

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

### 1. Basic Views

Our targets for 2030 is to make Kao a company with a global presence, valuable to society. In order to become an essential company in a sustainable world, Kao Corporation (hereinafter referred to as the “the Company”) is significantly shifting its direction to ESG (environmental, social, and governance) management. While aiming to become a high-profit global company, the Company is also working toward raising the level of social contribution by capturing changes in business environments surrounding the Company and changes in stakeholders’ values. In order to gain trust from society, which is indispensable for these corporate activities and business activities, the Company is constantly strengthening its corporate governance in both systems and operations. The Company views accomplishing its corporate governance as one of its most important management issues and 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 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]

#### <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.

**The following information is based on the Japan’s Corporate Governance Code revised in June 2021, which includes principles for companies listed on the Prime Market applicable after April 4, 2022.**

#### **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]**

The information is based on the Japan's Corporate Governance revised in June 2021, which includes principles for companies listed on the Prime Market applicable after April 4, 2022. The disclosures based on this item are described in "Initiatives for each principle of the Corporate Governance Code" at the end of this report.

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 The following updates have been implemented.

- 9 Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management (Principle 3.1(v), Principle 4.11.1)
- 15 Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties (Principle 3.1.3)
- 16 Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders (Principle 5.1)

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**2. Capital Structure**

**Foreign Shareholding Ratio:** More than 30%

**[Status of Major Shareholders] [Updated]**

(As of June 30, 2021)

| Name / Company Name                                  | Number of Shares | Percentage (%) |
|--|------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 61,586,200       | 12.97          |
| Custody Bank of Japan, Ltd. (Trust Account)          | 32,422,500       | 6.83           |
| SMBC Nikko Securities Inc.                           | 13,813,200       | 2.91           |
| STATE STREET BANK AND TRUST COMPANY 505223           | 12,914,357       | 2.72           |
| Custody Bank of Japan, Ltd. (Trust Account 7)        | 11,788,600       | 2.48           |
| THE BANK OF NEW YORK 134104                          | 8,231,805        | 1.73           |
| STATE STREET BANK WEST CLIENT - TREATY 505234        | 7,769,267        | 1.64           |
| Custody Bank of Japan, Ltd. (Trust Account 5)        | 6,892,300        | 1.45           |
| JAPAN SECURITIES FINANCE CO., LTD.                   | 6,764,800        | 1.42           |
| Nippon Life Insurance Company                        | 6,691,215        | 1.41           |

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

**Supplementary Information [Updated]**

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

1. The amendment to the large shareholdings report filed by BlackRock Japan Co., Ltd. and seven other persons on March 22, 2017, which is open to the public, stating that they held shares of the Company as shown below as of March 15, 2017. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of June 30, 2020.

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

2. The amendment to the large shareholdings report filed by Nomura Securities Co., Ltd. and two other persons on October 22, 2020, which is open to the public, stating that they held shares of the Company as shown below as of October 15, 2020. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of December 31, 2020.

| Name  | Number of shares<br>(thousand shares) | Ratio of shareholding<br>(percentage) |
|---|---------------------------------------|---------------------------------------|
| Nomura Securities Co., Ltd. and two other persons | 27,708                                | 5.75                                  |

3. The amendment to the large shareholdings report filed by Mitsubishi UFJ Trust and Banking Corporation and three other persons on April 19, 2021, which is open to the public, stating that they held shares of the Company as shown below as of April 12, 2021. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of June 30, 2021.

| Name   | Number of shares<br>(thousand shares) | Ratio of shareholding<br>(percentage) |
|--|---------------------------------------|---------------------------------------|
| Mitsubishi UFJ Trust and Banking Corporation and three other persons | 28,295                                | 5.87                                  |

4. The amendment to the large shareholdings report filed by Sumitomo Mitsui Trust Bank, Limited and two other persons on June 21, 2021, which is open to the public, stating that they held shares of the Company as shown below as of June 15, 2021. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of June 30, 2021.

| Name  | Number of shares<br>(thousand shares) | Ratio of shareholding<br>(percentage) |
|---|---------------------------------------|---------------------------------------|
| Sumitomo Mitsui Trust Bank, Limited and two other persons | 32,199                                | 6.68                                  |

Also, the amendment to the large shareholdings report filed by Sumitomo Mitsui Trust Bank, Limited and two other persons on July 21, 2021, which is open to the public, stating that they held shares of the Company as of July 15, 2021 increased to 32,610 thousand shares which is 6.87% 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](http://www.kansa.or.jp/support/el009_130711_2.pdf)

**[Directors]**

|   |                    |
|---|--------------------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 0 (Not stipulated) |
| Term of Office Stipulated in Articles of Incorporation              | 1 year             |
| Chairperson of the Board  | Outside Director   |
| Number of Directors   | 8                  |
| Number of Outside Directors   | 4                  |
| Number of Independent Directors                                     | 4                  |

| 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 |                                   |   |   |   |   |   |   |   |   |   |   |
| Osamu Shinobe  | From another company |                                   |   |   |   |   |   |   | △ |   |   |   |
| Chiaki Mukai   | Others               |                                   |   |   |   |   |   |   | △ |   | △ |   |
| Nobuhide Hayashi                                     | 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                                    | ○                                   | None  | (i) Mr. 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 |

|               |   |  |   |
|---------------|---|--|---|
|               |   |  | <p>expects him to supervise the management of the Kao Group as an Independent Outside Director.</p> <p>(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 him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>  |
| Osamu Shinobe | ○ | <p>Mr. 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 ALL NIPPON AIRWAYS CO., LTD.’s net sales and the Company’s net sales for the latest fiscal year, respectively. Also, although there are transactions related to membership fees for training programs organized by the Company, the amounts involved in such transactions account for less than 0.1% of the ALL NIPPON AIRWAYS CO., LTD.’s net sales and the Company’s net sales for the latest fiscal year, respectively.</p> | <p>(i) He 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 an airline company which actively promotes passenger and cargo businesses around the world, that enable appropriate responses to changes in business environment. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. In view of these facts, the Company expects him to supervise the management of the Kao Group 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 him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p> |
| Chiaki Mukai  | ○ | <p>Ms. Mukai previously had executive authority at Tokyo University of Science, but ceased to have such authority</p>  | <p>She has an extensive and high level of expertise in the scientific field, gleaned through her experience as an astronaut</p>   |

|                  |   |  |  |
|------------------|---|--|--|
|                  |   | <p>from April 2016. In addition, although the Company makes donations to Tokyo University of Science, the amounts of such donations account for less than 0.1% of the university's income from educational activities for the latest fiscal year. Also, although the Company has transactions with the Tokyo University of Science related to participation in seminars hosted by the university, the amounts of such transactions account for less than 0.1% of the university's income from education activities and the Company's net sales for the latest fiscal year, respectively.</p> | <p>and medical doctor. Since January 2016 to March 2019, she served as a Corporate Executive Fellow of the Company and actively gave advice principally in respect of the Kao Group's R&amp;D activities. Based on such experience and expertise, including her insights from a female perspective, she has been actively presenting opinions and proposals in deliberations at the Board of Directors concerning material matters in the management of the Kao Group. In view of these facts, the Company expects her to supervise the management of the Kao Group as an Independent Outside Director.</p> <p>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 her, and also that she has the necessary independence based on the "Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation" established by the Company in line with the above guidelines.</p> |
| Nobuhide Hayashi | ○ | <p>Mr. Hayashi previously had executive authority at Mizuho Bank, Ltd., but ceased to have such authority from April 2017. The Company conducts regular bank transactions with Mizuho Bank, Ltd., and receives consulting service in overseas markets, however, the amounts involved in such transactions account for less than 0.1% of Mizuho Bank, Ltd.'s ordinary income and the Company's net sales for the latest fiscal year, respectively. Also, the Company conducts regular bank transactions with Mizuho Bank, Ltd.</p>  | <p>Over many years, he has played an active role on an international basis in the fields of finance and financial affairs, such as by experiencing an extensive range of duties in sales, international business planning, etc. at leading financial institutions. He has an abundance of experience and a high level of expertise in company management, such as having served as a corporate manager amidst global changes in the business environment surrounding the financial industry. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. In view of these facts, the Company expects him to supervise the management of the Kao Group as an Independent</p>  |

|  |  |  |
|--|--|--|
|  |  | <p>Outside Director.</p> <p>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 him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p> |
|--|--|--|

|   |             |
|---|-------------|
| 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 and Audit & Supervisory Board Members | Compensation Advisory Committee                   |
| All Committee Members | 7   | 11  |
| Full-time Members     | 0   | 0   |
| Inside Directors      | 0   | 4   |
| Outside Directors     | 4   | 4   |
| 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 Audit & Supervisory Board Members and the Compensation Advisory Committee which fulfill functions similar to the nominating committee and compensation committee of a “company with committees.” (As of July 29, 2020, the Committee for the Examination of Nominees for Directors was renamed to the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members which examines the nominee(s) of Audit & Supervisory Board Members as well.)

To incorporate an independent and objective perspective, the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members consists exclusively of all Outside Directors and all Outside Audit & Supervisory Board Members, with the chairman chosen by the members, and in FY2020 an Independent Outside Director held the position again.

Prior to the election or re-election of Directors (including Representative Directors, Chair and President & CEO) and Audit & Supervisory Board Members, 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 nominees and the Committee members to meet beforehand.

The Committee met four times in FY2020, and in addition to examining the appropriateness of

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, Directors and Audit & Supervisory Board Members of the Company, among other issues. In particular, in appointing the new CEO, the committee examined the appropriateness of the nominees from the perspective of understanding the importance of “Kao Way”, the corporate philosophy and other factors. The results of its examination were reported to the meeting of the Board of Directors.

**Members of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members**

Sonosuke Kadonaga, Outside Director (Chairman)  
 Osamu Shinobe, Outside Director  
 Chiaki Mukai, Outside Director  
 Nobuhide Hayashi, Outside Director  
 Hideki Amano, Outside Audit & Supervisory Board Member  
 Nobuhiro Oka, Outside Audit & Supervisory Board Member  
 Takahiro Nakazawa, Outside Audit & Supervisory Board Member

The Compensation Advisory Committee is composed of the all Outside Directors and all Outside Audit & Supervisory Board Members to incorporate independent and outside perspectives, and all Representative Directors and Director, Chair who are familiar with the current compensation system and the duties of each position. The chairman is chosen by a vote among the Committee members, and in FY2020 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. The Committee met four times in FY2020, and reviewed and reported that keeping the current remuneration levels is reasonable at the meeting of Board of Directors held in FY2020. The Committee also discussed continuation and partial revision of performance share plan for Directors, etc., and concluded that such continuation and partial revision was reasonable. These results were also reported to the meeting of the Board of Directors held in FY2021.

**Members of the Compensation Advisory Committee**

Sonosuke Kadonaga, Outside Director (Chairman)  
 Michitaka Sawada, Director, Chair  
 Yoshihiro Hasebe, Representative Director  
 Toshiaki Takeuchi, Representative Director  
 Tomoharu Matsuda, Representative Director  
 Osamu Shinobe, Outside Director  
 Chiaki Mukai, Outside Director  
 Nobuhide Hayashi, Outside Director  
 Hideki Amano, Outside Audit & Supervisory Board Member  
 Nobuhiro Oka, Outside Audit & Supervisory Board Member  
 Takahiro Nakazawa, Outside Audit & Supervisory Board Member

**[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 and when necessary meet with the Department of Internal Audit and other departments that preside over internal control throughout the Kao Group such as Accounting and Finance, Legal and Compliance, Enterprise Information Solution and Product Quality Management to exchange information and opinions.

|  |           |
|--|-----------|
| 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 |  |
| Hideki Amano      | CPA             |                                   |   |   |   |   |   |   |   |   |   |   |   |   |  |
| Nobuhiro Oka      | Attorney-at-law |                                   |   |   |   |   |   |   |   |   | ○ |   |   |   |  |
| Takahiro Nakazawa | CPA             |                                   |   |   |   |   |   |   |   |   |   |   |   |   |  |

\*Categories for "Relationship with the Company"

\* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past;

\* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. An Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the an Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the an Audit & Supervisory Board Member himself/herself only)
- m. Others

|   |
|---|
| <b>Outside Audit &amp; Supervisory Board Members' Relationship with the Company (2)</b> |
|---|

| Name         | Designation as Independent Audit & Supervisory Board Member | Supplementary Explanation of the Relationship  | Reasons of Appointment   |
|--------------|---|--|--|
| Hideki Amano | ○   | None   | <p>(i) Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at a major auditing firm as a member of management, he has served as an Audit &amp; Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group.</p> <p>(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. Amano, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p> |
| Nobuhiro Oka | ○   | Mr. Oka is involved in executing business as a Professor at Keio University Law School. The Company has transactions with Keio University, which involve the advisory of research projects by such university; however, the amounts of such transactions account for less than 0.1% of the | <p>(i) He, 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 &amp; supervisory board member of principal subsidiary of the Company since 2014, he also has expertise in relation to the business of the Kao Group. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group.</p> <p>(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. Oka, and also</p>   |

|                   |   |   |  |
|-------------------|---|---|--|
|                   |   | university's income from education activities and the Company's net sales for the latest fiscal year, respectively. | that he 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.   |
| Takahiro Nakazawa | ○ | None  | (i) Mr. Nakazawa has a high level of professional expertise as a certified public accountant. During his service with major auditing firms, he has been involved in providing auditing services for leading companies and has also engaged in various advisory services such as those relating to the introduction of U.S. accounting standards and the International Financial Reporting Standards (IFRS), thereby gaining significant and valuable insights concerning governance and internal control systems which contribute to the growth of globally-operating companies. The Company expects that he will make full use of his experience in the auditing of the entire Kao Group.<br>(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. Nakazawa, and also that he 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 | 7 |
|---|---|

#### **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](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf)

## [Incentives]

|                                  |                                |
|----------------------------------|--------------------------------|
| Incentive Policies for Directors | Performance-based 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 FY2020 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 and Audit & Supervisory Board Members for FY2020

| Category   | Number of Members | Aggregate Amount of Remuneration, etc. (million yen) | Amount by Type of Remuneration, etc. (million yen) |  |  |
|--|-------------------|--|--|--|--|
|  |                   |  | Base Salary  | Bonus as short-term incentive compensation | Performance-based share incentive plan as long-term incentive compensation |
| Directors (including, in parentheses, Outside Directors)   | 8<br>(4)          | 240<br>(75)  | 268<br>(75)  | 83<br>(-)                                  | -111<br>(-)  |
| Audit & Supervisory Board Members (including, in parentheses, Outside Audit & Supervisory Board Members) | 6<br>(4)          | 81<br>(30)   | 81<br>(30)   | -<br>(-)                                   | -<br>(-)   |
| Total (including, in parentheses, Outside Directors and Outside Audit & Supervisory Board Members)       | 14<br>(8)         | 321<br>(105)   | 349<br>(105)                                       | 83<br>(-)                                  | -111<br>(-)  |

Notes:

1. The above numbers of Directors/Audit & Supervisory Board Members include one Outside Audit & Supervisory Board Member who resigned at the conclusion of the 114th Annual General Meeting

of Shareholders held on March 25, 2020.

2. As FY2020 is the final year of the Kao Group Mid-Term Plan “K20” the performance-based share incentive plan, including the performance-based portion for the final year, will be finalized after the end of the final year. The cumulative amount disclosed until FY2019, less the amount equivalent to the fixed-portion of the performance-based share incentive plan paid up until FY2020 exceeds this finalized amount. As the amount of provision recorded for FY2020 is 105 million yen, and the amount of provision for prior years based on factors including the degree of achievement of K20 is 216 million yen, the difference is shown as a reduction in the table above.

3. The Maximum aggregate amounts of remuneration, etc., are as follows:

(1) Maximum aggregate amounts of remuneration, etc., are follows:

An annual amount of 630 million yen (as resolved at the 101st Annual General Meeting of Shareholders held on June 28, 2007). The Company had 15 Directors (including two Outside Directors) at the time such resolution was adopted. Such maximum aggregate amount includes the maximum annual amount of 100 million yen to be paid to Outside Directors (as resolved at the 110th Annual General Meeting of Shareholders held on March 25, 2016) but does not include the salary amounts, etc. to be paid to Directors who also serve as employees of the Company, for their service as employees. The Company had seven Directors (including three Outside Directors) at the time such resolution was adopted.

(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) Maximum aggregate amount of remuneration, etc., to be paid to Audit & Supervisory Board Members:

An annual amount of 120 million yen (as resolved at the 113th Annual General Meeting of Shareholders held on March 26, 2019). The Company had five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) at the time such resolution was adopted.

(3) Aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members by the Company’s subsidiaries, etc., other than the aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members:

Remuneration paid to one Outside Audit & Supervisory Board Member for his service as an Audit & Supervisory Board Member of Kao Group Customer Marketing Co., Ltd. was 4 million yen.

|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The purpose of the Company’s compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is as follows:

- Securing and retaining diverse and excellent talent to establish and improve competitive advantages;
- Promoting prioritized measures for continuous increases in corporate value; and
- 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

In accordance with duties and rank as a Director or Executive Officer, the annual remuneration is converted to a monthly amount and paid monthly as salary.

(b) Bonus as short-term incentive compensation

When the bonus payment rate is paid at 100%, the bonus is set at 50% of the base salary for the President and CEO, 40% of the base salary for the Executive Officers with titles other than the CEO and 30% of the base salary for other Executive Officers. In order to achieve “profitable growth,” the Company determines the bonus payment rate within the range of 0% to 200% as follows and pays it in cash after the performance is finalized:

- Net sales (calculated using before the adoption of IFRS 15 excluding the effect of currency translation) and profit (gross profit minus selling and general administrative expenses) results against the single-year target;
- Net sales (calculated using before the adoption of IFRS 15) and profit (same as above) improvement from the previous year's results; and
- The achievement level against the single-year target of EVA which is a management index that the Company holds in high regard as an indicator to measure the degree of corporate value.

The net sales and profit targets have been made consistent between Directors and employees so that they can work together to achieve them. These targets are different from the figures in the announced forecasts, taking into account a certain level of relevance and consent as the company-wide goals. On the other hand, regarding the EVA target, the Company has set target based on publicly announced performance forecasts as executive performance indicators. The objectivity and transparency of the decision-making process are ensured by determining these targets based on deliberations by the Management Board and the Board of Directors.

For FY 2020, the Company changed the indicators as a special measure in consideration for the impact of the spread of COVID-19 on our business, and set the degree of improvement in operating income from the previous year's results and the degree of improvement in EVA from the previous year's results. The targets of these evaluation indicators for the FY2020 were operating income 211.7 billion yen and EVA 87.4 billion yen. The results were operating income 175.6 billion yen, and EVA 62.3 billion yen.

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

1. FY2020

Within a four-year target period from FY2017 to FY2020, the period covered by the Company's mid-term plan K20, 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 K20 and the non-financial targets related to ESG 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 K20, 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 K20 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.

In calculating the performance-based share incentive plan, the “like-for like net sales CAGR” and “operating margin” are used as financial indicators from the targets set in K20, and evaluations are made based on the degree of achievement.

In addition, as a non-financial indicator, the Company uses the evaluation of Ethisphere Institute, a U.S. think tank specializes in corporate ethics and corporate social responsibility through its “World's Most Ethical Companies”<sup>\*</sup> award.

Long-term incentive compensation is determined in the range of 0% to 200% according to the results of these indicators and deliver Company shares after the performance is finalized.

<sup>\*</sup> “World's Most Ethical Companies” and “Ethisphere” are registered trademark of Ethisphere LLC.

The target values of these indicators for these fiscal years were like-for like net sales CAGR +5%, operating margin 15.0% and included in the “World’s Most Ethical Companies” list and the results were CAGR +0.5%, operation margin 12.7% and included in the “World’s Most Ethical Companies” list four times (i.e. every year during this period).

## 2. From FY2021 onwards

For the five-year target period from FY2021 to 2025, which are subject to the Company's med-term plan "K25", the Company will issue shares, etc. of the Company according to the degree of achievement of the priority targets set in K25.

This plan consists of a variable portion that delivers the Company's shares, etc. according to the degree of achievement of these targets, etc., and a fixed portion that delivers a certain number of the Company's shares, etc. every year. The purpose of the change for variable portion is to motivate the realization of the K25, strengthen the link between mid-to-long-term performance and executive compensation, and for the fixed portion is aimed at strengthening the sharing of interests with shareholders through the promotion of shareholdings. The composition ratio is the variable part : fixed part = 70% : 30%. The yearly share remuneration amount when the performance-based coefficient is about 100% is 30% to 50% of the base salary of the position.

In calculating the coefficient of variation, based on the targets set in K25, consist of evaluation indicator of growth capability (e.g., extent of growth of sales/profit, etc. of business as a whole), evaluation indicator of ESG capability (e.g., evaluation based on external indicator) and evaluation indicator of management capability (e.g., Company employees' evaluation of management activities). Depending on the evaluation results of these indicators, the Company will decide in the range of 0% to 200%, and will issue shares after the performance is finalized.

Compensation for the Outside Directors, who hold a position independent from the Company’s business execution function, is fixed monthly salary only. The annual compensation is converted to a monthly amount and paid monthly as salary.

The compensation system and compensation standards for the Directors and Executive Officers are examined by the Compensation Advisory Committee and determined by the Board of Directors. The Committee comprises all of the Company’s representative directors, Director Chair, all of the Company’s Outside Directors and all of the Outside Audit & Supervisory Board members, from the perspective of ensuring objectivity and transparency in the decision-making process. As such, over half of the Committee’s members are independent.

Compensation for Audit & Supervisory Board Members consists of fixed monthly remuneration. Compensation standards are determined at meetings of the Audit & Supervisory Board. The Company has the Compensation Advisory Committee for Audit & Supervisory Board Members composed of all Outside Audit & Supervisory Board Members, an Outside Director and President and CEO. The Compensation Advisory Committee examines and evaluates the validity of remuneration amounts for Audit & Supervisory Board Members, that is determined by the resolution of General Shareholder Meetings, and transparency in the decision-making process of remuneration amounts from an outside perspective. The chairman is chosen from the Outside Audit & Supervisory Board Members by a vote of the Committee members. In FY2020, the Committee met one time in February, with all members present, and discussed the appropriate remuneration for Audit & Supervisory Board Members, which was reported at the meeting of Audit & Supervisory Board in March.

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.

The Company has no retirement bonus system for the Directors or Audit Supervisory Board Members.

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

To allow for active discussions at meetings of the Board of Directors, the Board of Directors Secretariat provides Outside Directors with sufficient explanations by distributing materials on matters such as the background, purposes, and content of the respective agenda items, as necessary, prior to the meeting of the Board of Directors as necessary.

Furthermore, under this support system, administrative divisions such as the Department of Internal Audit, and the Legal and Compliance Department provide the Outside Audit &

Supervisory Board Members with assistance upon the Outside Audit & Supervisory Board Members' request.

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

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

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

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

|        |
|--------|
| Others |
|--------|

The Company has no such system.

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

■ Outline of the Current Corporate Governance Structure

The Company has introduced, within the framework of a “Company with an Audit & Supervisory Board\*,” the Executive Officer system in order to separate the supervision function from the execution function. Following the conclusion of the 115th Annual General Meeting of Shareholders held in March 2021, the Company has: eight (8) Directors, including four (4) Outside Directors; five (5) Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members; and twenty-eight (28) Executive Officers, including seven (7) Executive Officers, with the title of Senior Managing Executive Officer or Managing Executive Officer and without concurrent positions in the Board of Directors). 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 108<sup>th</sup> 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”.

Activities of the Board of Directors in FY2020

- Number of times held: 14 times
- Attendance status: 100% for Directors and 100% for Audit Supervisory Board Members  
(For further details regarding the attendance by individual, please see P2 and P35 of Convocation Notice of the 115th Annual General Meeting of Shareholders at [www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/shareholders\\_2021\\_01.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/shareholders_2021_01.pdf))

Major topics discussed by the Board of Directors

First Quarter

- Evaluation of effectiveness of the Board of Directors
- Department of Internal Audit’s audit reports
- Audit & Supervisory Board Members’ audit report summaries

Second Quarter

- Mid-to-long-term strategy (K20 and K25)
- Cosmetics Business strategy
- Current status of Research & Development and topics
- Compliance Committee reports

Third Quarter

Mid-to-long-term strategy (K25)  
Department of Internal Audit's audit reports  
Deliberations for change of CEO

Fourth Quarter

Mid-to-long-term strategy (K25)  
Research & Development progress reports  
Internal Control Committee reports  
Cross-shareholdings status  
New employee empowerment system

The report on the situation in relation to COVID-19 and, discussion about the impact on business activities and countermeasures were conducted every month. While reviewing K20, the Board of Directors discussed multiple times throughout FY2020 for the formulation of K25, resulting in a free and vigorous exchange of opinions. In addition to the above, each month the Company has business execution reports from Directors currently serving as Executive Officers, as well as on matters discussed during the Management Board from Executive Officers in charge.

■ 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 107<sup>th</sup> 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 Board, 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 three (3) staff members, who have considerable financial and accounting knowledge, legal knowledge and internal control 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 FY2020 (ended December 31, 2020) 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, Kenichiro Shiga and Koji Inoue

• Composition of assistants in the audit:

11 CPAs and 24 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 four (4) 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”.

■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 executive of a global airline company and a major financial institution, and an astronaut and medical doctor respectively, and the Outside Directors fulfill the checking functions from neutral positions, independent of the Company’s management, to ensure that the managerial decisions of the Company are not biased by the views of its internal members. Also, an Independent Outside Director has become the chairman of the Board.

**III. Implementation of Measures for Shareholders and Other Stakeholders**

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

|   | Supplementary Explanations   |
|---|--|
| 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 19, 2021, 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, 2021.<br>( <a href="http://www.kao.com/global/en/investor-relations/stock-information/shareholders/">www.kao.com/global/en/investor-relations/stock-information/shareholders/</a> )<br>The printed copy of convocation notice was dispatched on March 2, 2021. |
| Allowing Electronic Exercise of Voting Rights     | The exercise of voting rights by electromagnetic means was started at the 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                                   | <p>&lt;Determination of an Appropriate Date for the Annual General Meeting of Shareholders&gt;<br/>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 &amp; Supervisory Board Members, including Outside Directors/Audit &amp; Supervisory Board Members, and Executive Officers can attend.</p> <p>&lt;Providing Appropriate Information to Shareholders&gt;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 &amp; Supervisory Board Members and Executive Officers to do so after the close of the Annual General Meeting of Shareholders. (However, at the Annual General Meetings of Shareholders in March 2021, it was canceled to prevent the spread of COVID-19.)</p> <p>&lt;Response in the Event a Considerable Number of Votes are Cast against a Proposal by the Company&gt;<br/>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.</p> <p>&lt;Delegation of Powers of the General Meeting of Shareholders to the Board of Directors&gt;<br/>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 &amp; Supervisory Board Members from liability, to the Board of Directors. Such delegation is premised on the attendance at Meetings of the Board of Directors (eight (8) Directors and five (5) Audit &amp; Supervisory Board Members) of the seven (7) outside members, who consist of four (4) Independent Outside Directors, and the three (3) independent Outside Audit &amp; Supervisory Board Members, representing more than half of attendees, thus maintaining a structure for conducting checks from the perspective of shareholders.</p> <p>&lt;Posting Videos from Annual General Meeting of Shareholders&gt;<br/>Since the 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.<br/>(<a href="http://www.kao.com/jp/corporate/investor-relations/stock-information/shareholders/">www.kao.com/jp/corporate/investor-relations/stock-information/shareholders/</a>)</p> |

## 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.<br><a href="http://www.kao.com/global/en/investor-relations/management-information/disclosure.html">www.kao.com/global/en/investor-relations/management-information/disclosure.html</a>  |   |
| Regular Investor Briefings for Analysts and Institutional Investors | Financial results briefings are held 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, 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. Even in situations where overseas travel is difficult due to the spread of COVID-19, the Company continues to hold meetings using online tools. In addition, the executive officer in charge and IR staff participate in conferences hosted by securities companies as appropriate, and hold dialogues with various institutional investors regarding management policies and business performance.   | 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, 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. From fair disclosure perspectives, Q&As from various meetings such as interim and full-year financial results briefings and conference calls are disclosed in script in Japanese and English. Financial results briefings videos are posted on the website as well.<br>Investor information in Japanese: <a href="http://www.kao.com/jp/corporate/investor-relations/">www.kao.com/jp/corporate/investor-relations/</a><br><br>Investor information in English:<br><a href="https://www.kao.com/global/en/investor-relations/">https://www.kao.com/global/en/investor-relations/</a> |   |
| Establishment of Department   | Corporate Strategy performs IR functions, aiming to reinforce strategic disclosure of information, communicate with securities analysts and   |   |

|                                |  |
|--------------------------------|--|
| and/or Manager in Charge of IR | institutional investors, hold events and disclose information on the website. A total of six members respond to IR issues at the head of one Vice President.   |
| Other                          | <p>&lt;Measures aimed at Shareholders&gt;<br/>The Company publishes shareholders' reports (year-end and interim) to shareholders every March and August.<br/>Also, the Company holds a "Kao Museum Tour" (Tokyo), a "Kao Kawasaki Plant Tour" (Kanagawa), a "Kao Eco-Lab Museum Tour" (Wakayama) and a "Company Briefing" for shareholders who own one unit share or more. However, June 2020 we cancelled all tours due to the COVID-19 pandemic. The Company Briefings were reduced in size to prevent the risk of infection and were held in Osaka in June and in Tokyo in November 2020. First, the CEO explained the business overview, non-financial activities, activities and initiatives in COVID-19, etc. and we provided sufficient time for dialogue between the CEO and shareholders.</p> <p>&lt;Measures aimed at institutional investors&gt;<br/>The Company conducts exchanges of opinions with multiple institutional investors in Japan and outside Japan regarding how to promote constructive dialogues and ESG, and makes use to improve information disclosure and daily IR activities.<br/>Also, the Company held a seminar on Kao Group Mid-term Plan 2020 (K20).</p> <p>&lt;Published Integrated Report&gt;<br/>The Company releases the Kao Integrated Report, which covers both financial and non-financial information. Kao's Financial Report is also available in PDF format.<br/>Integrated Report<br/><a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a><br/>Financial Report<br/><a href="http://www.kao.com/global/en/investor-relations/library/financial-report/">www.kao.com/global/en/investor-relations/library/financial-report/</a></p> <p>&lt;External Evaluation&gt;<br/>The Company received the Best IR Award from the Japan Investor Relations Association and 2019 Award for Excellence in Corporate Disclosure in the Cosmetics and Personal Care Industry from the Securities Analysts Association of Japan.<br/>In April 2020, the Company won the Most Honored Company status in the Household, Cosmetics and Personal Care sector in the 2020 All-Japan Executive Team ranking, which is released by Institutional Investor, a leading international financial magazine based in the USA, having been ranked in 1st place in four categories—Best CEO, Best CFO, Best IR Professional, and Best Investor Relations Team.</p> |

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

| Supplementary Explanations  |   |
|---|---|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | <p>The Kao Way, an essence of the Company's corporate philosophy, declares, " As one, we create a Kirei life for all - providing care and enrichment for the life of all people and the planet; As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all." The "Vision" section of the Kao Way further states, " To be closest to the individual and beyond their expectation; By deeply knowing and understanding our world and its people, we aim to improve people's lives beyond their expectations for a future where humans and nature thrive together."</p> <p>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</p> |

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|---|--|
|   | <p>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.</p>  |
| <p>Implementation of Environmental Activities, CSR Activities etc.</p>  | <p>&lt; Evaluation of ESG Measures &gt;<br/> Selected for the A List for climate change, forest, and water by CDP and Supplier Engagement Leader by CDP<br/> The Company has been selected as the A List for climate change, forest, and water by CDP based on the CDP's environmental response survey of the companies surveyed worldwide. The Company became the first Japanese company to receive triple A score and has been included in the climate change A List for the second time, the forest A list for the first time, and the water security A List for the fourth time. Also, the Company has been recognized, for the fourth consecutive year, as a Supplier Engagement leader for its initiatives in reducing carbon emissions and tackling climate change across its supply chain by CDP, an international non-profit organization that drives companies and governments to reduce their greenhouse emissions.</p> <p>*CDP: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.</p> <p>Included in Stock Indices for ESG Investing</p> <ul style="list-style-type: none"> <li>• Dow Jones Sustainability World Index (DJSI World)</li> <li>• Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)</li> </ul> <p>Stock indexes developed jointly by U.S.-based S&amp;P Dow Jones Indices and Switzerland-based RobecoSAM. The indexes analyze corporate activities based on economic, environmental, and social factors and select companies with outstanding sustainability performance. Kao has been selected for the DJSI World and DJSI Asia Pacific indexes in 2008, 2009, and every year since 2014.</p> <ul style="list-style-type: none"> <li>• FTSE4Good Global Index</li> </ul> <p>Index developed by FTSE Russell, a unit of the London Stock Exchange Group. Companies that satisfy its environment, social, and governance standards are selected for the index. Kao has been continuously selected for the index since 2008.</p> <ul style="list-style-type: none"> <li>• MSCI ESG Leaders Indexes</li> <li>• MSCI SRI Indexes</li> </ul> <p>Indexes developed by U.S.-based MSCI. Companies with excellent environment, social, governance (ESG) ratings are selected for the indexes. Kao has been continuously selected for the index since 2017.</p> <p>Details on Kao's sustainability-related initiatives can be found at following websites.<br/> Kao Sustainability:<br/> <a href="http://www.kao.com/global/en/sustainability/">www.kao.com/global/en/sustainability/</a><br/> Kao Sustainability Data Book:<br/> <a href="http://www.kao.com/global/en/sustainability/pdf/">www.kao.com/global/en/sustainability/pdf/</a></p> |
| <p>Development of Policies on Information Provision to Stakeholders</p> | <p>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.<br/> <a href="http://www.kao.com/global/en/investor-relations/management-information/disclosure">www.kao.com/global/en/investor-relations/management-information/disclosure</a></p>  |
| <p>Other</p>  | <p>&lt;Measures to Promote Diversity &gt;<br/> Recognizing that the vitality born from diversity supports our business growth, the Company expresses its aim and principles of action in the Kao Way, the Company's corporate philosophy, and shares it widely. For individuals and the Company to grow together, we aim to strengthen the organization by bringing together employees of diverse backgrounds, respecting each other, and accepting each individual's perspective and way of thinking; and to create an environment where</p>  |

each individual can maximize his/her ability and individuality. The Company discloses information on its initiatives through the Kirei Lifestyle Plan Progress Report, Kao Integrated Report, and other reports.

Please see below for Kirei Lifestyle Plan Progress Report and Kao Integrated Report.

- Kirei Lifestyle Plan Progress Report  
[www.kao.com/global/en/sustainability/pdf/](http://www.kao.com/global/en/sustainability/pdf/)
- Kao Integrated Report  
[www.kao.com/global/en/investor-relations/library/reports/](http://www.kao.com/global/en/investor-relations/library/reports/)

With regard to ensuring diversity in appointment to core positions, together with thorough evaluation and promotion based on individual abilities regardless of personal attributes, the Company has established targets according to the composition of employees, and are steadily promoting selection and training that are not biased toward attributes in the selection to core positions.

With regard to promotion of women to managerial positions, among other efforts, the Company has set a target to have a proportionate ratio of female managers in Kao Group companies in Japan to the ratio of female employees in Kao Group companies in Japan by 2030, creates a compatible environment for diverse work methods and encourages female manager candidates to participate in outside cross-industry study groups. On December 31, 2020, the percentage of female employees in Kao Group companies in Japan was 51.4% and the percentage of female employees in managerial positions in Kao Group companies in Japan was 19.2%.

With regard to non-Japanese employees, the Company strives to secure excellent human resources regardless of nationality, such as by setting a certain target value and actively recruiting people of non-Japanese nationalities for recruitment of researchers in Japan. On December 31, 2020, the percentage of non-Japanese employees in Kao Group companies in Japan was 0.8% and the percentage of non-Japanese employees in executive positions in Kao Group companies in Japan was 0.5%. The Company has set a target to have a proportionate ratio of non-Japanese managers of Kao Group companies in Japan to the ratio of non-Japanese employees in Kao Group companies in Japan by 2030.

With regard to mid-career employees, because the Company is going to actively develop new businesses in the future, the Company is going to actively recruit specialists from outside the Company. On December 31, 2020, the percentage of mid-career employees in Kao Group companies in Japan was 30.0% and the percentage of mid-career employees in managerial positions in Kao Group companies in Japan was 17.2%. The Company has set a target to have a proportionate ratio of mid-career employees in managerial positions of Kao Group companies in Japan to the percentage of mid-career employees in Kao Group companies in Japan.

#### <Evaluation of Initiatives to Promote Diversity>

Kao Group's philosophy and initiatives to promote diversity and inclusion, as well as the organizational culture in which employees can play active roles regardless of gender or other attributes, have been highly evaluated. In 2018, the Company was included in MSCI Japan Empowering Women Index (WIN)\*<sup>1</sup>, and in 2019, 2020 and 2021 selected for inclusion in the Bloomberg Gender-Equality Index\*<sup>2</sup>. Also, the Company was selected as a "Nadeshiko Brand\*<sup>3</sup>" in 2013, 2015, 2018 and 2020 and "Semi-Nadeshiko Brand" in 2019 and 2021. Also, the Company was selected "Diversity Management Selection 100 Project\*<sup>4</sup>" in 2013, the year it was established and in 2019, received the Prime Minister's Award for "Leading Companies Where Women Shine\*<sup>5</sup>."

\*<sup>1</sup> MSCI Japan Empowering Women Index (WIN): Index by U.S.-based MSCI: Companies with outstanding assessments for empowering women and promoting gender diversity are selected from among the MSCI Japan IMI Top 500 Index.

\*<sup>2</sup> Bloomberg Gender-Equality Index: Index developed by U.S.-based Bloomberg to

track the performance of those companies most committed to transparency in gender reporting and to advancing women globally.

\*<sup>3</sup> 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.

\*<sup>4</sup> 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.

\*<sup>5</sup> Leading Companies Where Women Shine: The Gender Equality Bureau Cabinet Office publicly recognizes companies that disclose information about their policies, initiatives, and results of promoting women to managerial and executive positions, and from this information demonstrate outstanding achievements.

#### <Measures to Promote the Health of Employees>

Based on the Kao Group Health Declaration established in 2008, the Company is engaged in health management mobilizing a robust organizational framework led by a dedicated department and involving the participation of the employer, the health insurance union, industrial healthcare staff, and external specialists. In 2017, Kao launched the Kao GENKI Project to promote the health maintenance of employees and their families as a key activity for achieving K20, the Kao Group Mid-term Plan and the project was organized in 2020. The Company has been assessing their efficacy and making improvements using collected health data and advanced measures based on accumulated know-how, and has been implementing high-level initiatives and providing them to its employees and their families. Also, the Company's excellent initiatives are also provided to external municipalities and companies as health solution services.

Due to the positive evaluation of the Company's measures and results, it was selected as a "Health and productivity management brand" seventh consecutive year and also recognized by METI, for the fifth consecutive year, as a Certified Health and Productivity Management Organization (White 500) for its outstanding practice of health-conscious management.

\*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 2021, 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 third 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.

#### <Most Ethical Company in the World>

Kao was Selected as the "World's Most Ethical Companies 2021" of the U.S. think tank Ethisphere Institute. Kao is the only Japanese company that has been selected for 15 consecutive years since the award was established in 2007.

\*World's Most Ethical Companies: The Ethisphere Institute is a leading international think tank focused on developing and sharing best practices in business ethics and corporate social responsibility. For the World's Most Ethical List, it surveys and evaluates companies the world over in five categories: ethics and compliance programs, corporate citizenship and responsibility, culture of ethics, governance and leadership, and innovation and reputation.

#### <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

##### **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” on January 1, 2021.

##### **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 or Executive Officer in charge of compliance, promotes Kao Group’s compliance as a whole. On the basis of the provision of BCG which declares Kao’s position to reject any relationship with anti-social forces, the Company promotes cooperation with governmental agencies, etc. and collection and management of information regarding anti-social forces and establishes and maintains its internal system. Monitoring by the Department in charge of internal control, internal audit by the Department of Internal Audit as well as notices and reports to the Compliance Reporting Hotline from concerned parties in and outside the Company enable Kao to quickly gauge the state of compliance, work to quickly resolve any issues that arise, and take appropriate steps to prevent the recurrence of similar cases.

(2) A system for retention and management of information concerning Directors’ execution of their duties

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

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

With regard to the risk of losses, the Company regards potential negative impact on management targets and business activities as “risks” and the manifestation of such risks as a “crisis,” and has established systems for appropriate risk and crisis management. Based on the Risk and Crisis Management Policy, the Risk & Crisis Management Board, 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 Board, 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 Board on a regular basis as well as in a timely fashion whenever necessary.

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

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

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

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

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

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

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

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

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

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

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

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

by the Representative Director, President and CEO to set up and properly operate its internal control system. Principal efforts made during this fiscal year, which are considered to be important in terms of internal control, include the following:

### **Efforts Concerning Compliance**

Under the initiative of the Compliance Committee 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 (BCG), 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 were made in order to reduce material compliance risks:

- In the event of compliance violations, we have implemented a thorough first report system to immediately report to senior management, and for cases that require special attention, the Compliance Committee has confirmed the details of the true cause analysis and measures to prevent recurrence by the department, and has worked to reduce risk so that similar cases do not occur outside the department concerned.
- The hotline system is established and implemented throughout the Company and its domestic and overseas group companies and 304 reports and consultations were received during this fiscal year. Of all the reported and consulted cases, we conducted fact-finding investigations on all cases that have been requested for investigation and resolved each issue one by one and worked to foster an "open climate" that would make it easier for internal voices to be raised in order to prevent the spread and prolongation of compliance violations.
- As efforts to prevent compliance violation, we worked to maintain and improve the compliance awareness of every employee by sharing examples of violations, conducting e-learning for all employees in Japan to prevent harassment, and having the Chairman of the Compliance Committee give a lecture on the importance of compliance.
- Tasks were sorted out from the evaluation items obtained through the principal external evaluation institutes and such tasks were added to the future activity plans.

### **Efforts Concerning Risk and Crisis Management**

This fiscal year, in response to the global outbreak of COVID-19, the Emergency Response Headquarters (headed by the President and CEO) was held more than 30 times during the year to decide on Company-wide policies regarding (1) ensuring the safety of all global employees and their families, (2) continuing business activities, and (3) contributing to society, and to thoroughly prevent the spread of COVID-19 and maximize business operations. In addition, a review of our response to COVID-19 and a survey on future risks were conducted for all domestic and overseas sites and departments to strengthen our global response.

In addition to infectious diseases, we also strengthened our response to corporate risk (material management risks, including not only risks that affect business continuity but also risks that affect corporate credibility and risks related to management strategies) under the progress management of the Risk & Crisis Management Board.

### **Efforts Concerning Subsidiary Management**

The executive officers in charge provides guidance on the establishment and operation of the internal control system to subsidiaries in accordance with the segregation of duties.

Overseas subsidiaries are required to internally share information concerning any material risks and the measures to be taken, at the time of ordinary executive meetings at such subsidiaries. In addition, risks which may be identified by the respective subsidiaries based on instructions given by the Company are reported to the Company's departments that are principally in charge of the matters involved, along with the measures to be taken.

At periodic meetings established based on the businesses and the functions for supporting such businesses, agenda items have been submitted and reports made whenever necessary, based on the criteria for submission of agenda items. In addition, the Company confirmed that proposals and reports have been made in accordance with regulations, etc., by receiving checklists by each department responsible for internal control and by conducting site visits by the Department of Internal Audit.

In addition, the Department of Internal Audit and sections in charge of subsidiary management

have verified that agenda items have been submitted and reports made in accordance with regulations, etc., by way of site visits for auditing purposes or by causing checklists to be submitted.

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

#### **Efforts Concerning Auditing by Audit & Supervisory Board Members**

The Audit & Supervisory Board Members attend meetings of the Board of Directors, audit compliance with laws and regulations, managerial decision-making processes and matters such as the status of development and management of the internal control environment, and express their opinions whenever necessary.

During this fiscal year, the Group maintained its audit quality based on the measures to prevent the spread of COVID-19, while utilizing remote audit.

Full-time Audit & Supervisory Board Members also attend important meetings including meetings of the Management Board, the Internal Control Committee and related committees, etc. In addition, Full-time Audit & Supervisory Board Members visit plants and research laboratories, etc. for auditing purposes, listen to opinions from business and functional sections, and perform investigations concerning, and listen to opinions from domestic and overseas affiliates, with the participation of Outside Audit & Supervisory Board Members where appropriate. Based on the findings and opinions obtained through such auditing activities, meetings for exchanging opinions are held with Representative Directors of the Company and its material subsidiaries, as well as with Outside Directors, with all Audit & Supervisory Board Members being in attendance and making proposals whenever necessary.

Also, for the purpose of recognizing the status of group governance and confirming the operational status of internal control systems, etc., meetings of the Conference of Auditors for Domestic Group Companies are held, and the Audit & Supervisory Board Members exchange information and opinions with the auditors of affiliates at the time they perform investigations and listen to opinions at the respective affiliates, and work closely together with the Department of Internal Audit and other internal auditing related departments, such as by exchanging information and opinions both periodically and whenever necessary, thereby striving to improve the effectiveness and efficiency of audits, including those performed by overseas affiliates

Furthermore, the Audit & Supervisory Board Members receive an annual audit plan and accounting audit results (quarterly reviews and annual audit results) from, and duly exchange information and opinions with, the Accounting Auditor, while supervising the independence and appropriateness of audits performed by the Accounting Auditor.

#### **Status of Revisions to Policy Regarding the Development of the Internal Control Systems**

At the Board of Directors meeting held in December 2020, in order to further enhance the internal control system toward the realization of the new medium-term management plan, it was resolved to revise the Policy Regarding the Development of the Internal Control Systems to clearly state the role of the department in charge of internal control.

## **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 Board and Board of Directors of the Company. All decisions that are required to be disclosed shall always be made at the meetings of Management Board 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

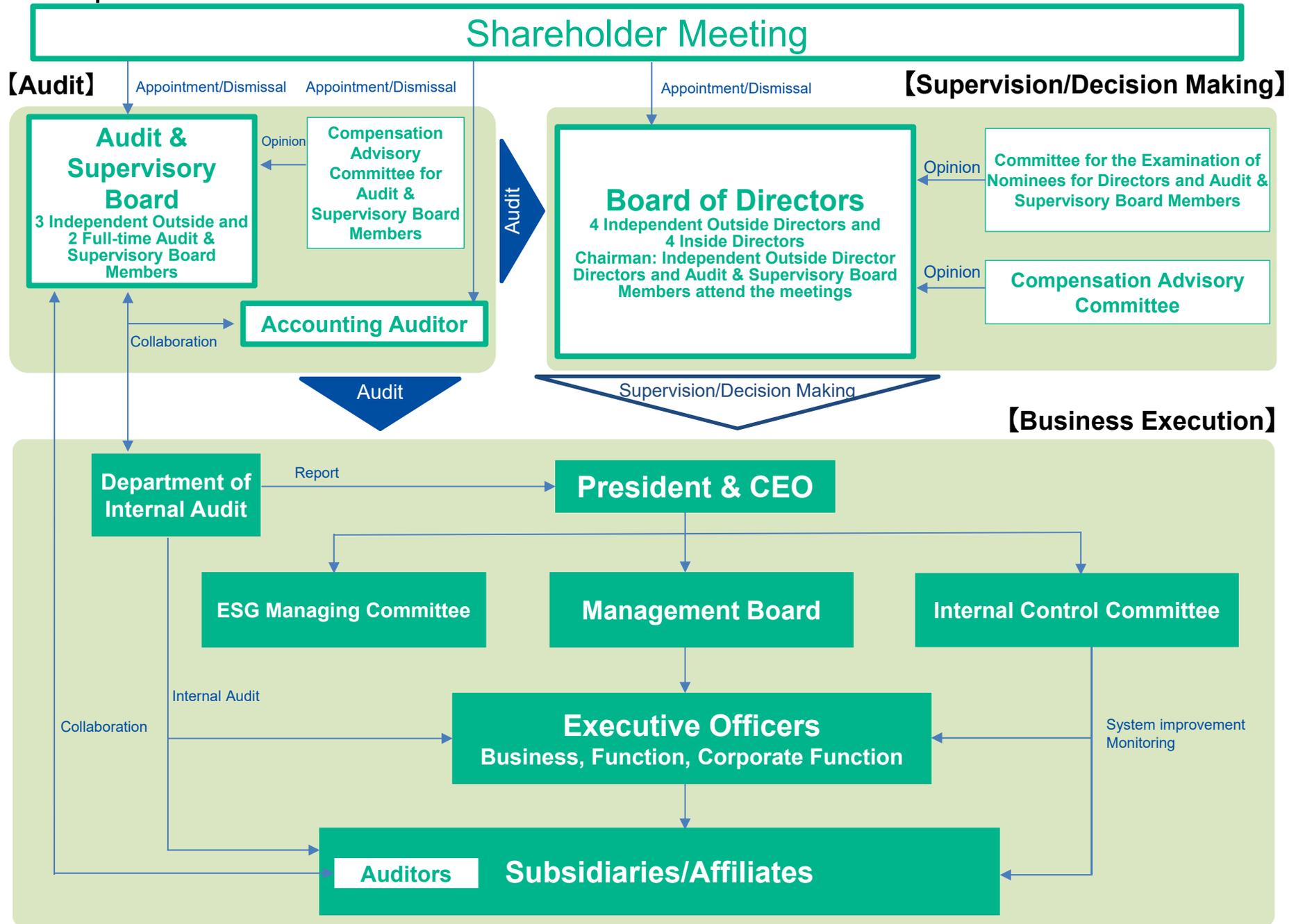
Accounting and Finance Division prepares earnings information of the Company, which is concurrently audited by the Accounting Auditor of the Company. Management Board and Board of Directors of the Company deliberate earnings information and its main items with analytic data before disclosure thereof.

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.

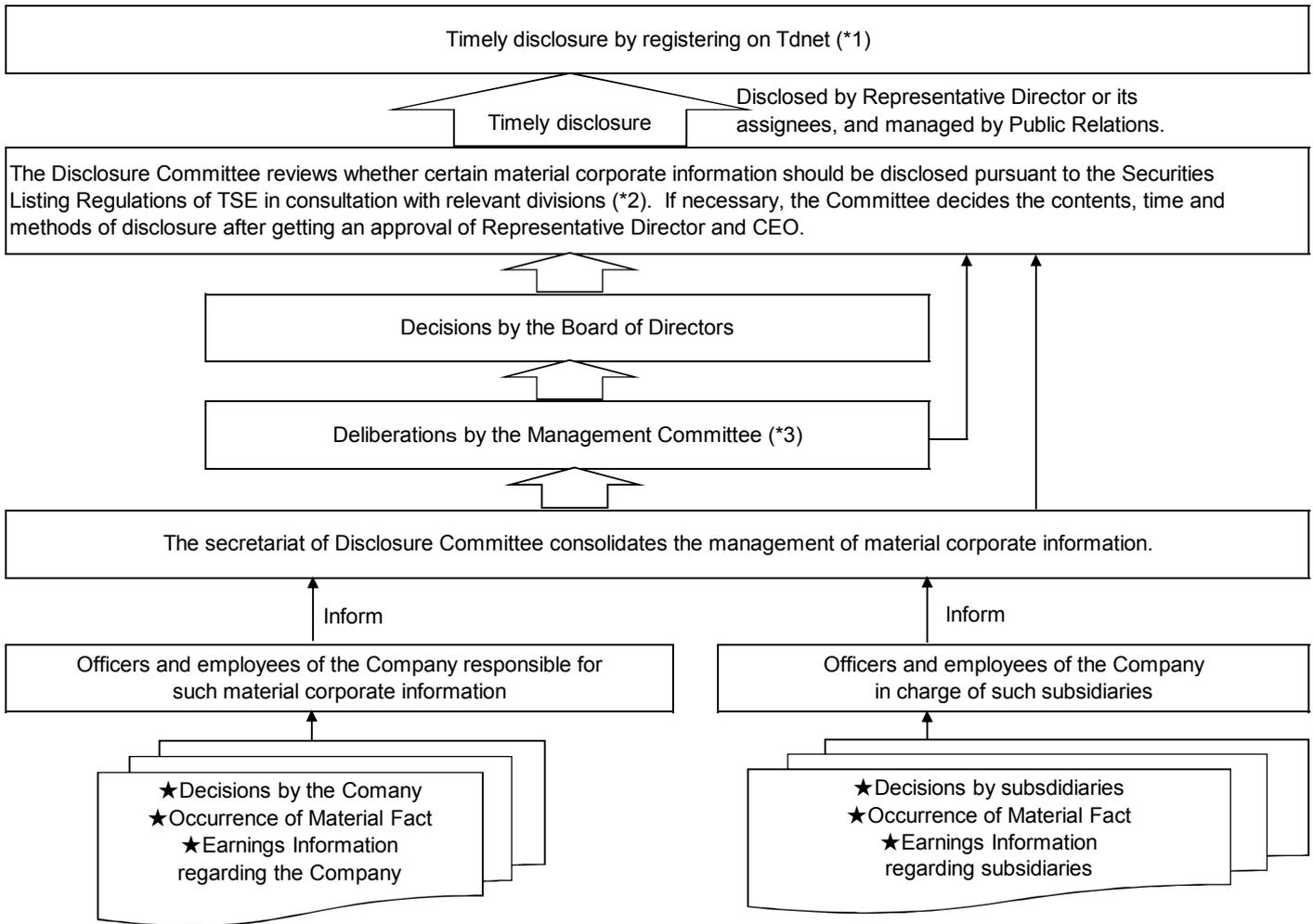
(4) Information regarding Subsidiaries

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



# 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.

## Initiatives for each principle of the Corporate Governance Code

### 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

As one, we create a Kirei life for all - providing care and enrichment for the life of all people and the planet

As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all.

*As The Japanese word kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future. one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all.*

#### (2) Vision

To be closest to the individual and beyond their expectation

By deeply knowing and understanding our world and its people, we aim to improve people’s lives beyond their expectations for a future where humans and nature thrive together.

#### (3) Values

- 1) Integrity as the only choice
- 2) *Yoki-Monozukuri* in plan & action
- 3) Innovation for today & tomorrow

#### (4) Principles

- 1) We care for people & the planet
- 2) We think from the *Genba*
- 3) We trust, respect, and need each other
- 4) We act with courage

(For further details regarding “The Kao Way,” please see [www.kao.com/global/en/about/policies/kaoway/](http://www.kao.com/global/en/about/policies/kaoway/))

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

Long-term Targets

Our targets for 2030 (K30) is to make Kao a company with a global presence, valuable to society.

K30 Objectives:

- 1) Become an essential company in a sustainable world
- 2) A high-profit global company that also significantly contributes to society
- 3) Returns to stakeholders according to levels of growth

K30 Financials (as a result):

Record-high sales and profit growth: Net sales 2.5 trillion yen / Operating income 400 billion yen  
Dividend: 41 consecutive years

### 3 Mid-term Business Plan (Principle 3.1(i))

The Company has developed the Kao Group Mid-term Plan 2025 (K25), covering the five-year period from fiscal 2021 to 2025, for the realization of an enriched sustainable world.

Thus far, the Kao Group has developed its business for nearly 130 years, mainly in the areas of cleanliness, beauty, and health, according to the changes of the times. Today, faced with compelling social issues such as the global

pandemic and global environmental issues, the responsibilities and roles of companies are undergoing significant changes. For the future, the Kao Group will begin a new challenge with the aim of establishing an economy where all of the following are realized: the wholehearted satisfaction and enrichment of the lives of people globally and the sustainability of the world.

As part of this effort, we will aim to create a new business that is not an extension of a conventional business, but instead is in the new area of “Save lives, protect people”. This challenge involves starting an “Another Kao” business that contributes to solving people’s urgent problems by making the most of our core technology that we have not to date been able to use fully.

By contributing to an “enriched sustainable world” and growing the businesses of the company through proactive engagement in ESG activities and investment, the Kao Group will aim to be an essential company in a future world.

#### Outline of Kao Group Mid-term Plan K25

##### ■ Vision

Sustainability as the only path

##### ■ Concept

Kirei—Making Life Beautiful

##### ■ Policy of the K25

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

###### Goal

Take leadership in a self-propelling sustainable society  
(ESG Investment = Reflection of future earnings)

###### Key Results

- Carbon recycling (Conversion of carbon dioxide into raw materials)
- Positive recycling (Creation of new business through re-use)
- Stop pandemic (Eradicate the source of infectious diseases)

Objective (2) Transform to build robust business through investment

###### Goal

Create another Kao and reinforce current Kao (Expand global business by focusing on saving lives)

###### Key Results

- New Business: Launch digital and precision healthcare business (high-precision bioanalysis and homeostasis enhancement solution)
- Current Business: Invest in outstanding products development and expand business
- Cosmetics Business, Sanitary Business: Pursue next innovation

Objective (3) Maximize the power and potential of employees

###### Goal

Double the productivity of our business activities  
(Make challenges visible and pursue open innovation)

###### Key Results

- Fair compensation according to challenge and contribution (implementation of OKR\* globally)
- Active promotion of talent from outside Kao and doubling the results of collaboration
- Reform to become “digital Kao” to be completed by 2023

\* Objectives and Key Results: New employee empowerment system to be launched in January 2021

(For further details regarding K25, please see

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/presentations\\_fy2020\\_k25\\_01.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/presentations_fy2020_k25_01.pdf))

## 4 Basic Position and Policy on Corporate Governance (Principle 3.1(ii), Principle 4.9)

### (1) Basic Position on Corporate Governance

As described above “Basic Views” of “I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information”.

(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 and Audit & Supervisory Board Members, which examines appropriateness of candidates (including election or re-election) for Director (including Representative Directors, Chair and President & CEO) and Audit & Supervisory Board Member 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](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf))

(For information concerning appointment of Independent Directors and Audit & Supervisory Board Members, etc., please see "Outside Directors' Relationship with the Company (2)" in "Directors" below, as well as "Outside Audit & Supervisory Board Members' Relationship with the Company (2)" in "Audit & Supervisory Board Members".)

(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 "6. 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".)

(For further details regarding Disclosure Guidelines, please see [www.kao.com/global/en/investor-relations/management-information/disclosure/](http://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 Company uses surplus funds to flexibly conduct share repurchases while the Kao Group aims to continuously increase dividends to reflect improvement in business results.

In addition to making returns to shareholders and improving EVA, 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.

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 Board 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 Board, which makes decisions on execution.

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 Board, 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 Board, in turn, is expected to conduct proper supervision by making clear the matters to be reported to the Board of Directors.

For example, the matters regarding basic management policies, basic business strategies, key investment strategies, mid-to-long-term plans, annual budgets and important personnel changes have been set forth as requiring deliberations by the Board of Directors. Purchases of assets through merger and acquisition, investment or other means and debts including borrowings are decided by the Management Board, in principle. However, among these matters, extremely important items or items involving large outlays are submitted to the Board of Directors.

## **6 Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors (Principle 4.11, Principle 4.11.1, Principle 2.4)**

The Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings provide broad direction regarding the business strategies and deliberate on their appropriateness and the risks related to their realization and other matters in an objective and multidimensional fashion. They also supervise and audit the status of execution. To conduct these tasks, the Company considers it important for such individuals coming from inside and outside the Company with diverse knowledge, experience, and abilities to conduct constructive discussions.

With the mission of realizing an enriched lifestyle and culture, the Company delivers products and services that consumers and customers around the world want based on its advanced technological capabilities derived from extensive research and development, including fundamental research, while actively promoting ESG activities. In addition, Kao Group Mid-term Plan K25, sets forth the vision of "Sustainability as the only path" and aims to create new businesses that "saves future lives" by focusing on the global environment and human life and utilizing digital transformation.

In order to realize the above, the Board of Directors considers it important for Inside and Outside Directors and Audit & Supervisory Board Members to complement each other with the following knowledge, experience, and abilities, and to be able to demonstrate high effectiveness as a whole.

- High level of expertise and experience in research and development, marketing, and sales related to *Yoki-*

*Monozukuri*, which is the foundation of our business, as well as knowledge and experience in technology to provide products and services effectively and efficiently

- Ability to drive innovation to create new businesses that is not an extension of the past, as the responsibilities and roles of companies are undergoing a major transformation
- Knowledge and experience in ESG to contribute to an “enriched sustainable world”
- Knowledge and experience in risk and crisis management to maximize opportunities for the Kao Group’s business growth and minimize risk
- Management experience for overseeing a wide range of business areas existing in the Kao Group
- Global experience for dealing with the Kao Group’s global business
- Knowledge and experience in accounting, finance, laws and regulations to properly supervise and audit the maintenance and operation of the internal control system and the execution status

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

(For further details of the active participation of women, please see “Measures to Promote Diversity” in “Other” in “3. Measures to Ensure Due Respect for Stakeholders” in “III Implementation of Measures for Shareholders and Other Stakeholders”.)

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

#### **7 Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management (Principle 3.1(iv), Principle 4.1.3)**

In accordance with the above “6 Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors”, the Company nominates the appropriate Directors and Audit & Supervisory Board Members. At the time of nomination for reappointment, the Company requires the Directors and Audit & Supervisory Board Members to have attended at least 75% of the Board of Directors meetings in the recent fiscal year. The tenure is determined by considering independence and objectivity, while placing importance on the ability to discuss from a medium- to long-term perspective and stable management. In addition, to promote sharing of the knowledge and information obtained related to the Company’s management and businesses from predecessor to successor, the Company sets staggered terms of office for Outside Directors and Outside Audit & Supervisory Board Members.

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

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.

#### **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), Principle 4.3.2, Principle 4.3.3)**

To objectively confirm that all Director candidates, including candidates for President and CEO, conform with the stance in paragraph 6 above, the Company has a Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, composed exclusively of all Outside Directors and Outside Audit & Supervisory Board Members. Usually, this Committee 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 and Audit & Supervisory Board Members, first the Committee deliberates about validity of above policies and other related matters. Then, it deliberates on each candidate’s eligibility and submits its opinions of the nominees’

appropriateness to a meeting of the Board of Directors. The Company has shortened the term of office for Directors to one year; therefore, all candidates including candidates for re-election are strictly examined by the Committee every year.

For the change of CEO in January 2021, the committee first discussed the qualities required of the next CEO. Next, the committee narrowed down the candidates from a wide range of options, deepened its understanding of the candidates by creating opportunities for direct contact between the committee members and the candidates, and narrowed down the candidates in the light of the qualities required of the next CEO, and reported the results to the Board of Directors. At the Board of Directors, the process and the results of the examination were shared and discussed, and the election proposal was approved.

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. Eventually, with the consent of the Audit & Supervisory Board, the Board of Directors determines such nominees as the nominees for Audit & Supervisory Board Members to be presented in a proposal for the General Meeting of Shareholders based on the opinions of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members.

Further, the procedure for determining the dismissal of Directors and Audit & Supervisory Board Members is in accordance with the Companies Act. In case that the CEO, Directors and Audit & Supervisory Board Members 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 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 Audit & Supervisory Board Members 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 and Audit & Supervisory Board Members, 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” .)

## 9 Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management (Principle 3.1(v), Principle 4.11.1) [Updated]

In line with the above “6 Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors”, the Company has nominated and appointed its current Directors, Audit & Supervisory Board Members and Senior Management. The Company states the reasons for the election of candidates for all candidates for Directors and Audit & Supervisory Board Members in the Notice of Convocation of the annual general meeting of shareholders. The following are the reasons for the election of eight (8) Directors and two (2) Audit & Supervisory Board Members elected at the 115th Annual General Meeting of Shareholders held on March 26, 2021. In addition, the reasons for the appointment of other three (3) Audit & Supervisory Board Members are described below.

\*As of August 12, 2021.

| Position  | Name             | Age | Gender | The reasons for the election of candidates   |
|-----------|------------------|-----|--------|--|
| Directors | Michitaka Sawada | 65  | M      | Ever since assuming office as Representative Director, President and Chief Executive Officer in 2012, Mr. Sawada has been at the forefront in aiming to “Make Kao a company with a global presence” through the best use of the Kao Group’s assets. In the midst of a drastically changing business environment, he led a major shift to ESG management in 2019, strongly promoting the slogan “Transforming ourselves to drive change” under the Kao Group Mid-Term Plan “K20” and made a significant contribution in enhancing corporate value. In January 2021, he assumed the position of Director, Chair and continues to enhance corporate value by supervising management and promoting external activities based on his many years of experience and expertise as Representative Director, |

|  |                   |    |   |   |
|--|-------------------|----|---|---|
|  |                   |    |   | President and Chief Executive Officer. Having determined that Mr. Sawada will engage in the aforementioned activities, to thereby ensure sustainable growth of the Kao Group, the Company hereby appoints him as a nominee to continue as a Director.   |
|  | Yoshihiro Hasebe  | 61 | M | Over many years, Mr. Hasebe has been involved in R&D activities, and has been the driving force in providing the world with innovative products which contribute to enriching people's lifestyles. Since assuming office as Senior Vice President, Strategic Innovative Technology, Global in April 2018, he has been promoting strategic digital transformation, and since becoming responsible for compliance in January 2019, he has taken leadership in carrying out compliance promotion activities. He is familiar with the global competitive environment, changes of consumers and business partners, the expectations from stakeholders surrounding the Kao Group, and the strengths of and tasks facing the Kao Group concerning the same, and in 2020, he led the development of the new Kao Group Mid-Term Plan "K25" based on this knowledge. In January 2021, he was appointed as Representative Director, President and Chief Executive Officer, and is strongly promoting the K25. The Company has determined that Mr. Hasebe will be able to contribute to further enhancing the corporate value of the Kao Group by using his leadership as well as his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution, and for this reason appoints him as a nominee to continue as a Director.   |
|  | Toshiaki Takeuchi | 62 | M | Over many years, Mr. Takeuchi has been involved in sales operations for delivering to consumers the products produced based on the "Yoki-Monozukuri"* philosophy, and is therefore well acquainted with the actual sites of sales, including distribution and retail businesses operating on a global basis. Based on his considerable expertise in relation to both domestic and overseas sales business, he serves as Representative Director and President of Kao Group Customer Marketing Co., Ltd. which controls the sales, beauty counseling and merchandising functions of consumer products, while responding to changes in the distribution environment such as the emergence of e-commerce. He is familiar with the global competitive environment, changes of consumers and business partners, the expectations from stakeholders surrounding the Kao Group, and the strengths of and tasks facing the Kao Group concerning the same, and has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. The Company has determined that Mr. Takeuchi will be able to contribute to further enhancing the corporate value of the Kao Group by using his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution, and for this reason appoints him as a nominee to continue as a Director. |

|   |    |   |  |  |
|---|----|---|--|--|
|   |    |   |  | <i>*The Kao Group defines Yoki-Monozukuri as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, Yoki literally means "good/excellent," and Monozukuri means "development/manufacturing of products."</i> |
| Tomoharu Matsuda                            | 61 | M | Over many years, Mr. Matsuda has been involved in product development, namely, the core function of <i>Yoki-Monozukuri</i> , and also in the marketing activities for communicating the essential value of such products to consumers. He also has experience in management of the Company's overseas subsidiaries. He carries out his duties as President, Consumer Products, Global, based on his high level of expertise in such business both in Japan and overseas, and is familiar with matters such as global competitive environment, changes in consumers and business partners, expectations from stakeholders surrounding the Kao Group, and the strengths and tasks for the Kao Group. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. The Company has determined that Mr. Matsuda will be able to contribute to further enhancing the corporate value of the Kao Group by using his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution, and for this reason appoints him as a nominee to continue as a Director. |  |
| Sonosuke Kadonaga (Outside and Independent) | 69 | M | Mr. 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 has determined that it would be most suitable if Mr. Kadonaga were to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason appoints him as a nominee to continue as an Outside Director.   |  |
| Osamu Shinobe (Outside and Independent)     | 68 | M | Mr. Shinobe has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections where safety and security took top priority at an airline company which actively promotes passenger and cargo businesses around the world, that enable appropriate responses to changes in business environment. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. In view of these facts, the Company has determined that it would be most suitable if Mr. Shinobe were to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason appoints him as a nominee to continue as an Outside Director.  |  |

|                                   |  |    |   |   |
|-----------------------------------|--|----|---|---|
|                                   | Chiaki Mukai<br>(Outside and Independent)  | 69 | F | Ms. Mukai has an extensive and high level of expertise in the scientific field, gleaned through her experience as an astronaut and medical doctor. Since January 2016 to March 2019, she served as a Corporate Executive Fellow of the Company and actively gave advice principally in respect of the Kao Group's R&D activities. Based on such experience and expertise, including her insights from a female perspective, she has been actively presenting opinions and proposals in deliberations at the Board of Directors concerning material matters in the management of the Kao Group. Although she has never been directly involved in company management other than through her experience as an outside director, the Company has determined that it would be most suitable if Ms. Mukai were to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason appoints her as a nominee to continue as an Outside Director.         |
|                                   | Nobuhide Hayashi (Outside and Independent) | 64 | M | Over many years, Mr. Hayashi has played an active role on an international basis in the fields of finance and financial affairs, such as by experiencing an extensive range of duties in sales, international business planning, etc. at leading financial institutions. He has an abundance of experience and a high level of expertise in company management, such as having served as a corporate manager amidst global changes in the business environment surrounding the financial industry. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. In view of these facts, the Company has determined that it would be most suitable if Mr. Hayashi were to continue to supervise the management of the Kao Group as an Independent Outside Director, and for this reason appoints him as a nominee for Outside Director. |
| Audit & Supervisory Board Members | Hideko Aoki                                | 66 | F | Ms. Aoki has an abundance of experience in quality assurance, such as having held a number of senior management positions at departments in charge of consumer relations and quality assurance, where she has pursued the highest level of product safety, while focusing on a consumer/customer perspective to the fullest extent, and has made constant efforts to improve product quality. She has a high level of expertise concerning the Kao Group's business, gleaned through such career. The Company has determined that Ms. Aoki will be able to make full use of her experience and expertise in the auditing of the Kao Group, and for this reason appoints her as a nominee for Audit & Supervisory Board Member. (113 <sup>th</sup> Annual General Meeting of Shareholders)   |
|                                   | Sadanao Kawashima                          | 62 | M | Mr. Kawashima has considerable expertise in finance and accounting, having worked in accounting and finance for many years and held key positions in Investor Relations and Internal Audit. In addition, he has a wealth of experience in group management, including being stationed at overseas subsidiaries and serving as an Auditor of affiliated company. Furthermore, he has contributed to enhancing the effectiveness of audits by Audit & Supervisory Board Member as an Audit & Supervisory Board staff member   |

|  |  |    |   |   |
|--|--|----|---|---|
|  |  |    |   | since March 2019. The Company has determined that Mr. Kawashima will be able to make full use of his experience and expertise in the auditing of the Kao Group, and for this reason appoints him as a nominee for Audit & Supervisory Board Member.   |
|  | Hideki Amano<br>(Outside and Independent)      | 67 | M | Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at major auditing firm as a member of management, he has served as an Audit & Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. In view of these facts, the Company has determined that it would be most suitable if Mr. Amano were to continue to audit the Kao Group as an Independent Outside Audit & Supervisory Board Member, and for this reason appoints him as a nominee to continue as an Outside Audit & Supervisory Board Member. Although he has never been directly involved in company management, the Company considers, based on the above reasons, that Mr. Amano will properly perform his duties as an Outside Audit & Supervisory Board Member.   |
|  | Nobuhiro Oka<br>(Outside and Independent)      | 58 | M | Mr. 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 believes that Mr. Oka will make full use of his expertise and experience in the auditing of the entire Kao Group, and for this reason appoints Mr. Oka as a nominee for Outside Audit & Supervisory Board Member. (112 <sup>th</sup> Annual General Meeting of Shareholders)   |
|  | Takahiro Nakazawa<br>(Outside and Independent) | 63 | M | Mr. Nakazawa has a high level of professional expertise as a certified public accountant. During his service with major auditing firms, Mr. Nakazawa has been involved in providing auditing services for leading companies and has also engaged in various advisory services such as those relating to the introduction of U.S. accounting standards and the International Financial Reporting Standards (IFRS), thereby gaining significant and valuable insights concerning governance and internal control systems which contribute to the growth of globally-operating companies. The Company has determined that he will make full use of his experience in the auditing of the entire Kao Group and for this reason appoints him as a nominee for Outside Audit & Supervisory Board Member. Although he has never been directly involved in company management, the Company considers, based on the above reasons, that Mr. Nakazawa will properly perform his duties as an Outside Audit & Supervisory Board Member. (114 <sup>th</sup> Annual General Meeting of Shareholders) |

#### 10 Status of Concurrent Duties of Outside Directors and Outside Audit & Supervisory Board Members (Principle 4.11.2)

The status of important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members is as stated on page 33 of the Convocation Notice of the 115<sup>th</sup> Annual General Meeting of Shareholders.

(Please see [www.kao.com/global/en/investor-relations/stock-information/shareholders/](http://www.kao.com/global/en/investor-relations/stock-information/shareholders/))

## **11 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.  
Four (4) of the eight (8) Directors are Outside Directors, all of whom satisfy the Standards for Independence. Three (3) of the five (5) 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.

## **12 Analysis and Evaluation of Effectiveness of the Board of Directors Taken as a Whole and Summary of the Results Thereof (Supplementary Principle 4.11.3)**

On at least an annual basis, an evaluation is conducted at a meeting of the Board of Directors, in order to make improvements aimed at enhancing the effectiveness of the Board of Directors. Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board of Directors, the Company believes that it is effective for all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to conduct an evaluation by expressing their own opinions and engaging in free and open discussions. Accordingly, evaluation of effectiveness of the Board of Directors is currently conducted through self-assessment by the participating members at the Board of Directors meeting, without the evaluation by a third-party consultant from outside the Company. However, the Company recognizes the usefulness of an objective evaluation by a third party, and continues to consider the introduction of third-party evaluations in order to lead it to activities that further enhance the effectiveness of the Board of Directors.

For the FY2020 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held in January 2021, a survey of the eight (8) 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 discussions 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

1. Discussion of the key direction of the Company: In FY2020, the Board of Directors devoted significant time to formulating the Kao Group Mid-term Plan K25, the next mid-term business plan and, as part of those discussions, was able to fully discuss the Company's key direction, including the company it intends to be, its business model and other matters. Going forward, the Board of Directors needs to further deepen discussions of global strategy, M&A strategy and especially human resources strategy, while incorporating external opinions as necessary.
2. Human resources strategy: Although there were discussions about the direction and tools (the new employee empowerment system "OKR") during the discussions of K25, the Board of Directors was unable to devote enough time to discussion focused on human resources strategy. While proceeding with these discussions, the Board of Directors must deepen discussions on identifying the Company's human resources requirements, understanding the actual status to apply "OKR" and other matters including cultivation of the next generation in order to achieve K25.
3. Internal controls for compliance with laws and regulations: Improvement was seen in that information on problematic issues now promptly reaches Directors and Audit & Supervisory Board Members, and in that

measures such as in-depth probes of the causes and expanded investigations are now being implemented. However, the Board of Directors needs to further improve systematic and operational aspects through measures such as encouraging employees to feel that internal controls concern them personally and by monitoring internal controls. The Board of Directors also needs to clarify the important types of internal control issues and discuss its progress toward targeted levels and whether the function of preventing serious incidents is working.

(b) Status of discussions of mid-term business plans

1. Discussion and supervision for the achievement of the Kao Group Mid-Term Plan K20  
Because FY2020 was the final year of this plan, the Board of Directors held discussions on its achievement. Discussions covered reports from business execution side on the response to issues of the plan and its envisioned achievement in April, the business activity plan in June, as well as progress updates in regular monthly reports, but discussions were not considered sufficiently extensive because supervision focused on the response to COVID-19 in FY2020. However, discussions of the results of K20 that distinguished between the aspects that did or did not derive from COVID-19 were conducted appropriately and are expected to lead smoothly to future discussions.
2. Discussion on the formulation of the Kao Group Mid-term Plan K25, the next mid-term business plan  
Sufficient time was taken to conduct a lively exchange of opinions, enabling a full discussion. K25 was compiled by discussing the envisioned image of the plan in April, taking a full day in June for intensive discussions that included all of the Company's Outside Directors and Outside Audit & Supervisory Board Members, and thereafter conducting more in-depth discussions at Board of Directors meetings in August and November. This process was highly evaluated. Through these discussions, approval was obtained for the key direction of management. Further discussions will be needed on the specifics of the plan going forward.
3. Vision of future discussions and supervision for achieving the Kao Group Mid-term Plan K25  
The Board of Directors should create a framework for timely monitoring of measures to achieve the plan and their progress, continue to fully utilize the wisdom and insight of Outside Directors and Outside Audit & Supervisory Board Members, and conduct ongoing discussions based on the opinions of stakeholders. The Board of Directors also needs to discuss decisions on and the feasibility of large-scale investments deemed necessary to achieve K25, large-scale strategic measures, and solutions to matters that hinder their promotion. It also needs to monitor whether employees are working together for achieving K25.
4. Composition of the Board of Directors for achieving the Kao Group Mid-term Plan K25  
The composition of the Board of Directors was appropriate with respect to size, as the number of members is small, and it is well balanced in terms of the proportion of inside and outside members, their backgrounds and other factors. However, the Board of Directors should continue discussions going forward to improve diversity, including in terms of gender and proportion of non-Japanese members. For Executive Officers as well, the Board of Directors should consider appointing young people, women and people with a track record in overseas business, including people from outside the Company.

(c) Board of Directors status of operation, status of deliberations, and support from the Company

1. 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. In addition, the Chairperson of the Board of Directors (an Outside Director), who attends meetings of the Management Board, provides supplementary information to the Outside Directors and Outside Audit & Supervisory Board Members related to the discussions at Management Board meetings as appropriate to improve the effectiveness and efficiency of discussions. The frequency of meetings is also set appropriately.
2. Status of deliberations: Matters for deliberation are set appropriately. Proceedings allow sufficient time for questions and discussions, and discussions and exchanges of opinion are free, open, constructive and active. Communication between executives and the Board of Directors is also good. However, the amount of presentation materials is often excessive, and should be simplified to allow concentration on core discussions.
3. Support from the Company: In addition to the information provided at meetings of the Board of Directors,

information is also properly provided and appropriate support is given through measures including visits to business sites and attendance at internal research forums.

(d) Operation of the Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee

The Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members held discussions on the change of the President in FY2020. Necessary information was provided and sufficient time for discussion was secured, and the process was also appropriate. Matters included candidate selection, measures for contact points with candidates, discussion procedures and involvement of the President in discussions. The results of the deliberations, including reasons for the appointment, were properly reported to the Board of Directors.

The Compensation Advisory Committee held appropriate discussions on the new compensation system based on the Kao Group Mid-term Plan K25. However, further discussion is needed on how to evaluate the level of non-financial contributions. The results of the deliberations have been properly reported to the Board of Directors.

(e) Issues to be addressed by the Board of Directors

1. To achieve the Kao Group Mid-term Plan K25, the status of specific initiatives should be shared in a timely manner, and discussions by the Board of Directors should continue from various perspectives.
2. The Board of Directors must continue discussions of human resources strategy. It must conduct more in-depth discussions of the direction it should take and hold discussions on matters including securing and developing talent in line with the human resource requirements called for in K25.
3. With regard to internal controls, the Board of Directors needs to constantly monitor the appropriateness of measures and their operation so that controls function more effectively throughout the Kao Group.

**The Audit & Supervisory Board conducts an annual evaluation of the effectiveness of the activities of the Audit & Supervisory Board members and the Audit & Supervisory Board.**

At an Audit & Supervisory Board meeting held in February 2021, each Audit & Supervisory Board members expressed their opinions on the activities in FY 2020, referring to the checklist of focus points for " Self-Evaluation of the Effectiveness of Audit & Supervisory Board Members and Audit & Supervisory Board," and based on these opinions, all members discussed and evaluated the activities. The results were reported to the Board of Directors and will be incorporated into the audit plan for FY 2021 to further enhance activities.

The main results of the evaluation are as follows.

<Current status >

- Audit & Supervisory Board members attend the meetings of the Board of Directors, audit the management decision-making process and the status of development and operation of the internal control environment from the perspective of legality and appropriateness, and provide opinions as necessary.
- Full-time Audit & Supervisory Board members attend important meetings such as the Management Board, Internal Control Committee and subordinate committees to confirm whether the execution status and the development and operation of internal control are properly implemented. In addition, Full-time Audit & Supervisory Board members conducts audits of factories and research laboratories, business units and functional divisions, and conduct surveys of affiliated companies in Japan and overseas (first defense line), as well as audits of the secretariat of each committee and internal control-related divisions such as the Legal & Compliance, Human Resources Development, and Accounting & Finance Divisions (second defense line). Outside Audit & Supervisory Board members attend these activities appropriately. In FY 2020, based on measures to prevent the spread of the infection of COVID-19, remote audits were used in combination to maintain audit quality.
- Audit & Supervisory Board members holds meetings to exchange opinions with the Representative Directors of the Company and its important subsidiaries, as well as with the Outside Directors, based on the findings and opinions obtained through these auditing activities, and makes recommendations as necessary.
- Audit & Supervisory Board members exchanges opinions frankly with each other based on their experience and expertise, while incorporating objective viewpoints, and generally functions effectively.
- The Audit & Supervisory Board has the opportunity to report on the activities of the Audit & Supervisory Board at the meetings of the Board of Directors regularly.

- At the Conference of Auditors for Domestic Group Companies, the opportunities to attend Outside Auditors' lectures and exchange opinions on corporate auditors' duties and internal controls of each affiliated company are provided.

<Activities>

- Attendance at important meetings: 69 times
- Meetings to exchange opinions with Directors: 6 times
- First defense line (on-site audits): 90 times
- Second defense line (audits of internal control-related departments): 15 times
- Three-way audit related activities (meetings with the Internal Audit Department and Accounting Auditor, etc.): 44 times

<Issues>

At the start of the Kao Group Mid-term Plan K25, the following proposals and discussions will be made in order to respond appropriately and flexibly to changes in the business environment and business expansion.

- Make recommendations to improve the effectiveness and efficiency of both the development and operation of internal controls on a global basis.
- Strengthen the system to enable the auditors of subsidiaries to function more effectively.
- Continuously review the way of audits.

**13 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

**14 Policy and Procedures for Determining Remuneration for Directors and Senior Management**

The purpose of the Company's compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is as follows:

- Securing and retaining diverse and excellent talent to establish and improve competitive advantages;
- Promoting prioritized measures for continuous increases in corporate value; and
- Sharing interests in common with shareholders.

The Company has a Compensation Advisory Committee composed of all Outside Directors, Outside Audit & Supervisory Board Members, all the Representative Directors and Director, Chair 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.

In connection with the above purpose, “Sharing interests in common with shareholders,” the Company has established an Executive’s Shareholding Association in order to encourage the acquisition and holding of the Company’s shares.

(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”.)

## 15 Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties (Principle 3.1.3) [Updated]

### (1) Initiatives on Sustainability

By integrating ESG into the core of its company management, the Company drives business growth and better serve consumers and society through its enhanced products and services. Recognizing its responsibility as an enterprise that provides products which people use on a regular basis in their daily lives, the Kao Group takes active steps to reduce the environmental footprint of its products throughout the entirety of the product lifecycle.

In July 2018, the ESG division was newly established headed by a non-Japanese. Also, the Sustainability Committee renamed the ESG Committee and had promoted global initiatives. In April 2019, the Company launched the Kirei Lifestyle Plan, its ESG strategy, which incorporates 19 key leadership actions. In June 2021, the ESG Committee was re-established as an ESG Managing Committee to enhance the speed of ESG activities, and in addition to formulating policies and strategies related to ESG activities, the Company also added the role of approving ESG-related investments.

\*Kirei is a Japanese word that represents the concept of cleanliness, beauty, health, purity and fairness.

For information on Kao Group’s sustainability, please see the following website:

Sustainability: [www.kao.com/global/en/sustainability/](http://www.kao.com/global/en/sustainability/)

Kao Sustainability Data Book: [www.kao.com/global/en/sustainability/pdf/](http://www.kao.com/global/en/sustainability/pdf/)

In addition, Kao Sustainability Data Book has been complied with reference to the recommendations for disclosure given by the Task Force on Climate-related Financial Disclosures (TCFD).

GRI / ISO 26000 table / TCFD Index:

[www.kao.com/global/en/sustainability/research-index/](http://www.kao.com/global/en/sustainability/research-index/)

### (2) Information on Investments in Human Capital

The Company believes that people are the Company’s greatest asset. As it is our employees who will implement the two policies of the Mid-term Plan 2025 (K25), which are “Become an essential company in a sustainable world” and “Transform to build robust business through investment,” the Company has set “Maximize the power and potential of employees” as our third policy.

To realize the third policy, in January 2021 the Company introduced OKR (Objectives and Key Results), a new employee empowerment system, that allows diverse human resources across departments, countries and organizations to co-create. By doing so, the Company aims to improve each employee’s productivity by fostering an organizational culture where employees are stimulated to take on challenges and face such challenges by themselves and in cooperation with others. In addition, in operating the OKR system, the Company is going to raise the awareness of each employee’s participation in management and foster an open and flat organizational culture by making activities related to OKR transparent.

Together with organizational reform to maximize capabilities and individuality, the Company is improving the efficiency of operations through digital transformation.

The Company implements training programs, career design training and leadership development programs that promote “growth through self-learning, and collaboration and co-creation.” Even in the remote work environment, the Company’s expenditure on education and training is 51,600 Japanese Yen (12.2 hours) per employee global per year (on a 5-year average).

### (3) Information on Investments in Intellectual Properties

The Company has been creating innovations that change lives by combining discoveries and inventions obtained through Essential Research that identifies phenomena and objects with the eyes of science with the needs of consumers, and converting them into product design and value information. The expectations and trust of consumers cultivated through this is the foundation of our strong brand power, which is widely recognized in the world. In addition, to “make a company with a global presence, valuable to society”, the Company is keeping an eye on issues that arise not only in Japan but also on a global scale, and established management strategies to meet

the expectations of consumers around the world. To promote research and development in line with this management strategies, the Company believes that it is essential to invest in human resources and activity costs in the Research and Development Department and intellectual property acquisition, which is the result of research and development activities, and the Company is actively implementing such investment. Specifically, the Company secures intellectual property rights, such as patent rights, design rights, and trademark rights, for inventions arising from research and development and for names and symbols created to identify brands, and uses such intellectual property rights to promote the Company's business activities.

The Intellectual Property Department plays a key role by strategically applying for, acquiring and exercising rights relating to patents and technology-based designs, which are indicators of key company values from the perspective of technology development capability, in a broad range of fields. Research and development expenses and the number of patents held are listed on the website below.

Kao by the Numbers: [www.kao.com/global/en/who-we-are/data/](http://www.kao.com/global/en/who-we-are/data/)

The Brand Legal Department collaborates closely with business divisions when submitting applications, acquiring rights and exercising rights relating to design-based designs and trademarks, taking into consideration cost-effectiveness. As of July 2021, the Company has approximately 22,000 trademarks in 165 countries and regions. Recently, the Company has been pursuing measures against counterfeit products in Asia and other regions.

## 16 Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders (Principle 5.1) [Updated]

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. Directors, Audit & Supervisory Board Members, Executive Officers, including the President and CEO, 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 and management supervision and audit.

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, the Executive Officers' meeting and meeting of Audit & Supervisory Board for utilization in the future management and management supervision and audit.

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 a valuable and important opportunity for dialogue with 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 and sustainability. 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 ESG, 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.")

## **17 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, 2020 decreased to 42 from 45 as of December 31, 2019 (the total amount on the balance sheet decreased from ¥5,105 million to ¥4,184 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 2020 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.

## **18 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 Board. 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.

## **19 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 Board 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% or more of its stock, the Kao Group has not established procedures for approval of transactions with major shareholders.

List of the state of implementation of Corporate Governance Code

The following information is based on the Japan's Corporate Governance Code revised in June 2021, which includes principles for companies listed on the Prime Market applicable after April 4, 2022.

| Corporate Governance Code   |  |  | Implementation Status |   | Corresponding articles in the report or on the Company's website   |
|---|--|--|-----------------------|---|--|
| General Principle   | Principle  | Supplementary Principles   | Comply                | Explain   |  |
| Section 1:<br>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  | -                     | ●   | "17. 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                 | ●   | "17. 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                 | ●   | "17. 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                         | -  | ●                     | "19. 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:<br>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<br>- "The Kao Way" on the company's website:<br><a href="http://www.kao.com/global/en/about/policies/kaoway/">www.kao.com/global/en/about/policies/kaoway/</a> |
|   | 2.2  | Code of Conduct  | -                     | ●   | "Kao Business Conduct Guidelines" on the Company's website:<br><a href="http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf">www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf</a>  |
|   |  |  | 2.2.1                 | ●   | "Kao Business Conduct Guidelines" on the Company's website:<br><a href="http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf">www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf</a>  |
|   | 2.3  | Sustainability Issues, Including Social and Environmental Matters                            | -                     | ●   | "Kao Sustainability on the Company's website:<br><a href="http://www.kao.com/global/en/sustainability/">www.kao.com/global/en/sustainability/</a>  |
|   |  |  | 2.3.1                 | ●   | "Kao Sustainability on the Company's website:<br><a href="http://www.kao.com/global/en/sustainability/">www.kao.com/global/en/sustainability/</a>  |

| Corporate Governance Code |   |   | Implementation Status |         | Corresponding articles in the report or on the Company's website   |
|---------------------------|---|---|-----------------------|---------|--|
| General Principle         | Principle   | Supplementary Principles                                    | Comply                | Explain |  |
|                           | 2.4   | Ensuring Diversity, Including Active Participation of Women | -                     | ●       | <ul style="list-style-type: none"> <li>"6. 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</li> <li>"Other" in "3. Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report</li> <li>"Respect &amp; Teamwork" in "Principles" in "Kao Way" on the Company's website: <a href="http://www.kao.com/global/en/about/policies/kaoway.html">www.kao.com/global/en/about/policies/kaoway.html</a></li> </ul>  |
|                           |   |   | 2.4.1                 | ●       | <ul style="list-style-type: none"> <li>"Other" in "3. Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report</li> <li>"Kirei Lifestyle Plan Progress Report: <a href="http://www.kao.com/global/en/sustainability/pdf/">www.kao.com/global/en/sustainability/pdf/</a></li> <li>"Kao Integrated Report" on the Company's website: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a></li> </ul>  |
|                           | 2.5   | Whistleblowing  | -                     | ●       | "Compliance Hotlines" on the Company's website: <a href="http://www.kao.com/global/en/about/policies/compliance/compliance-contact.html">www.kao.com/global/en/about/policies/compliance/compliance-contact.html</a>   |
|                           |   |   | 2.5.1                 | ●       | "Compliance Hotlines" on the Company's website: <a href="http://www.kao.com/global/en/about/policies/compliance/compliance-contact.html">www.kao.com/global/en/about/policies/compliance/compliance-contact.html</a>   |
|                           | 2.6   | Roles of Corporate Pension Funds as Asset Owners            | 2.6                   | ●       | "18. 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       | -       | ●  |
| (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)                     |   |   |                       | ●       | "15. 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)                      |   |   |                       | ●       | "7. 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 : <a href="http://www.kao.com/global/en/">www.kao.com/global/en/</a>   |
| 3.1.3                     |   |   |                       | ●       | <ul style="list-style-type: none"> <li>"15. Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties" 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</li> <li>"Kao Sustainability" on the Company's website: <a href="http://www.kao.com/global/en/sustainability/">www.kao.com/global/en/sustainability/</a></li> <li>"Kao Sustainability Data Book" on the Company's website: <a href="http://www.kao.com/global/en/sustainability/pdf/">www.kao.com/global/en/sustainability/pdf/</a></li> <li>"GRI / ISO 26000 table / TCFD Index" on the Company's website: <a href="http://www.kao.com/global/en/sustainability/research-index/">www.kao.com/global/en/sustainability/research-index/</a></li> </ul> |

| Corporate Governance Code |           |   | Implementation Status |         | Corresponding articles in the report or on the Company's website   |
|---------------------------|-----------|---|-----------------------|---------|--|
| General Principle         | Principle | Supplementary Principles                    | Comply                | Explain |  |
|                           | 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                 | ●       | ●  |
|                           | 4.1       | Roles and Responsibilities of the Board (1) | -                     | ●       | "(2) Roles and Duties of the Board of Directors, etc." in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report   |
|                           |           |   | 4.1.1                 | ●       | "5. Scope of Matters Delegated to the Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report  |
|                           |           |   | 4.1.2                 | ●       | "3. Mid-term business plan" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report  |
|                           |           |   | 4.1.3                 | ●       | "Supplementary Explanation" in "Committee's Name, Composition, and Attributes of Chairperson" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"  |
|                           | 4-2.      | Roles and Responsibilities of the Board (2) | -                     | ●       | ·"(2) Roles and Duties of the Board of Directors, etc." in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report<br>·"14. 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                 | ●       | "14. 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   |
|                           |           |   | 4.2.2                 | ●       | ·"Policies for ESG Activities" on the Company's website: <a href="http://www.kao.com/global/en/sustainability/policy/">www.kao.com/global/en/sustainability/policy/</a><br>·"Activities of the Board of Directors in FY2020" 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" 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<br>·"Kao Integrated Report" on the Company's website: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a>   |
|                           |           |   | 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                 | ●       | ·"Activities of the Board of Directors in FY2020" 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" in the report<br>·"Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"<br>·"Kao Integrated Report" on the Company's website: <a href="http://www.kao.com/global/en/investor-relations/library/reports/">www.kao.com/global/en/investor-relations/library/reports/</a> |

| Corporate Governance Code                   |           |   | Implementation Status |   | Corresponding articles in the report or on the Company's website   |
|---|-----------|---|-----------------------|---|--|
| General Principle                           | Principle | Supplementary Principles  | Comply                | Explain   |  |
| Section 4:<br>Responsibilities of the Board | 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<br>·"11. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report   |
|   | 4.7       | Roles and Responsibilities of Independent Directors   | -                     | ●   | "(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc." in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report   |
|   | 4.8       | Effective Use of Independent Directors  | -                     | ●   | "11. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report  |
|   |           |   | 4.8.1                 | ●   | [Reasons for Non-compliance with the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report   |
|   |           |   | 4.8.2                 | ●   | "10. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report  |
|   |           |   | 4.8.3                 | -   | -  |
|   | 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<br>·"Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" on the Company's website:<br><a href="http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf">www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf</a>   |
|   | 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<br>·"7. 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<br>·"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                               | -                     | ●   | ·"6. 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<br>·"12. 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                                      |           |   | ●                     | ·"6. 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<br>·"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 |  |

| Corporate Governance Code |                                       |   | Implementation Status                              |         | Corresponding articles in the report or on the Company's website   |  |
|---------------------------|---------------------------------------|---|--|---------|--|--|
| General Principle         | Principle                             | Supplementary Principles  | Comply   | Explain |  |  |
|                           |                                       |   | 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   | ●       | "12. 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   | ●       | <p>-"Activities of the Board of Directors in FY2020" 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" in the report</p> <p>-(13) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"</p> <p>-"Kao Integrated Report" on the Company's website:<br/>www.kao.com/global/en/investor-relations/library/reports/</p> |  |
|                           | 4.14                                  | Director and Audit & Supervisory Board Members Training         | -  | ●       | "13. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties" in [Disclosure Based on the Principles of the Corporate Governance Code] in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report  |  |
|                           |                                       |   | 4.14.1   | ●       | "13. 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   | ●       | "13. 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 | -       | ●  | "16. 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   | ●  | "16. 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   | ●  | "16. 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  |  |
|                           |                                       |   | 5.2.1  | ●       | -"Kao Integrated Report" on the Company's website:<br>www.kao.com/global/en/investor-relations/library/reports/  |  |