mere compliance with laws to earn the true respect of all stakeholders. The Business Conduct Guidelines also give specific guidance about respecting the standpoint of stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	In 1998, the Company first issued a report which shows the Company's approach to the environment, and from 2005, it started disclosing information as the "CSR Report." In the same year, the Company announced support for the UN Global Compact. It started CSR procurement from 2006, and joined the non-profit international Roundtable on Sustainable Palm Oil (RSPO*) in 2007. In 2009, to respond to changes in the global business environment surrounding the Company, the Company announced the "Kao Environmental Statement," which states as its goal to position ecology at the core of management as outlined in its medium- and long-term strategy. At the same time, the Company changed its corporate message to "Enriching lives, in harmony with nature," and established a new corporate identity (CI). The "Kao Environmental Statement" is published on the Company's website. http://www.kao.com/global/en/sustainability/environment/statement-policy/statement/ From April 2010, the Company added to its mission, "to contribute to the sustainability of the world," in order to clarify its intention to promote the Company's operations with its focus on creating "corporate value" and "social value." Along with this change, the Company changed the name of the "CSR Committee" to the "Sustainability Committee," and has continued discussions regarding the direction of sustainability promotion. In 2013, the Company formulated the "Kao Sustainability Statement," in order to clarify its sustainability policy and key areas of activities and goals, and will further promote sustainability initiatives. The "Kao Sustainability Statement" is published on the Company's website. http://www.kao.com/global/en/sustainability/approach/statement/ In addition, by establishing the "Eco-Strategy Committee" under the Sustainability Committee and the "SAICM Promotion Committee" under the Eco-Strategy Committee, the Company is promoting activities to achieve goals stated in the "Kao Environmental Statement." Furthermore, CSR activities relating to, among others, environment and safety, risk management, quality, compliance and procurement are being enhanced by the appropriate departments. Details on Kao's sustainability-related initiatives can be found in its Kao Sustainability Data Book. http://www.kao.com/global/en/sustainability/databook/ *RSPO: Roundtable on Sustainable Palm Oil. It was established to address challenges relating to palm oil production, including eco-system destruction through the logging of tropical rainforest and poor plantation labor conditions.
Development of Policies on Information Provision to Stakeholders	The Company has established Disclosure Guidelines which set forth its commitment to timely, accurate, and impartial disclosure of information to shareholders, investors, and all stakeholders in strict compliance with the Companies Act, the Financial Instruments and Exchange Law, and other applicable laws and regulations, as well as the rules set down by the Tokyo Stock Exchange (TSE) where the Company's shares are listed, particularly through the timely disclosure of information falling under the scope of TSE's "Securities Listing Regulations." The Company's Disclosure Guidelines are published on the Company's website. http://www.kao.com/global/en/investor-relations/management-information/disclosure/

Other	(Measures to promote the active participation of women) The Company stresses the respect for diversity, which includes culture, nationality, belief, race, gender, etc, in “the Kao Way,” the Company’s corporate philosophy, and clearly states in “Kao Sustainability Statement” that the Company will focus on the respect for “Diversity & Inclusion.” The Company has been promoting cultivation and appointment of employees in accordance with their motivation and ability. On the other hand, the Company started activities for promoting the appointment of female employees from the early stage. In 1990, the Company appointed a responsible person for the female ability development, and through 2000-2005, at a committee consisted of members from cross-sectional divisions, the Company strengthened the female career development and has been continuously improving support systems to create various working styles of females. As a result, job categories of female employees have expanded, and the ratio of female leaders is increasing. In 2010, the Company announced their official support for "Women's Empowerment Principles-Equality Means Business," a set of guidelines promoting gender equality and empowerment of women in the workplace. The United Nations Development Fund for Women joined forces with the United Nations Global Compact to draw up the document. The President and CEO signed the CEO Statement of Support for the initiative. The ratio of male employees to female employees is almost equal in the areas of marketing and product development of consumer products, customer lifestyle research, customer communications and product public relations and so on. Also, many female employees are now playing leading roles, and the ratio of female managers is about 32.8% in these divisions. To accomplish the Company’s mission globally, the realization of diversity is required, so the Company is now striving to increase the number of female executive managers by encouraging female employees to participate in training programs which cultivate executive managers and other measures. As a result, two (2) female employees have become Executive Officers. The ratio of female employees and that of female leaders as of December 31, 2016 is as shown below. 【The ratio of female employees】 Kao Corporation: 22.6% Kao Group in Japan: 50.6% The Entire Kao Group: 49.2% 【The ratio of female leaders】 Kao Corporation: 14.0% Kao Group in Japan: 13.1% The Entire Kao Group: 25.4% Due to the positive evaluation of the Company’s principle of respecting diversity and inclusion, its measures to promote it, and its organizational culture where employees can play an active role regardless of gender, the Company was selected as a “Nadeshiko Brand*” in 2013 and 2015. Also, the Company was selected as a“Diversity Management Selection 100*”in March 2013. *“Nadeshiko Brand”: The Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry jointly select and publicize enterprises listed on the first section of the Tokyo Stock Exchange that are exceptional in encouraging women's success in the workplace from 2013. *“Diversity Management Selection 100”:The Ministry of Economy, Trade and Industry selects enterprises that create innovation and conduct business which leads to creation of value, by utilizing various human resources and by giving them opportunities to fully show their competence from 2013.

	(Measures to promote the health of employees) [Updated] In 2008, the Company published "the Kao Group Health Declaration" based on the principle that without healthy employees, the Company cannot achieve its objective of *Yoki-Monozukuri*, which allows the Group to grow and contribute to society. Currently, with the goal of increasing the number of employees with high health literacy, the Company is engaged in "health management" which uses a PDCA cycle to increase employee health levels. To promote employees' health, the Company has been involved in organizational initiatives such as establishing a cooperative framework by an employer, the health insurance union, industrial healthcare staff and external specialists. FY2017 marked the commencement of K20, the Kao Group Mid-term Plan aimed for 2020. One of the health management targets of K20 is maintaining the health of employees and their families. The new GENKI Project was launched with this aim. Initiatives to address lifestyle-related diseases, mental health issues, smoking cessation, dealing with cancer, and women's health are deployed to further deepen health management. Due to the positive evaluation of the Company's measures and results, the Company was selected as a "Health and productivity management brand*" fourth consecutive year. *"Health and productivity management brand": The Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry jointly select enterprises which set the management of employee health as a corporate management issue and actively implement relevant strategies. Also, in March 2017, the Company won the Development Bank of Japan Inc.'s highest rating in its "DBJ Employees' Health Management Rated Loan Program" as a company that is particularly superior in terms of its consideration for the health of its employees. This is the second time Kao has been given this highest rating. The last time was in 2012 when the Program was first introduced. Kao successfully procured financing under preferential conditions as provided by the Program. *Loans with discounted interest rates according to the Rating DBJ evaluates the health management efforts of corporations and applies three different interest levels based on the result of the evaluation. (Corporate Governance of the Year) The Company received the "Grand Prize Company" for FY2017 since Kao has been working on corporate governance from early stage and practicing well-balanced corporate governance from both proactive and protective aspect. *"The Corporate Governance of the Year": Japan Association of Corporate Directors honors the companies which have achieved and maintained long term profitability by implementing good corporate governance with the ultimate goal of revitalizing the Japanese economy, since 2015.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

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

(1) A system to ensure that execution of duties of Members of the Board and employees of the Company and its subsidiaries conforms to laws and the Articles of Incorporation
Members of the Board, Executive Officers and employees of the Company and its subsidiaries

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

(2) A system for retention and management of information concerning Members of the Board's execution of their duties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit & Supervisory Board Members may attend meetings of the Management Committee, the Internal Control Committee and related committees, and may access the minutes, decision records and other documents of important meetings at any time. They may also receive activity reports from the head of each division and subsidiary regularly or as necessary, and have periodic exchanges of views with Representative Directors of the Company and major subsidiaries and exchanges of views with Representative Directors of the Company's subsidiaries when conducting an audit. In addition, Members of the Board, Executive Officers and employees of the Company and members of the Board, Audit & Supervisory Board Members and employees of subsidiaries, etc should promptly report to Audit & Supervisory

Board Members when any fact that may potentially cause significant harm to the Company or to its subsidiaries or any fact of a serious violation of laws or the Articles of Incorporation occurred or when those fact were reported. Compliance Committee reports information delivered to Compliance Hotline and Department of Internal Audit reports audit results to Audit & Supervisory Board Members regularly or as necessary. Audit & Supervisory Board Members of subsidiaries share audit results with Audit & Supervisory Board Members of the Company at the meeting of Audit & Supervisory Board Members of Domestic Kao Group held periodically.

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

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

(13) A system to ensure that audits by Audit & Supervisory Board Members are conducted effectively
To conduct efficient and effective audits, Audit & Supervisory Board Members maintain a close cooperative relationship, which includes the exchange of information, with the Accounting Auditor and the internal audit functional departments such as Department of Internal Audit, as well as Audit & Supervisory Board Members and internal audit departments of subsidiaries. In addition, Audit & Supervisory Board Members may independently receive support from outside specialists such as lawyers and certified public accountants when necessary.

(14) Implement of a system to ensure the appropriateness of business operations
The Board of Directors conducts periodic reviews of implemente of a system to ensure the appropriateness of Kao Group’s business operations, and includes the summary of state of implement in the business report.

2. Basic Views on Eliminating Anti-Social Forces

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

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

- We shall maintain a resolute attitude against activities which are unlawful or contrary to the public welfare.
- We shall not participate in any activities that are illegal or contrary to the public welfare regardless of any competing pressure to do so.
- We shall reject any relationship with groups that act contrary to the public welfare, and shall not yield to any attempt of blackmail or threat. We shall not involve ourselves in any

activities or conduct which offends social norms or morality, such as money laundering, offers of illegal interest, etc.

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

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

The Company has not submitted a proposal for anti-hostile takeover measures to the Annual General Meeting of Shareholders. However, the Company considers the adoption of anti-hostile takeover measures to be a crucial management issue and is giving ongoing consideration to preparations for a hostile takeover with a close attention to the legal system, public trends and other matters.
The Company wants its shareholders to hold its stock for the long term, and therefore believes that it should provide profit to long-term shareholders by raising its corporate value over the long term through vigorous business activities that increase EVA® as well as by enhancing shareholder returns through dividends and other measures. The Company believes that by increasing corporate value and enhancing shareholder returns, it will raise its stock price and market capitalization, thus making it difficult to conduct a hostile takeover that is counter to shareholder profit.
The Company believes that concurrently increasing trust in its Management by gaining understanding from all stakeholders of its contributions to society through activities for sustainability and other measures is a major deterrent to hostile takeovers.
In addition, in the event of a tender offer for the Company's stock, the Company will request an explanation of measures for improving the corporate value of the Kao Group from the tender offer or and disclose its own stance to shareholders.

2. Other Matters Concerning to Corporate Governance System

□Outline of Organization for Timely Disclosure

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

1. Basic Position of Timely Disclosure

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

2, Internal System of Timely Disclosure

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

other Representative Directors or Corporate Information Handling Officer registered at TSE.

In principle, Representative Director or its assignees discloses information by TDnet, and press conference and posting of news release if necessary, in accordance with the decision by the Committee. The information registered at TDnet will also be promptly posted on the Kao website. The Public Relations manages the disclosed information.

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

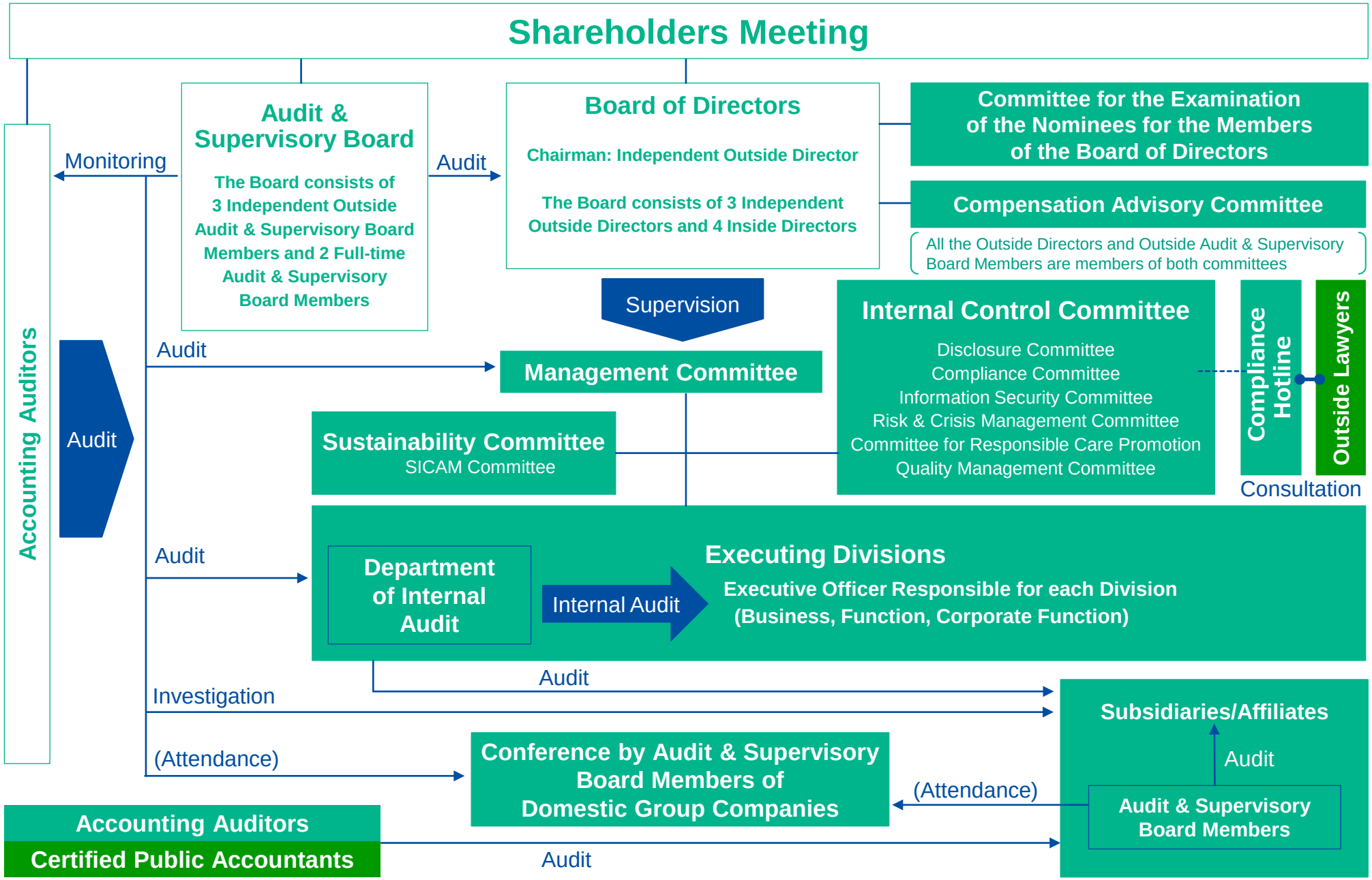
(1) Decisions by the Company
The secretariat shall be informed of all proposals and reports at the meetings of Management Committee and Board of Directors of the Company. All decisions that are required to be disclosed shall always be made at the meetings of Management Committee and Board of Directors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

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

(3) Earnings Information
Accounting and Finance Division prepares earnings information of the Company, which is concurrently audited by the Accounting Auditor of the Company. Management Committee and Board of Directors of the Company deliberate earnings information and its main items with analytic data before disclosure thereof.
Burden of the end of term audit by Accounting Auditor is reduced by conducting interim audit, which enables the Company to accurately and timely disclose earnings information.

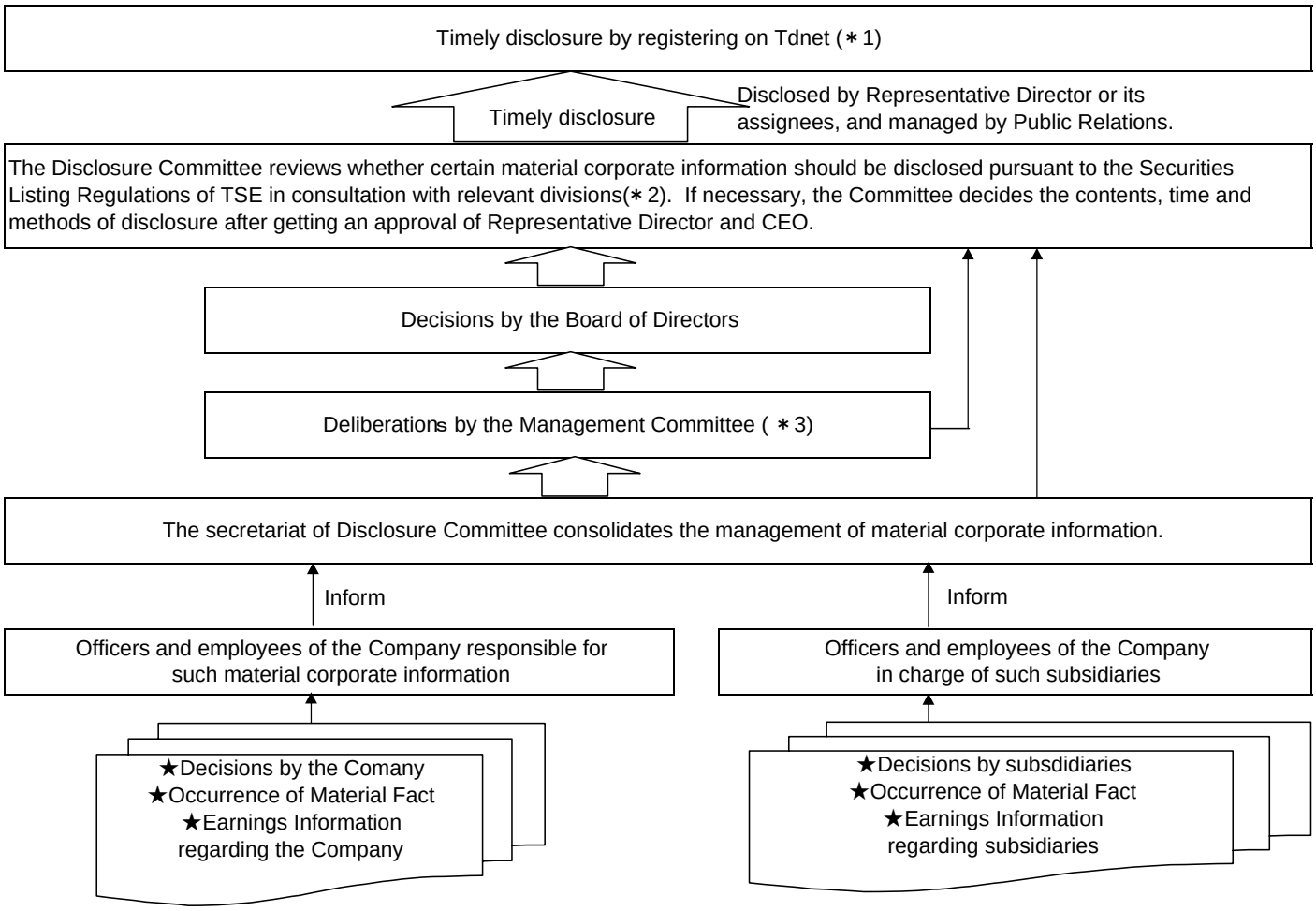
(4) Information regarding Subsidiaries
Immediately after any of the officers and employees of the Company in charge of subsidiaries has the knowledge of occurrence of a material fact or the possibility thereof regarding subsidiaries for which he or she is responsible, he or she is required to inform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

Chart Regarding Corporate Governance Including Internal Control



Note: Our policy is to ask experts, such as lawyers, for their advice as reference in making business judgements, if necessary, concerning business management and daily operations.

Chart regarding Timely Disclosure



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

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

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

List of the state of implementation of Corporate Governance Code

Corporate Governance Code				Implementation Status		Correspoinding articles in the report or on the Company's website
Genaral Principle	Principle		Supple-mentary Principles	Comply	Explain	() means the Company respects and complies the code.
Section 1: Securing the Rightsand Equal Treatmentof Shareholders	1.1	Securing the Rights of Shareholders	-	●		(The Company respects and complies the code)
			1.1.1	●		"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.1.2	●		"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.1.3	●		(The Company respects and complies the code)
	1.2	Exercise of Shareholder Rights at General Shareholder Meetings	-	●		"1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.1	●		"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.2	●		"Early Notification of General Shareholder Meeting" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.3	●		"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.4	●		"Allowing Electronic Exercise of Voting Rights","Participation in Electronic Voting Platform" and "Providing Convocation Notice in English" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.5	●		(The Company respects and complies the code)
	1.3	Basic Strategy for Capital Policy	-	●		"(7) Basic Strategy for Capital Policy" in "4. Basic position and policy on corporate governance" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	1.4	Cross-Shareholdings	-	●		"15. Policies for Cross-Shareholdings and Standards for Exercise of Voting Rights" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	1.5	Anti-Takeover Measures	-	●		"1.Adoption of Anti-takeover Measures" in "V. Other" in the report
			1.5.1	●		"1.Adoption of Anti-takeover Measures" in "V. Other" in the report
	1.6	Capital Policy that May Harm Shareholder Interests	-	●		(The Company respects and complies the code)
	1.7	Related Party Transactions	-	●		"16. Procedures for Approval of Related Party Transactions" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders	2.1	Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term	-	●		"1. Corporate philosophy" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	2.2	Code of Conduct	-	●		"Kao Business Conduct Guidelines" on the Company's website: http://www.kao.com/jp/en/corp_imgs/corp_info/compliance_all.pdf
			2.2.1	●		"Kao Business Conduct Guidelines" on the Company's website: http://www.kao.com/jp/en/corp_imgs/corp_info/compliance_all.pdf
	2.3	Sustainability Issues, Including Social and Environmental Matters	-	●		"Kao Sustainability Statement" on the Company's website: http://www.kao.com/jp/en/corp_csr/csr_action_00.html
			2.3.1	●		"Kao Sustainability Statement" on the Company's website: http://www.kao.com/jp/en/corp_csr/csr_action_00.html

Corporate Governance Code				Implementation Status		Correspoinding articles in the report or on the Company's website
Genaral Principle	Principle		Supple-mentary Principles	Comply	Explain	() means the Company respects and complies the code.
	2.4	Ensuring Diversity, Including Active Participation of Women		●		"Respect & Teamwork" in "Principles" in "Kao Way" on the Company's website: http://www.kao.com/jp/en/corp_about/kaoway_03.html ・"7. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ・"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
	2.5	Whistleblowing	-	●		"Compliance Hotlines" on the Company's website: http://www.kao.com/jp/en/corp_info/compliance_02.html
			2.5.1	●		"Compliance Hotlines" on the Company's website: http://www.kao.com/jp/en/corp_info/compliance_02.html
Section 3: Ensuring Appropriate Information Disclosure and Transparency	3.1	Full Disclosure	-	●		"Disclosure Guidelines" on the Company's website: http://www.kao.com/jp/en/corp_ir/disclosure.html
			(i)	●		"2. Long-term Business Strategy" and "3. Mid-term business plan" in【Disclosure Based on the Principles of the Corporate Governance Code】in "1. Basic View" in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			(ii)	●		"4. Basic position and policy on corporate governance" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			(iii)	●		"13. Policy and Procedures for Determining Remuneration for Members of the Board of Directors and Senior Management" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			(iv)	●		"6. Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management" and "8. Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			(v)	●		"9. Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management, and Status of Concurrent Duties of Outside Directors and Outside Audit & Supervisory Board Members" in【Disclosure Based on the Principles of the Corporate Governance Code】 in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			3.1.1	●		(The Company respects and complies the code)
			3.1.2	●		The Company's website : http://www.kao.com/jp/en/corp/
	3.2	External Auditors	-	●		"Activity for strengthening the auditing function of the Audit & Supervisory Board Members" in "Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "Ⅱ Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
			3.2.1	●		"Activity for strengthening the auditing function of the Audit & Supervisory Board Members" in "Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "Ⅱ Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"

Corporate Governance Code				Implementation Status		Correspoinding articles in the report or on the Company's website
Genaral Principle	Principle		Supple-mentary Principles	Comply	Explain	() means the Company respects and complies the code.
			3.2.2	●	●	･"Activity for strengthening the auditing function of the Audit & Supervisory Board Members" in "Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "Ⅱ　Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" ･【Reasons for Non-compliance with the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.1	Roles and Responsibilities of the Board (1)	-	●		･"(2) Roles and Duties of the Board of Directors, etc." in "4. Basic position and policy on corporate governance" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.1.1	●		"5. Scope of Matters Delegated to the Management" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.1.2	●		"3. Mid-term business plan" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.1.3	●		"Supplementary Explanation" in "Committee's Name, Composition, and Attributes of Chairperson" in "Ⅱ Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
	4-2.	Roles and Responsibilities of the Board (2)	-	●		･"(2) Roles and Duties of the Board of Directors, etc." in "4. Basic position and policy on corporate governance" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ･"13. Policy and Procedures for Determining Remuneration for Members of the Board of Directors and Senior Management" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.2.1	●		"13. Policy and Procedures for Determining Remuneration for Members of the Board of Directors and Senior Management" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.3	Roles and Responsibilities of the Board (3)	-	●		･"8. Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ･"Kao Sustainability Report" on the Company's website:: http://www.kao.co.jp/corp/sustainability-reports/en/governance/governance/
			4.3.1	●		"8. Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management" in【Disclosure Based on the Principles of the Corporate Governance Code】 in "Ⅰ Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.3.2	●		"Kao Sustainability Report" on the Company's website: http://www.kao.co.jp/corp/sustainability-reports/en/governance/governance/
	4.4	Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board	-	●		(The Company respects and complies the code)
			4.4.1	●		"Activity for strengthening the auditing function of the Audit & Supervisory Board Members" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "Ⅱ　Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"

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Genaral Principle	Principle		Supple-mentary Principles	Comply	Explain	() means the Company respects and complies the code.
Section 4: Responsibilities of the Board	4.5	Fiduciary Responsibilities of Directors and Audit & Supervisory Board Members	-	●		(The Company respects and complies the code)
	4.6	Business Execution and Oversight of the Management	-	●		・"(4) Non-executive Director as Chairperson of the Board of Directors" in "4. Basic position and policy on corporate governance" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ・"10. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.7	Roles and Responsibilities of Independent Directors	-	●		"(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc." in "4. Basic position and policy on corporate governance" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.8	Effective Use of Independent Directors	-	●		"10. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.8.1		●	【Reasons for Non-compliance with the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.8.2	●		"10. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.9	Independence Standards and Qualification for Independent Directors	-	●		・"4.(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc."in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ・"Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" on the Company's website: http://www.kao.com/jp/en/corp_imgs/corp_info/governance_002.pdf
	4.10	Use of Optional Approach	-	●		"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "Ⅱ　Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
			4.10.1	●		・"(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc." in "4. Basic position and policy on corporate governance" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ・"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "Ⅱ　Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
	4.11	Preconditions for Board and Audit & Supervisory Board Effectiveness	-	●		・"7. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ・"11. Analysis and evaluation of effectiveness of the Board of Directors taken as a whole and summary of the results thereof"in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.11.1	●		"7. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report

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Genaral Principle	Principle		Supple-mentary Principles	Comply	Explain	() means the Company respects and complies the code.
			4.11.2	●		"8. Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.11.3	●		"11. Analysis and evaluation of effectiveness of the Board of Directors taken as a whole and summary of the results thereof"in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.12	Active Board Deliberations	-	●		(The Company respects and complies the code)
			4.12.1	●		"Supporting System for Outside Directors and Outside Audit & Supervisory Board Members" in 1. Organizational Composition and Operation" in "Ⅱ Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
	4.13	Information Gathering and Support Structure	-	●		(10),(11) and (12) in "Basic Views on Internal Control System and the Progress of System Development" in "Ⅳ. Matters Related to the Internal Control System"
			4.13.1	●		(10) in "Basic Views on Internal Control System and the Progress of System Development" in "Ⅳ. Matters Related to the Internal Control System"
			4.13.2	●		(12) and (13) in "Basic Views on Internal Control System and the Progress of System Development" in "Ⅳ. Matters Related to the Internal Control System"
			4.13.3	●		(13) in "Basic Views on Internal Control System and the Progress of System Development" in "Ⅳ. Matters Related to the Internal Control System"
	4.14	Director and Audit & Supervisory Board Members Training	-	●		"12. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.14.1	●		"12. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.14.2	●		"12. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
Section 5: Dialogue with Shareholders	5.1	Policy for Constructive Dialogue with Shareholders	-	●		"14. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			5.1.1	●		"14. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			5.1.2	●		"14. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			5.1.3	●		"Participation in Electronic Voting Platform" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report

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	5.2	Establishing and Disclosing Business Strategy and Business Plan	-	●		"2. Long-term Business Strategy" and "3. Mid-term business plan" in【Disclosure Based on the Principles of the Corporate Governance Code】in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report