(Translation)

Kao Corporation

Corporate Governance

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

1. Basic Views

Our 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. It is important that the fruits from those strategies and initiatives are used as investments for sustainable growth. Kao Corporation (hereinafter referred to as the "the Company") has announced that it recognizes ESG (Environmental, Social and Governance) initiatives as an investment for the future, not as a cost, and is promoting them. The Company 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 enhance 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 Directors, including the Outside Directors, through the Audit & Supervisory Board Members. In the course of such information sharing, if Directors 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] [Updated]

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

follows:
"Management" means executive Directors and Executive Officers.
"Senior Management" means Executive Officers with titles.

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Information below is updated.

11. Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof

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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 www.kao.com/jp/corporate/about/policies/kaoway/)

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

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

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 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

Our 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. It is important that the fruits from those strategies and initiatives are used as investments for sustainable growth. The Company has announced that it recognizes ESG (Environmental, Social and Governance) initiatives as an investment for the future, not as a cost, and is promoting them. The Company 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 Directors, 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 and other matters have been executed properly and makes decisions on the necessity of changing the business strategies and other matters at the Board of Directors meetings.

(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 Nominees for Directors, which examines candidates for Director, including for President and Chief Executive Officer (CEO), and the Compensation Advisory Committee, which examines the compensation system and remuneration levels of Directors 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 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.
* Audit & Supervisory Board Members do not have the right to vote, however the Companies Act guarantees their attendance at Board of Directors meetings and certain resolutions require their approval. Further, Audit & Supervisory Board Members are legally guaranteed the right to provide their opinion in their Audit Report and/or at the Annual General Meeting of Shareholders.

(6) Promoting Communications with Shareholders
In order to enhance 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 has developed 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. Also, the Company communicates with shareholders through its various publications, which communication includes messages not only from the CEO and other members of Management, but also from the Outside Directors, in their words. Pertaining to information of the Kao Group which is the basis for communication with stakeholders, the Company established Disclosure Guidelines that took into account fair disclosure, 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 www.kao.com/global/en/investor-relations/management-information/disclosure/)

(7) Basic Strategy for Capital Policy
The Company's capital policy follows a basic strategy of securing a sound financial structure to make investments for sustainable growth and tolerate the related risks, and to make stable, continuous returns to shareholders. To realize this policy, the Company uses Economic Value Added (hereinafter "EVA**"), a management indicator that takes capital cost into account, as its main indicator and works to enhance its corporate value by improving EVA. Guided by EVA management which places importance on both continuous enhancements in corporate value and long-term profits for all stakeholders, the Company develops its business strategy and business plan.
The Company manages all equity and interest-bearing liabilities as subject of capital cost and intends to optimize capital cost from the viewpoint of safety and capital efficiency. For equity, the Kao Group aims for a streamlined and sound structure from a medium- to long-term perspective with efficiency in mind and, while maintaining interest-bearing liabilities at a moderate level, aims to maintain high credit ratings which will allow it to procure capital for large-scale investments. The Company is not subject to significant capital regulations except for general requirements under the Companies Act and others.

Although the Company emphasizes shareholder returns, it realizes that investment for growth will meet the expectations of its stakeholders, and therefore prioritizes such investment. In addition to providing stable dividends, the Kao Group aims to continuously increase dividends to reflect improvement in business results. The Company also uses surplus funds to flexibly conduct share repurchases.
In addition to making returns to shareholders, the Company retains the capital necessary to conduct investments for growth in a timely fashion and to ensure sufficient soundness to deal with situations that exceed assumptions 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, which has continued, 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 those 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.
Development of human resources including a succession plan for the President and CEO is one of the most important management issues and this issue has been discussed continuously at the Board of Directors meetings and at the Committee for the Examination of Nominees for Directors.
Based on The Kao Way and Kao Business Conduct Guidelines, the Company has been identifying and developing human resources globally who can execute K20's slogan "transforming ourselves to drive change." From such talent pool, the Company submits appropriate candidates for CEO who have quality, experience, skills and leadership to the Committee for the Examination of Nominees for Directors. After the Committee verifies organization strategy based on the current business environment and direction of Management, members of the Committee discuss the appropriateness of the Management members that will surround the future CEO. Concerning the nominees who have passed the Committee's objective deliberations, the Board of Directors discuss and deliberate to evaluate the candidates appropriately and to determine their development plans.
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 factors necessary for auditing, including a high level of expertise, insight and abundance of experience relating to accounting and finance and laws and their high level of ethics as professionals, as well as by considering the legal and regulatory requirement for externality and 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 people of various genders, races and nationalities and others contribute to the promotion of business, global expansion and proper supervision and auditing, and promotes the appointment of such diverse personnel as Directors, 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 and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management (Principle 3.1(iv))

To objectively confirm that all Director candidates, including candidates for President and CEO, conform with the policy and stance in paragraph 6 above, the Company has a Committee for the Examination of Nominees for Directors, composed exclusively of all Outside Directors and Outside Audit & Supervisory Board Members. Usually, this Committee holds three to four times a year but can be held at any time as needed, and to keep its high level of objectivity it is chaired by the independent Director and all of its members are independent Directors and Audit & Supervisory Board Members. Prior to the election or re-election of Directors, first the Committee deliberates about validity of above policies and other related matters. Then, it deliberates on each candidate’s eligibility and submits its opinions of the nominees’ appropriateness to a meeting of the Board of Directors. The Company has shortened the term of office for Directors to one year; therefore, all candidates including candidates for re-election are strictly examined by the Committee every year.
In case that the CEO and Directors should be dismissed, the Committee would be convened timely and conduct deliberations. Then, it would report to the Board of Directors for further deliberations and resolutions.
With regard to 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.
Further, in case that Directors and Audit & Supervisory Board Members should be dismissed, the Company complies with the procedures set forth in the Companies Act.
With regard to Senior Management, the titles and responsibilities of all nominees of Executive Officers are reported to the Committee for the Examination of Nominees for Directors and decisions are subsequently made by the Board of Directors. In case that Senior Management should be dismissed, the Board of Directors conducts deliberations in a timely manner.
(For further information concerning the Committee for the Examination of Nominees for Directors, 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 a management consultant, the top management of a financial institution, and the top management of an airline company, 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 Directors" 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" please see 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. (Principle 4.8)

(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, 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 Chairman of the Board of Directors takes the role of promoting communication and cooperation with members of Management and Audit & Supervisory Board Members. All the Audit & Supervisory Board Members, including the independent Outside Audit & Supervisory Board Members, and the Representative Directors hold meetings to exchange opinions multiple times during the year and from July 2018 all Outside Directors and all the Audit & Supervisory Board Members (including full-time) have started to hold periodic meetings to exchange information and opinions.

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) [Updated]

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.

For the FY2018 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held for January 2019, a survey of the seven (7) Directors and the five (5) 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. The following is a summary.

(a) Efforts to address issues pointed out in the previous fiscal year's evaluation of effectiveness of the Board of Directors

<Issues pointed out in the previous fiscal year's evaluation of effectiveness of the Board of Directors>

1. Human resources strategy: More rapidly deepen discussion of scouting and developing human resources in anticipation of 10 years hence in order to be able to respond to rapid changes in the business environment in addition to dealing with global business expansion.
2. Business strategy that includes non-financial activities (ESG activities): In management, it is important not merely to respond to change but to foresee and anticipate change, and moreover, to guide change. Further discuss and implement a business strategy that includes non-financial activities (ESG activities).
3. Internal controls to comply with laws and regulations: Not just to maintain the control system, but also to conduct oversight in order to regularly revise operations to ensure the system functions effectively, in a timely and appropriate manner.

<Evaluation of efforts to address the above issues>
1. Discussion of human resources strategy
In discussing the management and execution structure for the next fiscal year, the Board of Directors was able to conduct discussions on human resources strategy to a certain extent. However, it is necessary to further deepen discussions on scouting and developing diverse human resources to address issues such as the diversification of values associated with recent technology innovations and the attendant changes in purchasing behavior and the structure of retailing, in addition to utilization of global human resources, which are a prerequisite for promoting the globalization of business.

2. Discussion and implementation of a business strategy that includes non-financial activities (ESG activities)
Top management itself adopts an approach of taking the initiative in anticipating and guiding change and putting that approach into practice. ESG activities have been thoroughly discussed and have been executed appropriately and concretely, including the establishment of the ESG Division in July 2018.

3. Maintenance and oversight of the internal control system to comply with laws and regulations
Improvements were apparent in the speed of sharing information with and reporting important matters to the Board of Directors, but ongoing enhancements will be necessary in both maintaining and operating the system. Raising awareness risk management among persons in charge of sites in order to elicit information at an early stage will make it possible to minimize negative situations and enable discussion of the response by the Kao Group as a whole.

(b) Evaluation of measures for viewpoints 1.-3. below, which are particularly expected of Board of Directors in the Corporate Governance Code
1. 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 them are discussed. In addition to discussions of strategies for businesses the Kao Group is focusing on, such as cosmetics and baby diapers, technology innovations to support the Kao Group in the future are also fully discussed.
The Board of Directors will also continue to exchange opinions and deepen discussions on the medium-to-long-term direction the Kao Group must take to realize the vision it aims to achieve by 2030, beyond K20.

2. 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. In addition, important matters are shared with the Board of Directors since an early stage and examined from various aspects based on their diverse insights. After checking the measurement of risks on the execution side and the preparations for such risks, the Board of Directors indicates its approval/disapproval and points to consider. This helps the execution side move forward confidently with plans while taking on risk. Furthermore, necessary incentives are in place and operating under the compensation system for Senior Management.

3. 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. Moreover, Inside Directors vitalize execution by maintaining an approach to management that utilizes external perspectives. 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.

(c) Board of Directors composition, status of operation, status of deliberations, and support from the Company
1. Composition: The Board of Directors is structured appropriately, with a good balance of Directors and Audit & Supervisory Board Members from inside and outside the Company offering diverse experience and insight as well as a compact size that enables ample communication and active discussions. On the other hand, promotion or appointment of women, non-Japanese who play a role with a cross-divisional view of the entire Company is an issue that still needs to be addressed.

2. Status of operation: 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 agenda items. Moreover, the Board of Directors Secretariat provides full explanations as required. The frequency of meetings is also set appropriately.

3. Status of deliberations: Announcements of agenda items are shorter than the time allotted to them to ensure proceedings allow sufficient time for questions and discussions, and discussions and exchanges of opinion are free, open, constructive and active. To elicit useful discussion by the Board of Directors, additional measures are required regarding the manner of reporting and explanation and the presentation materials.

4. Support from the Company: Lectures for Directors and Audit & Supervisory Board Members, visits to business sites in Japan and overseas, and updates on the organization, human resources, research and development and other matters are provided and appropriate support is given. Ongoing and periodic support will also be required.

(d) Operation of the Committee for Examination of Nominees for Directors and the Compensation Advisory Committee
Both committees have clear roles and authority, and discuss relevant themes at the appropriate

times. Details of the discussions are duly shared with the Board of Directors.
(e) Issues to be addressed by the Board of Directors
1. With regard to strategies for human resources, scouting and developing diverse human resources, including those who can play an active role globally, is an issue that still needs to be addressed. The Board of Directors shares an awareness of the necessity of further discussions, based on its vision of the Kao Group 10 years hence, of its criteria for the human resources who will implement that vision and the methods for scouting and developing them.

2. With regard to management, interactive communication should be conducted in ways such as effectively sharing discussions of the Board of Directors with the execution side and listening to opinions from people actually engaged in execution in order to further stimulate the Board of Directors and put discussions of the Board of Directors to good use in execution.

3. With regard to internal controls to comply with laws and regulations, not only does the control system need to be maintained, but oversight also needs to be conducted in order to regularly revise operations to ensure the system functions effectively, in a timely and appropriate manner.

The Audit & Supervisory Board conducts an evaluation of its auditing effectiveness once a year as well.
At an Audit & Supervisory Board meeting held in February 2019, all Audit & Supervisory Board Members expressed their opinions on the activities of the Audit & Supervisory Board Members in FY2018 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 results of the self-evaluation are shared with the Board of Directors by incorporating them in the audit plan for the following fiscal year. The following topics were reported at the Board of Directors.

<Current Status>
- The Audit & Supervisory Board operated effectively and carried out well-balanced activities. As a result of the sincere support of Full-time Audit & Supervisory Board Members and staff members, the Outside Audit & Supervisory Board Members could work effectively.
- In FY 2018, an opinion exchange meeting was held between Outside Directors and Audit & Supervisory Board Members. Going forward, the Audit & Supervisory Board will continue to strengthen the management oversight function by communicating the issues that the Audit & Supervisory Board Members have identified to the Outside Directors.
- Conducted information exchange meetings with full-time auditors of major domestic subsidiaries. Mutually shared concerns, which led to the development of a relationship in which information can be conveyed to the headquarters.
- Established effective communication channels with the accounting auditors and the Department of Internal Audit, which is responsible for internal audit, and strengthened the tripartite auditing framework.

<Issues>
With regard to group control, the Company will pursue further improvements by enhancing opportunities for two-way communication between the Audit & Supervisory Board Members and auditors of subsidiaries through the Conference of Auditors for Domestic Group Companies and other measures.

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 Directors 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 Directors 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. Further, long-term incentives include criteria from an ESG perspective.
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 Directors" 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 CEO 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, accounting and finance, legal and compliance, and corporate strategy 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. Executive officers in charge of the corporate strategy, legal and compliance and corporate communications, 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 Company 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 for each stock, by considering the following criteria: purpose of retention, unrealized gains and losses, EVA, trading volume and others. As a result, the number of issues of cross-shareholdings the Company holds as of December 31, 2017 decreased to 54 from 56 as of December 31, 2016 (the total amount on the balance sheet decreased from ¥8,093 million to ¥9,010 million). Prior to the corporate governance code became effective in 2015, the Company held 83 issues (¥9,384 million) as of December 31, 2014.
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.
All voting rights at annual general meetings of shareholders held during 2017 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 Roles of Corporate Pension Funds as Asset Owners (Principle 2-6)

Kao Group Corporate Pension Funds manages a reserve for corporate pension funds for the Company and its group companies in Japan. The Company assigns personnel with necessary experience and qualifications for the Kao Group Corporate Pension Funds considering the impact that corporate pension funds have on the ability of employees to maintain stable asset management not only but also the potential impact on the Company's financial stability. Also, the Company established an Asset Management Committee. Kao Group Corporate Pension Funds maintains healthy pension fund management, and sets composition of assets, if necessary,

incorporating the opinions of third parties.
Regarding stewardship initiatives, the Company monitors the stewardship activities of each asset management institution through quarterly reporting sessions.
All assets are invested through passive portfolio management to assure that there would be no conflict of interest between beneficiaries of corporate pension funds and the Company.

17 Procedures for Approval of Related Party Transactions (Principle 1.7)
To obligate Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Kao Group to act with priority on the interests of the Kao Group, the Company has established the "Kao Guidelines on Preventing Conflicts of Interest" after their approval by the Board of Directors. 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] [Updated]

(As of December 31, 2018)

Name / Company Name	Number of Shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,133,700	9.67
Japan Trustee Services Bank, Ltd. (Trust Account)	33,952,900	6.97
JP MORGAN CHASE BANK 380055	13,663,585	2.80
STATE STREET BANK AND TRUST COMPANY 505223	13,339,988	2.74
Japan Trustee Services Bank, Ltd. (Trust Account 5)	9,531,300	1.96
Japan Trustee Services Bank, Ltd. (Trust Account 7)	9,071,900	1.86
STATE STREET BANK WEST CLIENT - TREATY 505234	8,374,167	1.72
JP MORGAN CHASE BANK 385151	7,717,247	1.58
SSBTC CLIENT OMNIBUS ACCOUNT	7,388,029	1.52
STATE STREET BANK AND TRUST COMPANY 505001	6,915,299	1.42

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

Supplementary Information

- *The number of shares in the list above may include the number of shares held in trusts or subject to share administration.*
- *The Company retired 6,300,000 treasury shares in September 2018.*
- *The ratio of shareholding for each shareholder above has been calculated based on the number of issued shares excluding treasury shares.*

1. On March 22, 2017, BlackRock Japan Co., Ltd. and seven other persons filed an amendment to the large shareholdings report, which is open to the 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.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
BlackRock Japan Co., Ltd. and seven other persons	30,938	6.25

2. On October 4, 2018, Nomura Securities Co., Ltd. and two other persons filed a large shareholdings report, which is open to the public, stating that Nomura Securities Co., Ltd. and two other persons held shares of the Company as shown below as of September 28, 2018. 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.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Nomura Securities Co., Ltd. and two other persons	24,771	5.07

Also, on October 18, 2018, Nomura Securities Co., Ltd. and two other persons filed an amendment to the large shareholdings report, which is open to the public, stating that shares of the Company held by Nomura Securities Co., Ltd. and two other persons as of October 15, 2018 decreased to 24,630 thousand shares which is 5.04% to the total number of outstanding shares.

3. On October 29, 2018, MUFG Bank, Ltd. filed a large shareholdings report, which is open to the public, stating that MUFG Bank, Ltd. and three other persons held shares of the Company as shown below as of October 22, 2018. 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.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
MUFG Bank, Ltd. and three other persons	26,941	5.51

4. On December 21, 2018, Sumitomo Mitsui Trust Bank, Limited filed an amendment to the large shareholdings report, which is open to the public, stating that Sumitomo Mitsui Trust Bank, Limited and two other persons held shares of the Company as shown below as of December 14, 2018. 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.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Sumitomo Mitsui Trust Bank, Limited and two other persons	27,024	5.53

Also, on February 6, 2019, Sumitomo Mitsui Trust Bank, Limited and two other persons, filed an amendment to the large shareholdings report, which is open to the public, stating that shares of the Company held by Sumitomo Mitsui Trust Bank, Limited and two other persons as of January 31, 2019 decreased to 26,958 thousand shares which is 5.52% to the total number of outstanding shares.

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.
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								△			
Osamu Shinobe	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	○	—	(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.
Osamu Shinobe	○	Mr. Osamu Shinobe previously had executive authority at ALL NIPPON AIRWAYS CO. LTD., but ceased to have such authority from April 2017. ALL NIPPON AIRWAYS CO. LTD. provides public transportation services as an airline company, and the Company engages in regular transactions with ALL NIPPON AIRWAYS CO. LTD. in terms of the directors, officers and employees of the Company using its services as a means of transportation in making business trips. However, the amounts involved in such transactions account for less than 0.1% of the Company's net sales and ALL NIPPON AIRWAYS CO. LTD.'s net sales for the latest fiscal year, respectively.	(i) Mr. Osamu Shinobe has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections where safety and security took top priority at airline company which actively promotes passenger and cargo businesses around the world, that enable appropriate responses to changes in business environment. Mr. Shinobe exercised active leadership in pursuing the creation of value with an emphasis on customer satisfaction, as well as diversity of human resources such as utilizing female workforce and promoting work style reforms, thereby obtaining a sense of security and trust toward the company among various stakeholders, and the company grew into a world leading airline. Based on such achievements, the Company expects Mr. Shinobe to offer proposals helpful to the Company in furthering its management emphasized on its responsibility to the environment and society. In view of these facts, the Company expects Mr. Shinobe 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. Osamu Shinobe, and also that Mr. Osamu Shinobe 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 Nominees for Directors	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

The Company has established the Committee for the Examination of Nominees for Directors 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 Directors 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 Directors (including Representative Directors, Chairman of the Board of Directors and President & CEO), 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 & CEO attends the meeting to contribute by submitting necessary and sufficient documents for an examination (including a summary of the new management structure, incorporating a classification of duties of the Directors and Executive Officers, in addition to materials related to the subjects of the examination) to each member of the Committee and work to enhance the examination by making arrangements such as creating opportunities for 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 CEO and Directors 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 Directors 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
Toraki Inoue	CPA													
Hideki Amano	CPA													
Nobuhiro Oka	Attorney-at-law													

*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
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 to 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.
Nobuhiro Oka	○	—	(i) Mr. Nobuhiro Oka, in his career as an attorney, has obtained considerable professional expertise and experience in relation to corporate legal affairs and corporate governance. Having served as an audit & supervisory board member of principal subsidiaries of the Company since 2014, Mr. Oka also has expertise in relation to the business of the Kao Group. The Company expects Mr. Oka to make full use of his expertise and experience in the auditing of the entire Kao Group. (ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5(3)2 of the "Guidelines Concerning Listed Company Compliance, etc." of the TSE applies to Mr. Nobuhiro Oka, and also that Mr. Nobuhiro Oka 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.
/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 Directors.

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 Directors for FY2018 (ended December 31, 2018) is as follows:
Measures taken in respect to remuneration, etc., to Directors include: implementing a new performance share plan under which the Company's shares etc. will be vested or paid to Directors etc. depending on, among others, the level of achievement of performance targets in the mid-term plan and the non-financial targets related to ESG, 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 Directors for FY2018:
To 8 Directors: 480 million yen (including 60 million yen paid to 4 Outside Directors)

Aggregate amount of remuneration, etc. paid to Audit & Supervisory Board Members for FY2018:
To 6 Audit & Supervisory Board Members: 78 million yen (including 30 million yen paid to 4 Outside Audit & Supervisory Board Members)

Notes:
1. The above numbers of Directors/Audit & Supervisory Board Members include 1 Outside Director and 1 Outside Audit & Supervisory Board Member who resigned at the conclusion of the 112th Annual General Meeting of Shareholders held on March 23, 2018.
2. The aggregate amount of remuneration, etc., paid to Directors includes the following amounts:
(1) The amount to be paid as the bonuses to Directors
106 million yen to 4 Directors
(2) The amount accounted for as performance-based share incentive plan
114 million yen to 4 Directors
3. Maximum aggregate amounts of remuneration, etc., are as follows:
(1) Maximum aggregate amounts of remuneration, etc., to be paid to Directors
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 Directors 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 Directors (excluding Outside Directors) and its Executive Officers, which shall be applicable separately from the maximum aggregate amount of remuneration, etc., for the Directors. Under this 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, based on factors such as the level of achievement of performance targets in the mid-term plan and the non-financial targets related to ESG perspective.
(2) The maximum aggregate amount of remuneration, etc., to be paid to Audit & Supervisory Board Members
An annual amount of 85 million yen (resolved at the 78th Annual General Meeting of Shareholders held on June 29, 1984)
(3) In addition to the aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members, the following aggregate amount of remuneration, etc. was paid to Outside Directors and Outside Audit & Supervisory Board Members by the Company's subsidiaries, etc.:
Remuneration paid to one Audit & Supervisory Board Member for his service as an Audit & Supervisory Board Member of Kao Group Customer Marketing Co., Ltd.: 4 million yen

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

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

(b) Bonus as short-term incentive compensation
When the full bonus payment rate is paid, the bonus is set at 50% of the base salary for the

President and CEO, 40% of the base salary for the Executive Officers with titles other than the CEO and 30% 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, the period covered by the current mid-term plan, Company shares, etc. are delivered to Directors, other than Outside Directors, and Executive Officers based on factors such as the level of achievement of the performance targets adopted under the mid-term plan and the non-financial targets related to ESG (Environment, Social and Governance) perspective. 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 Directors, other than 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.
Within a four-year target period from FY2017 to FY2020, the period covered by the current mid-term plan, Company shares, etc. are delivered to Directors (excluding Outside Directors) and Executive Officers based on factors such as the level of achievement of the performance targets adopted under the mid-term plan and the non-financial targets related to ESG (Environment, Social and Governance) perspective. 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 Directors (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 Directors 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 Directors, Executive Officers, and Audit & Supervisory Board Members are determined each year after ascertaining standards at other major manufacturers of a similar size, industry category, and business type to the Company using officer compensation survey data from an external survey organization.

[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)

[Updated]

■Outline of the Current Corporate Governance Structure

The Company has introduced, within the framework of a "Company with an Audit & Supervisory Board*," the Executive Officer system in order to separate the supervision function from the execution function. Following the conclusion of the 112th Annual General Meeting of Shareholders held in March 2018, the Company has: seven (7) Directors, including three (3) Outside Directors; five (5) Audit & Supervisory Board Members, including three (3) Outside Audit & Supervisory Board Members; and twenty-seven (27) 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 (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 (1) 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 Conference of Auditors 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 FY2018 (ended December 31, 2018) 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:
14 CPAs and 19 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 management consultant, the top management of a major financial institution and the top management of a global airline company
, 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 [Updated]

	Supplementary Explanations
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 22, 2019, 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 26, 2019. （www.kao.com/global/en/investor-relations/stock-information/shareholders/） The printed copy of convocation notice will be dispatched on February 28, 2019.
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 Directors 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 and a thorough question-and-answer session. 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 Directors 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 Directors 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. <Posting Videos from Annual General Meeting of Shareholders> Since the 112nd Annual General Meeting of Shareholders in 2018, the Company has posted videos of the business report including the presentation by the chairman on the Company's website. The videos are available only in Japanese. (www.kao.com/jp/corporate/investor-relations/stock-information/shareholders/)

2. IR Activities

	Supplementary Explanations	Explanation by Representative(s) of the Company
Preparation and Publication of Disclosure Policy	The Company has established and published Disclosure Guidelines which set forth its commitment to strict compliance with the Companies Act, the Financial Instruments and Exchange Law, the rules set down by the Tokyo Stock Exchange (TSE) and other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines have been updated, which takes into account fair disclosure. The Company's Disclosure Guidelines are published on the Company's website. www.kao.com/global/en/investor-relations/management-informatio	

	n/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. For the first quarter and the third quarter, the Company holds conference calls. As part of a constructive dialogue with a view to enhance the corporate value, small meetings between the President and CEO and analysts and institutional investors are held 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, annual securities reports, quarterly reports, quarterly securities reports, notices of convocation of shareholders meetings, integrated report, shareholders' reports (year-end and interim) and presentation materials at shareholders meetings and financial results briefing sessions are published on the Company's website. Furthermore, reports of financial results, summaries of quarterly reports, notices of convocation of shareholders meetings and presentation materials at financial results briefing sessions are translated into English and published on the Company's website on the same days that they are announced. Presentation materials at shareholders meetings in Japanese and English are disclosed promptly at the same time on the Company's website. Q&As from various meetings are disclosed in Japanese and English. Investor information in Japanese available at: www.kao.com/jp/corporate/investor-relations/ Investor information in English available at: 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 shareholders> The Company publishes shareholders' reports (year-end and interim) to shareholders every March and August. In June, 2018 a "Kao Museum Tour" (Tokyo), a "Kao Kawasaki Plant Tour" (Kanagawa), a "Kao Eco-Lab Museum Tour" (Wakayama) and a "Company Briefing" (Osaka) were held for shareholders who own one unit share or more. The museum and plant tours included presentations from executive officers on Kao's current performance as well as subsequent question and answer sessions. At the Company Briefing which started in 2017, the CEO explained the current business situation and non-financial initiatives followed by a question and answer session where the CEO and other members of management answered questions from 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 FY2017. 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, which covers both financial and non-financial information. Kao's Financial Report is also available in PDF format. Integrated Report www.kao.com/global/en/investor-relations/library/reports/ Financial Report www.kao.com/global/en/investor-relations/library/financial-report/

3. Measures to Ensure Due Respect for Stakeholders

	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.	<Promoting distinctive ESG initiatives> The Company intends to strengthen ESG (Environmental, Social and Governance) initiatives to enhance its long-term corporate value. The Company aims to make Kao a company with a global presence by pursuing activities that are "dynamic," "global" and "distinct to Kao." The Company sees promoting ESG initiatives through its businesses as an investment for future growth rather than as a cost. In July 2018, the ESG division was newly established headed by a non-Japanese. Also, the Sustainability Committee has been renamed the ESG Committee to promote global initiatives. Under this new division, the Company will promote "Kirei* Action" to create unique experiences and touch the hearts of all the stakeholders through products filled with passion and to pursue initiatives that consider the entire life-cycle of such products. *Kirei is a Japanese word that represents the concept of cleanliness, beauty, health, purity and fairness. Details on Kao's sustainability-related initiatives can be found at following websites.

	Kao Sustainability Statement and Contributions to the SDGs: www.kao.com/global/en/sustainability/statement/ Kao Sustainability Data Book: www.kao.com/global/en/sustainability/databook/
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, the rules set down by the Tokyo Stock Exchange (TSE) where the Company's shares are listed, as well as other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines have been updated, which takes into account fair disclosure.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. 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 female employees have become Executive Officers. 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 35.8% in these divisions. The Company established Sofina Beauty Counseling Co., Ltd. And Kanebo Beauty Counseling Co. Ltd., in January 2018, and female took office as president of these two companies. The ratio of female employees and female leaders as of December 31, 2017 is as shown below. 【The ratio of female employees】 Kao Corporation: 23.2% Kao Group in Japan: 51.3% The Entire Kao Group: 49.4% 【The ratio of female leaders】 Kao Corporation: 15.5% Kao Group in Japan: 14.6% The Entire Kao Group: 25.1% 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 2013,2015 and 2018.

	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> 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 [Updated]

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

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

1. Systems to Assure Appropriate Business Operations of the Company

The Board of Directors made the following resolution with respect to the "Policy regarding the Development of the Internal Control System."

Basic Policy Regarding the Internal Control System

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

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

Directors, Executive Officers and employees of the Company and its subsidiaries (Kao Group) should act with integrity based on "Kao's Business Conduct Guidelines (BCG)," which governs compliance with laws, the Articles of Incorporation, internal rules and social ethics. The Compliance Committee, chaired by the Director 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 Directors' execution of their duties

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

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

With regard to the risk of losses, the Company regards potential negative impact on management targets and business activities as "risks" and the manifestation of such risks as a "crisis," and has established systems for appropriate risk and crisis management. Based on the Risk and Crisis Management Policy, the Risk & Crisis Management Committee, chaired by the Director or Executive Officer in charge of risk and crisis management, ascertains the progress of cross-divisional Company-wide risk management and establishes a plan for the preparation and 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 Directors of the Company and its subsidiaries efficiently execute their duties
After determining the direction to be focused on in a mid-term business plan, the Board of Directors reflects such direction in the mid-term plans of each department and subsidiary. The mid-term plans are reviewed annually by the Board of Directors and the Management 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, Directors and Executive Officers in charge of business operations provide guidance for the development of appropriate internal control systems for subsidiaries, according to their respective duties.

(6) A system concerning reporting to the Company regarding execution of duties of Directors of the Company's subsidiaries
The Company applies the Group Management rules (Policy Manual) to all subsidiaries, which require prior approvals of or reporting to the Company. The Company requires them to gain prior approvals or make a report on important management matters to the Board of Directors, Management 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, Directors of the Company's subsidiaries, regularly or as necessary, discuss or report to the periodic meetings held every month in principle and established by each business area or functional area which supports business. Also, Department of Internal Audit and responsible divisions, regularly or as necessary, monitor the state of implementation of prior approvals or reporting based on the rules.

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

(8) Employees to be assigned if Audit & Supervisory Board Members request staff to assist in their duties
In the event that a request is made by Audit & Supervisory Board Members for the assignment of staff to provide assistance to conduct their audits effectively, the Directors should assign employees after discussing the selection of specific personnel with the Audit & Supervisory Board Members.

(9) Independence of employees in the preceding paragraph from Directors and ensuring effectiveness of instruction by Audit & Supervisory Board Members to such employees
In assignment, evaluation, transfer and disciplinary action of or to employees who assist in the duties of Audit & Supervisory Board Members, the prior consent of the Audit & Supervisory Board should be obtained. Instructions by the Audit & Supervisory Board to such employees should not be restricted unreasonably, and such employees must follow the instructions.

(10) A system for Directors, Executive Officers and employees of the Company and Directors, Auditors and employees, etc. of the Company's subsidiaries to report to Audit & Supervisory Board Members of the Company
Audit & Supervisory Board Members may attend meetings of the Management 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, Directors, Executive Officers and employees of the Company and Directors, Auditors and employees of subsidiaries, etc. should promptly report to Audit & Supervisory Board Members when any fact that may potentially cause significant harm to the Company or to its subsidiaries or any fact of a serious violation of laws or the Articles of Incorporation occurred or when those fact were reported. Compliance Committee reports information delivered to Compliance Hotline and Department of Internal Audit reports audit results to Audit & Supervisory Board Members regularly or as necessary. Auditors of subsidiaries share audit results with Audit & Supervisory Board Members of the Company at the Conference of Auditors for Domestic Group Companies held periodically.

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

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

(13) A system to ensure that audits by Audit & Supervisory Board Members are conducted effectively
In order to conduct efficient and effective audits, Audit & Supervisory Board Members maintain a close cooperative relationship (including through exchanges of information) with the Accounting Auditor, Department of Internal Audit, internal auditing departments, as well as with Auditors and internal auditing departments of subsidiaries. In addition, Audit & Supervisory Board Members are entitled to hold meetings with Outside Directors to exchange information and opinions and independently receive support from outside specialists such as lawyers and certified public accountants when necessary.

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

2. Outline of Management of Systems to Assure Appropriate Business Operations of the Company
Based on the above policies, the Company is working to set up and properly operate its internal control system. Principal efforts made during this fiscal year, which are considered to be important in terms of internal control, include the following:

Efforts Concerning Compliance
Under the initiative of the Compliance Committee chaired by the Director, responsible for

compliance, efforts have been continuously made in this area, involving both domestic and overseas Kao Group companies, such as by improving related regulations, including Kao's Business Conduct Guidelines, which are conduct guidelines for implementing the Kao Way, as well as by carrying out educational and awareness activities and setting up and properly operating the Compliance Hotline.

This fiscal year, the following efforts have been made in order to reduce material compliance risks:

- To further ensure thorough compliance with the laws and regulations, applicable laws and regulations relating to the Company's business have been identified and departments primarily in charge of promoting compliance with such laws and regulations have been specified. Similar measures have also been taken in relation to other material compliance risks.
- To create workplaces which have a favorable communication flow, which will allow for any wrongdoing to be reported at an early stage and appropriate measures to be taken, training sessions have been conducted in which Executive Officers directly explained to the employees of their departments matters such as the importance of initial reporting in the event of a breach of compliance, and the need to take thorough care of others when exercising one's own words and deeds.
- In the month of October 2018, which was designated as "Compliance Month," posters containing messages from the Chairman of the Compliance Committee and the presidents of the respective overseas subsidiaries were posted in workplaces. Furthermore, relevant measures were taken, such as introducing matters which have given rise to numerous reports, in order to enhance the awareness of compliance.
- Tasks were sorted out from the evaluation items obtained through the principal outside surveys and such tasks were added to the future activity plans.

Efforts Concerning Risk and Crisis Management

This fiscal year, efforts were primarily made to strengthen our practical abilities in responding to corporate risks, namely, material risks involved in corporate operations, and to strengthen overseas subsidiaries' management of material risks, with the Risk & Crisis Management Committee managing the progress thereof. Corporate risks include not only risks such as natural disasters (e.g. large earthquakes) or pandemics which would affect the continuation of business, but also risks affecting the maintenance of corporate credibility or those involved in management strategies. As a means for strengthening overseas subsidiaries' risk management, systems have been developed in order for the material risks of each company to be identified and for the management of each company to promote the PDCA (plan-do-check-act) cycle of countermeasures against such risks. In order to enhance the ability to respond to crises upon the occurrence thereof, efforts were made such as conducting training drills based on large-earthquake scenarios, with management also participating therein. Furthermore, commentaries and information concerning risk-related subjects were issued each month via the Company's intranet to enhance employees' awareness and sensitivity toward risks.

Efforts Concerning Subsidiary Management

Agenda items have been submitted and reports made from subsidiaries to the Company whenever necessary, in accordance with the Group Management rules, known as the "Policy Manual," that set forth matters regarding which subsidiaries are required to obtain prior approval from the Company or to make a report to the Company. Based on the "Policy Manual", all matters pointed out by the Department of Internal Audit (in its roles as the department in charge of internal audits) are to be shared among directors and officers of the relevant subsidiaries, at the time of ordinary executive meetings at such subsidiaries, along with the measures to be taken and the results thereof.

At periodic meetings established based on the businesses and the functions for supporting such businesses, agenda items have been submitted and reports made whenever necessary, based on the criteria for submission of agenda items. In addition, the Department of Internal Audit and sections in charge of subsidiary management have verified that agenda items have been submitted and reports made in accordance with regulations, etc., by way of site visits for auditing purposes or by causing checklists to be submitted.

Moreover, Executive Officers have supervised the setting up and operation of an internal control system in respect of subsidiaries, in accordance with the division of their duties.

Efforts Concerning Auditing by Audit & Supervisory Board Members
The Audit & Supervisory Board members 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, heard opinions from domestic and overseas subsidiaries, held meetings for exchanging opinions with Representative Directors of the Company and its material subsidiaries, and Conference of Auditors of Domestic Group Companies and strengthen cooperation with the Compliance Hotline.
Accounting Auditors are while supervising independence and appropriateness of audits, a report on the audit plan (annual) and reports on accounting audit results (in respect of each quarterly review and year-end closing of accounts) have been received and information and opinions exchanged, and the Audit & Supervisory Board members have thereby been working to improve the effectiveness of audits in general.
Furthermore, the Audit & Supervisory Board members hold meetings with Outside Directors to exchange information and opinions from this fiscal year.

Status of Revisions to Basic Policy Regarding the Internal Control Systems
As a part of the efforts to enable integrated disclosure of the business report and an annual securities report, a resolution to partially amend the Basic Policy Regarding the Internal Control Systems was adopted at a meeting of the Board of Directors held in December 2018 in order to make necessary changes to the relevant terms and to clearly state that meetings for the exchange of opinions between all Inside/Outside Audit & Supervisory Board Members and all Outside Directors were being held starting from this fiscal year.

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.

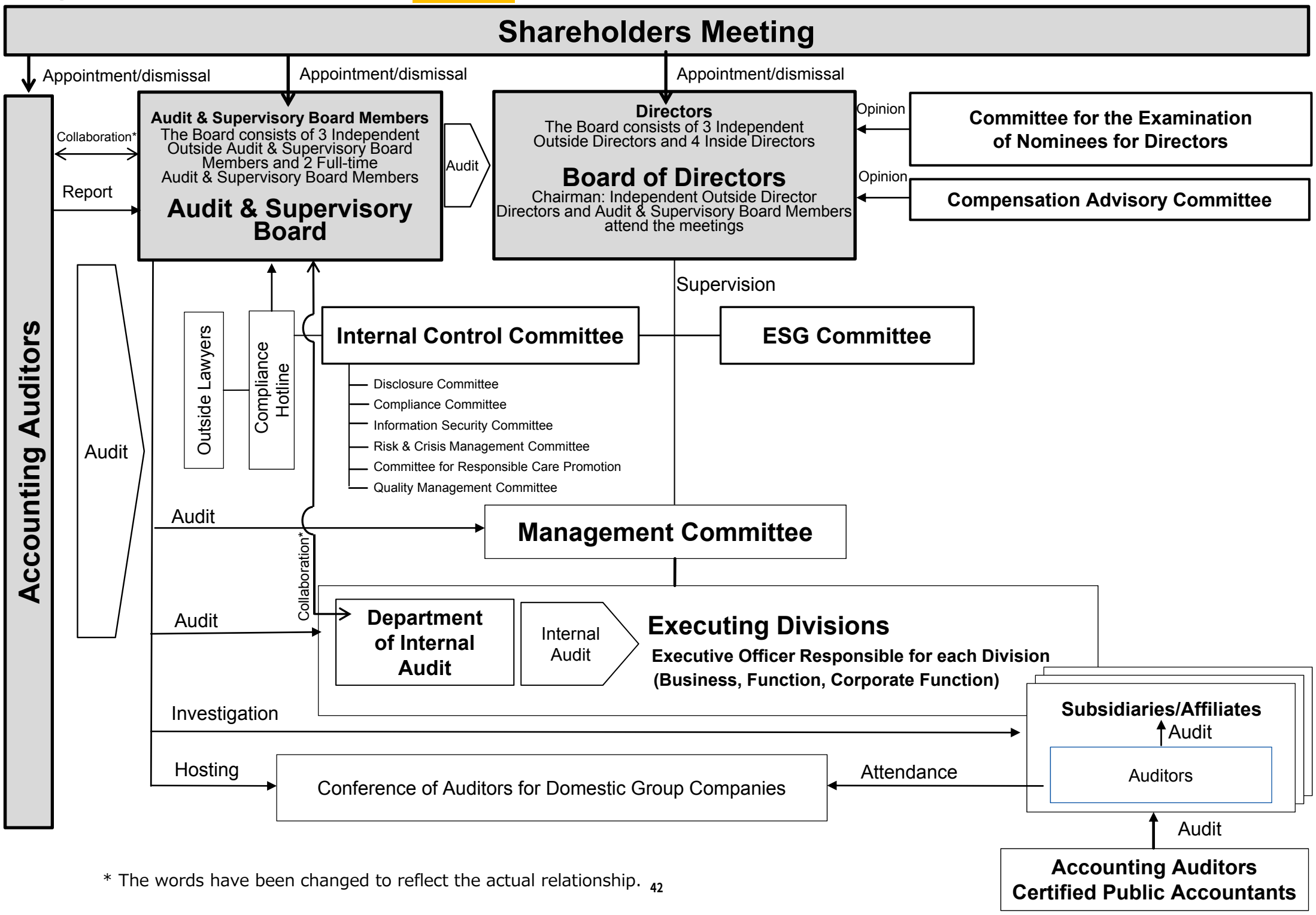
Burden of the end of term audit by Accounting Auditor is reduced by conducting interim audit, which enables the Company to accurately and timely disclose earnings information.

(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.

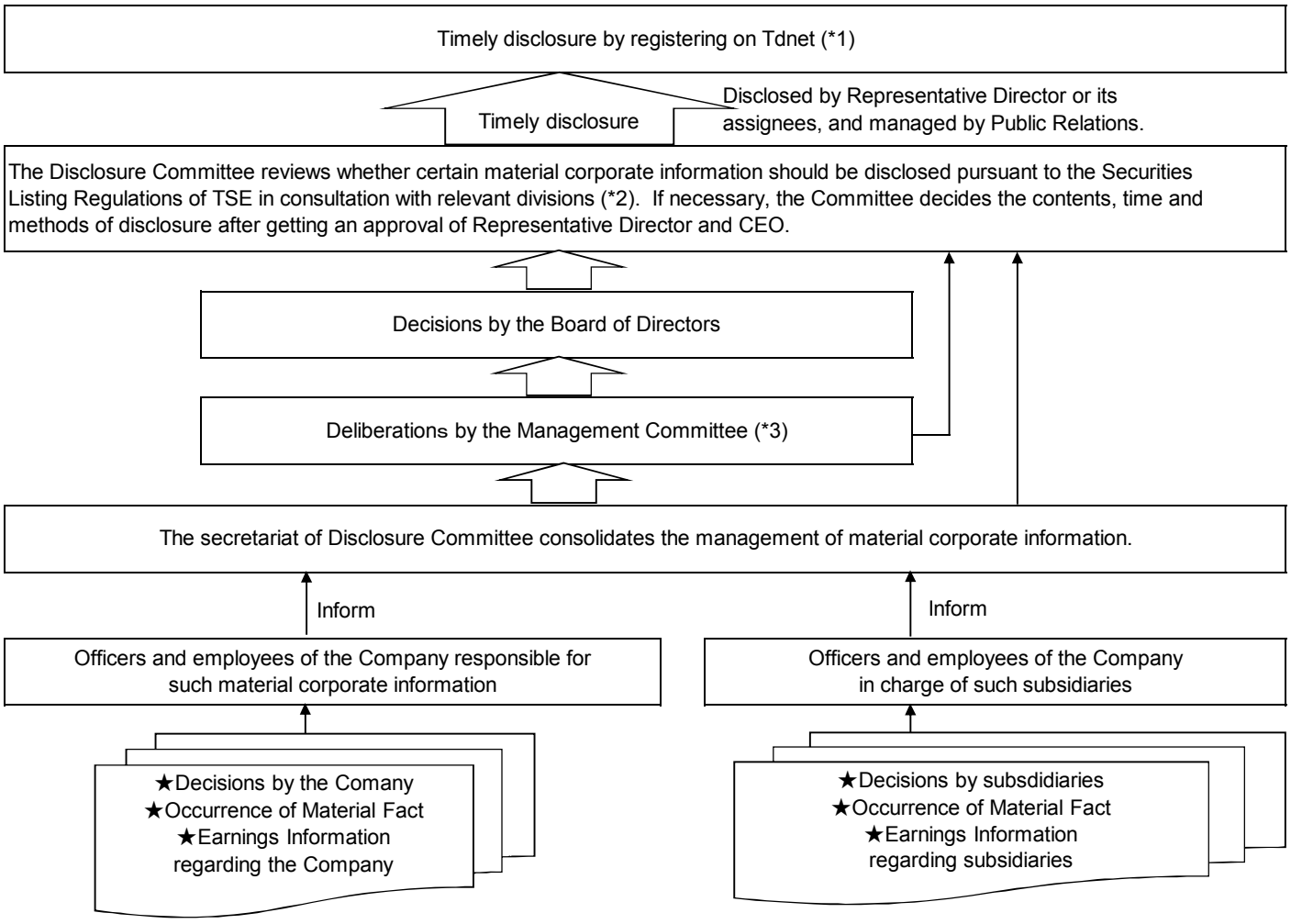
Corporate Governance Structure

Updated



* The words have been changed to reflect the actual relationship.

Timely Disclosure System



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

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

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

List of the state of implementation of Corporate Governance Code

Corporate Governance Code				Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle		Supple-mentary Principles	Comply	Explain	
Section 1: Securing the Rights and Equal Treatment of 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
			1.4.1	●		"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
			1.4.2	●		"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 ・"The Kao Way" on the company's website: www.kao.com/global/en/about/policies/kaoway/
	2.2	Code of Conduct	-	●		"Kao Business Conduct Guidelines" on the Company's website: www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf
			2.2.1	●		"Kao Business Conduct Guidelines" on the Company's website: www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf
	2.3	Sustainability Issues, Including Social and	-	●		"Kao Sustainability Statement and Contributions to the SDGs" on the Company's website: www.kao.com/global/en/sustainability/statement/

Corporate Governance Code				Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle		Supple-mentary Principles	Comply	Explain	
	2.3	Including Social and Environmental Matters	2.3.1	●		"Kao Sustainability Statement and Contributions to the SDGs" on the Company's website: www.kao.com/global/en/sustainability/statement/
	2.4	Ensuring Diversity, Including Active Participation of Women		●		"Respect & Teamwork" in "Principles" in "Kao Way" on the Company's website: www.kao.com/global/en/about/policies/kaoway.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: www.kao.com/global/en/about/policies/compliance/compliance-contact.html
			2.5.1	●		"Compliance Hotlines" on the Company's website: www.kao.com/global/en/about/policies/compliance/compliance-contact.html
	2.6	Roles of Corporate Pension Funds as Asset Owners	2.6	●		"16 Roles of Corporate Pension Funds as Asset Owners" in Disclosure Based on the Principles of the Corporate Governance Code
Section 3: Ensuring Appropriate Information Disclosure and Transparency	3.1	Full Disclosure	-	●		"Disclosure Guidelines" on the Company's website: www.kao.com/global/en/investor-relations/management-information/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 and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal 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 : www.kao.com/global/en/
	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"
			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
			-	●		"(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

Corporate Governance Code				Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle		Supple-mentary Principles	Comply	Explain	
	4.1	Roles and Responsibilities of the Board (1)	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 and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal 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
			4.3.1	●		"8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal 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	●		"8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal 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
			4.3.3	●		"8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal 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
			4.3.4	●		"Kao Integrated Report" on the Company's website: www.kao.com/global/en/investor-relations/library/reports/
	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"
	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
			-	●		"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

Corporate Governance Code				Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle		Supple-mentary Principles	Comply	Explain	
Section 4: Responsibilities of the Board	4.8	Effective Use of Independent Directors	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: www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/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
			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"
			-	●		"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

Corporate Governance Code				Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle		Supple-mentary Principles	Comply	Explain	
	4.14	Director and Audit & Supervisory Board Members Training	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
	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