





Chapter

5

Corporate Governance

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Messages from Outside Directors and an Outside Audit & Supervisory Board Member



Sonosuke Kadonaga

Outside Director
Chairman of the Board of Directors

Kao Corporation's Board of Directors expends considerable time engaging in lively discussion, not only of those issues that the Board is statutorily required to discuss, but also of other important issues relating to the company's management. During Board meetings, we always keep in mind the Kao Way, which is the corporate philosophy, and our vision of making Kao a company with a global presence by 2030. Every year, during the first Board meeting of the year, the President and CEO, who is the top of execution, outlines the key issues that the company will be addressing over the coming year. In addition, during monthly Board meetings, the Inside Directors who also serve as Executive Officers give monthly reports, and both the Inside and the Outside Directors and Audit & Supervisory Board Members express their opinions freely and on a diverse range of topics, from their own individual perspective, based on their examination of the current situation. In this way, the Board is able to engage in constructive discussion.

I have now been serving as Chairman of the Board for five years. In my role as Chairman, I have striven to encourage other Directors to express their opinions fully. I also sit in on Management Committee. This enables me to develop a more in-depth understanding of the background to the issues discussed during Board meetings, and I believe that sharing this

knowledge with the other Outside Directors can contribute toward fostering lively discussion.

The topics discussed at each Board meeting are selected in advance by careful discussion in meetings between myself and the President and CEO. In this way, we are able to ensure that important matters are discussed in a timely and appropriate manner. Every Board meeting also includes a report on the matters discussed at meetings of the Management Committee. This system enables Outside Directors to understand the matters that have not been tabled for discussion during Board meetings. I also ensure close communication with Outside Directors and Outside Audit & Supervisory Board Members, and the company has taken steps to help Outside Directors familiarize themselves with the current state of company management, for example by providing opportunities for them to participate in overseas visits, so that they can see for themselves how Kao's overseas facilities are operating. I believe that this series of activities has helped to realize effective oversight, and has ensured solid performance by the Board of Directors.

As I see it, the willingness of the four Inside Directors, who are responsible for implementing executive management, to actively incorporate the external opinions into the company's management is the most important foundation for the successful functioning of Kao's Board of Directors. The objective external viewpoint is important both in terms of oversight and in terms of provide encouragement for decision making by management. While there may be some companies that view meetings of the Board of Directors as just a necessary procedure and consider it as a cost, I am firmly convinced that the approach adopted at Kao enables the company to get real benefit from its Board. The attitude toward the Board taken by the executive officers at Kao is not something that has been imposed from outside, and is not something that could be duplicated simply by copying the external structure of the arrangements. In the future, even if Kao's governance structure changes, as long as this kind of attitude can be retained, then it will not matter if changes have to be made to the formal aspects of the Board of Directors—such as the number of Board members, the composition of the Board, and the procedures adopted by the Board — in line with changes in the external environment.

In February 2018, Kao announced that it would be working to strengthen its Environmental, Social and Governance (ESG) activities. A new ESG Division was established in July 2018, and in October 2018 the company announced Our Philosophy & Action on Plastic Packaging. In November 2018, Kao held its first ever Technology Innovation Session. This presentation was the first time that we had showcased the Essential Research which is a key source of strength for Kao, rather than showcasing specific new products. Activities of this type represent a concrete putting into practice by Kao's management of the vision of the Kao Group Mid-term Plan K20, "Transforming Ourselves to Drive Change," and they embody the commitment and enthusiasm displayed by the top of execution. I believe that the source of energy that underpins Kao's corporate governance is the values that constitute the fundamental elements such as Continuous Innovation and Integrity in the Kao Way permeating through every aspect of the company's management.



Osamu Shinobe

Outside Director

Since taking up the position of Outside Director at Kao in March 2018, I have attended every meeting of the Board of Directors, and have been struck by the fact that these meetings are characterized by very open discussion, supported by the provision of a great deal of information. As an Outside Director, I have adopted a perspective that recognizes the need to provide management with a supportive prod when necessary. That is to say, when the company's executive body has a proposal which they wish to implement, I aim to be thinking about how such body can best put that idea into practice. At the same time, with regard to the supervisory function, I believe that maintaining close communication with the Audit & Supervisory Board Members and adopting a perspective compatible with the Kao Way and the concept of Integrity that constitutes Kao's corporate philosophy is appropriate for safeguarding shareholders' interests.

Outside Directors need to maintain some degree of distance from the Internal Directors, but at the same time, if the Outside Directors do not understand the internal happenings at Kao, then effective discussions will not be possible. I feel that the way Kao provides Outside Directors with opportunities to learn important information — for example by arranging visits to Kao facilities and introducing and explaining the research areas that Kao is working on — helps to invigorate the Board of Directors. In the future, I believe that arranging more opportunities for Outside Directors to exchange views with Executive Officers and general managers would provide beneficial mutual stimulus.



Toraki Inoue

Outside Audit & Supervisory Board Member

I feel that the overall effectiveness of Kao's Board of Directors is very high. The Board itself is working to realize the Innovation that is a key element in the Kao Way. For example, when I asked out why the executive officer responsible for Accounting and Finance had not been attending Board meetings, the company immediately arranged for such executive officer to attend Board meetings on an ongoing basis. Similarly, when I said that I wanted to know more specifically what kind of discussions took place at meetings of the Management Committee, the company arranged straight away for me to sit in on a Management Committee meeting. I was very impressed by the speed with which the company responded to my requests. Given that Kao has been working steadily to realize the Kao Group Mid-term Plan K20, I believe that it is important for the company to continue to put in place a framework that ensures that not only good news, but also bad news, is presented to the Board. The Board is able to engage in lively discussions due to Board composition — Kao's Board of Directors includes Outside Directors who have a wealth of diverse experience — and the fact that the company's Inside Directors have adopted a stance of proactively canvassing the Outside Directors' views. However, if important issues are not submitted to the Board in the first place, they cannot be discussed. With this in mind, I believe that it is very important for the company's Executive Officers and general managers to familiarize themselves well with recent changes in public attitudes toward internal controls and compliance.

Corporate Governance Initiatives

Basic Approach to Corporate Governance

Our vision by 2030 is to make Kao a company with a global presence. In addition to financial strategies and initiatives including financial results, non-financial strategies and initiatives should be strengthened. It is important that the fruits from those strategies and initiatives are used as investments for sustainable growth. Kao (hereinafter, referred “the Company”) has announced that it recognizes ESG initiatives as an investment for the future, not as a cost, and is promoting them. The Company considers good corporate governance as a prerequisite and a driving force for strongly promoting the achievement of such a goal. The Company’s basic stance on measures related to corporate governance is to set

up and operate a management structure and an internal control system, timely implement necessary measures and achieve accountability so that the Company can swiftly respond to changes, realize efficient management that is sound, fair and highly transparent, and continuously enhance corporate value. The Company views accomplishing such tasks as one of its most important management issues. The Company has been actively engaging in activities to listen to stakeholders’ voices and based on input from stakeholders and social trends, it conducts reviews of its corporate governance and implements the necessary measures and improvements, as needed, in an appropriate manner.

Corporate Governance Reform

Also as for corporate governance, since the early stage Kao has practiced Continuous Innovation, which is one of Values of the Kao Way. To respond to changes in the business environment as well as social

demands, the Company has pursued the creation of the most optimal structure. The Company will continue to work on governance reform.

	Governance Structure and System	Compensation for Executives
1999	<ul style="list-style-type: none"> Introduced EVA® as a management indicator 	<ul style="list-style-type: none"> Short-term incentives: Introduced an EVA® performance-based bonus
2000	<ul style="list-style-type: none"> Established the Advisory Committee (an advisory body for the Board including two outside members) 	
2001	<ul style="list-style-type: none"> Increased the number of Outside Audit & Supervisory Board Members from one to two 	<ul style="list-style-type: none"> Mid- to long-term incentives: Introduced a stock option plan Abolished retirement benefits
2002	<ul style="list-style-type: none"> Introduced Outside Director system (the Advisory Committee was dissolved) Introduced the Executive Officer system 	
2003	<ul style="list-style-type: none"> Established the Committee for the Examination of Nominees for Chairman of the Board and the President and Chief Executive Officer Appointed the president and lower positions as Executive Officers Established the Department of Internal Audit 	<ul style="list-style-type: none"> Established the Compensation Advisory Committee
2006	<ul style="list-style-type: none"> Commenced meetings to exchange opinions between Representative Directors and Audit & Supervisory Board Members Established the Internal Control Committee 	<ul style="list-style-type: none"> Mid- to long-term incentives: Introduced share remuneration type stock options Short-term incentives: Introduced EVA®/sales and ordinary income indicator
2010	<ul style="list-style-type: none"> Established Standards for Independent of Outside Directors /Outside Audit & Supervisory Board Members Established the Sustainability Committee 	
2012	<ul style="list-style-type: none"> Increased the number of Outside Directors from two to three Reduced the number of Directors from 15 to 10 Shortened Directors’ term of office to one year 	
2013	<ul style="list-style-type: none"> Increased the number of Outside Audit & Supervisory Board Members from two to three Delegation agreement with Executive Officers 	
2014	<ul style="list-style-type: none"> Established the Committee for the Examination of Nominees for Directors and Executive Officers (Abolished the Committee for the Examination of Nominees for Chairman of the Board and the President and Chief Executive Officer) Reduced the number of Inside Directors to 3, equal to the number of Outside Directors Appointed an Outside Director as the Chairman of the Board 	
2015	<ul style="list-style-type: none"> Established the Committee for Examination of Nominees for Directors (Abolished the Committee for the Examination of Nominees for the Directors and Executive Officers) Commenced evaluation of the effectiveness of the Board of Directors 	
2016	<ul style="list-style-type: none"> Commenced evaluation of the effectiveness of the Audit & Supervisory Board Increased the number of Inside Directors from three to four 	<ul style="list-style-type: none"> Revised Outside Director compensation system to not linked to business performance
2017		<ul style="list-style-type: none"> Mid- to long-term incentives: Performance-based share incentive plan (non-financial indicators included)
2018	<ul style="list-style-type: none"> Commenced regular meetings to exchange opinions between Audit & Supervisory Board Members and Outside Directors Established the ESG committee (the Sustainability Committee was dissolved) 	
2019	<ul style="list-style-type: none"> Commenced evaluation of the effectiveness of the Committee for the Examination of Nominees for Directors Commenced evaluation of the effectiveness of the Compensation Advisory Committee Established the External ESG Advisory Board Increased the number of Outside Directors from three to four 	<ul style="list-style-type: none"> Revised the remuneration limit for Audit & Supervisory Board Members

Corporate Governance Structure

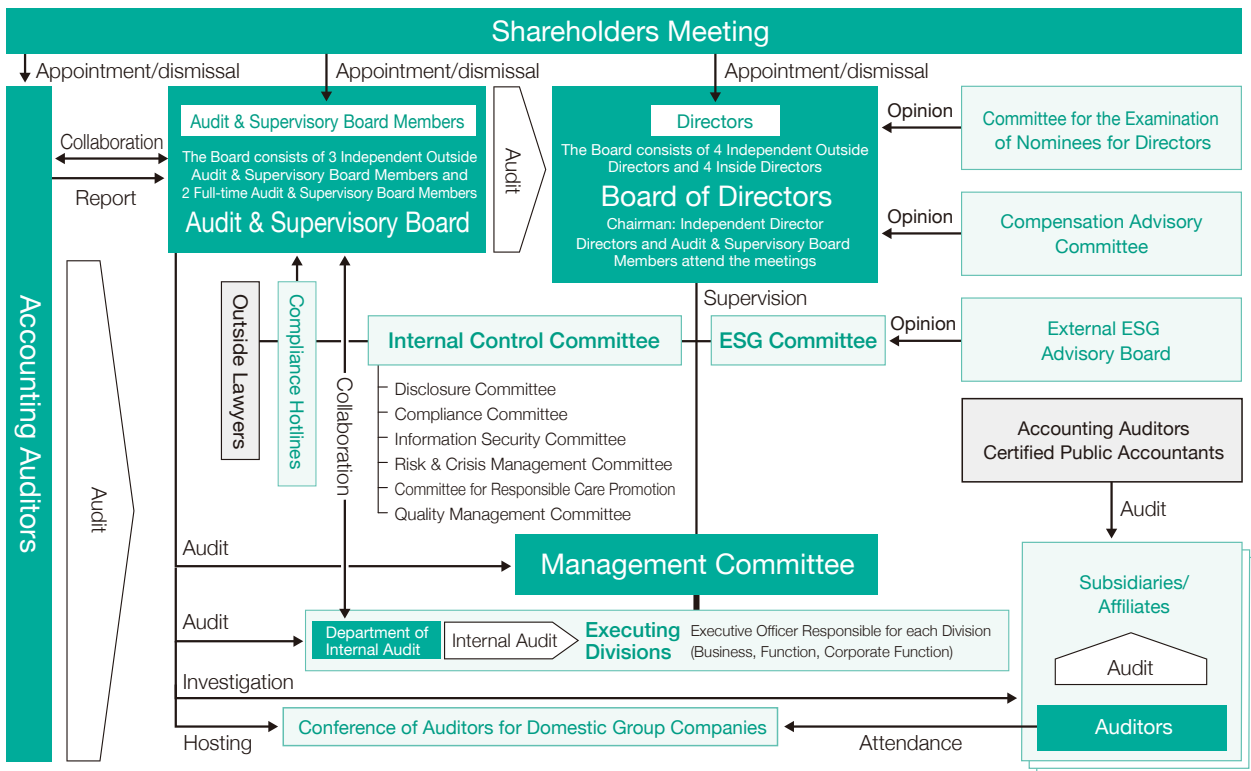
Kao has chosen to be a company with an Audit & Supervisory Board. In company with the Audit and Supervisory Board, the Audit and Supervisory Board Members are obligated to participate in meetings of the Board of Directors, but they do not possess voting rights. Therefore, the Company believes that this allows them to objectively audit the decisions made by the Board of Directors and business execution of individual Directors without being bound by past decisions or adopting a conservative approach.

To better ensure transparency and fairness in the processes for determining Director appointment and compensation, the Company has voluntarily established the Committee for the Examination of Nominees for Directors, composed solely of Outside Directors and Outside Audit & Supervisory Board Members and the Compensation Advisory Committee, made up of Outside Directors, Outside Audit & Supervisory Board

Members and Representative Directors.

The Board of Directors maintains a high level of objectivity, with four of its eight members being Outside Directors. At the same time, the Board of Directors is supported by organizations that oversee auditing duties as well as compensation and nomination examinations, thereby realizing a high level of effectiveness. In these ways, the Company has put into place a framework for supervising and auditing its management.

Also, the Company has introduced an Executive Officer system that appoints Executive Officer as chief executive of each division, thereby promoting the separation of supervisory functions and execution functions. In addition, through largely delegating execution authority to the Management Committee, the Company works to speed up the decision-making and execution process.



ESG Committee

To gain the support and trust of all its stakeholders, as a company with a global presence, this committee discusses and determines the direction of Kao's activities pertaining to ESG, aiming to contribute to sustainable development of Kao Group and society.

Internal Control Committee

This committee discusses and determines the direction of the entire Group's internal control systems to ensure the accuracy of financial reporting and achieve cross-organizational integration of functions pertaining to internal control including information disclosure, compliance, information security, risk and crisis management, promotion of responsible care, and quality management with the objective of improving the quality of business operations.

Management Committee

This committee, which is mainly composed of members with the position of Managing Executive Officer or higher who have experience in business execution as persons responsible for core businesses and functions, makes decisions concerning the execution of mid- to long-term direction and strategies that the Board of Directors deliberates on and determines. Delegating wide-ranging authority to the Management Committee, Kao works to speed up its decision-making and execution process.

Corporate Governance Initiatives

Directors and Board of Directors

Kao's Board of Directors has secured a balance among knowledge, experience, and skills and a sufficient level of diversity to appropriately carry out the formulation of business strategies and other measures as well as supervise specific business execution. Outside Directors are nominated with emphasis on diverse experience, their knowledge, and a high level of insight obtained from such experience that cannot be obtained from Inside Directors alone. Examples include global experience, experience in managing a company that provides products and services in a different industry from that of Kao, consulting or academic experience, as well as expertise and a high level of insight. In addition, the Company makes efforts to enhance the effectiveness of discussions at Board of Directors' meetings in such ways as having Executive Officers in charge of accounting and human affairs who are not Directors attend these meetings.

At these Board of Director meetings, to promote sustainable growth and mid- to long-term increases in corporate value, the Company deliberates from various perspectives, including evaluation of risks and determine the mid- to long-term direction of management toward business strategies. Furthermore, the Company supervise and audit whether or not its business

strategies are being executed appropriately in various ways through reports by the Inside Directors on the status of progress of these strategies and issues preventing their achievement and response to such issues, as well as through evaluation and audits by Outside Directors and Outside Audit & Supervisory Board Members from their diverse perspectives. Moreover, the Company draws sharp distinctions between risks through the establishment of internal control and risk control systems. In these ways, the Company has created an environment that allows for a more proactive style of management.

Major Topics Discussed by the Board of Directors in 2018

First Quarter	<ul style="list-style-type: none"> • Evaluation of effectiveness of the Board of Directors • Revision of Information Disclosure Guidelines • Department of Internal Audit's audit reports • Audit and Supervisory Board Members' audit report summaries
Second Quarter	<ul style="list-style-type: none"> • Reviewing Mid-term Plan progress • Compliance Committee reports • Cosmetics Business strategies • M&A strategies • ESG strategies • Current status of Research & Development and topics
Third Quarter	<ul style="list-style-type: none"> • Department of Internal Audit's audit reports • New Business Project progress reports • Employee satisfaction survey results
Fourth Quarter	<ul style="list-style-type: none"> • Baby diaper business strategies • Internal Control Committee reports • Cross- shareholdings status

In addition to the above, each month Kao has business execution reports from Directors currently serving as Executive Officers, as well as on matters discussed during the Management Committee from Executive Officers in charge.

Evaluation of the Effectiveness of the Board of Directors

On 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, all members who participates in meetings of the Board

of Directors, including Audit & Supervisory Board Members, to express opinions, discuss and conduct evaluation. Also in FY2018 evaluation, the Company conducted a survey in advance, and the Board of Directors discussed and exchanged their opinions regarding the shared results.

Evaluation of efforts to address issues pointed out in FY2017

• Human resource strategies

Although a certain level of discussions were held, further discussion is necessary for utilizing global human resources, which is the premise of promoting business globalization, as well as for finding and fostering diverse human resources to respond to diversification of values with recent technological innovations, and to changes in purchasing behaviors and distribution structures.

• Business strategies including non-financial activities (ESG activities)

Top management itself takes initiative, showing an attitude

for leading the way in change. Sufficient discussions have been held, and properly implemented, including newly establishment of ESG Division.

• Maintenance and oversight of Kao's internal control system to comply with laws and regulations

There was some improvement in the speed of reporting important matters to the Board of Directors. By delivering information early on, the Company can minimize serious matters and enable discussion of the response by the Kao Group as a whole. Kao needs to continue to enhance both a system maintenance and operation.

Future issues for the Board of Directors

- Scouting and developing diverse human resources is an ongoing issue. Based on Kao's Vision 10 years from now, further discussion is needed regarding target human resources, who can realize the Vision, and how to find and foster such human resources.
- Interactive communication between the Board of Directors and execution side should stimulate the Board of

Directors, and apply discussion at the Board of Director to business execution.

- Regarding internal control to comply with laws and regulations, supervision must be carried out to constantly review not only its system maintenance, but its operation that enables the system to function effectively.

Besides the above, the Company evaluates viewpoints that are emphasized in the corporate governance code, such as constructive discussion on the company's overall direction, and the structure and management status of the Board of Directors. Furthermore, in FY2018, the effectiveness of the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee was evaluated.

Audit & Supervisory Board Members and Audit & Supervisory Board

For Outside Audit & Supervisory Board Members, Kao has appointed certified public accountants and a lawyer to its Audit & Supervisory Board, all of whom have a high level of professionalism and insight in accounting, finance and law necessary for auditing, abundant experience which can take advantage of them, and high ethical standards as a professional. Supported by internal information gathering by the well-informed full-time Auditor & Supervisory Board Members, Audit & Supervisory Board Members are able to engage in objective and meaningful discussion and perform highly effective audits.

Audit & Supervisory Board Members hold regular meetings with the Representative Directors to exchange opinions and attend important meetings,

such as meetings of the Board of Directors and the Management Committee. In addition to meetings with the auditors of domestic group companies, the Audit & Supervisory Board Members hold meetings with internal auditing divisions and the Accounting Auditor to exchange information as well as conduct interviews with each internal division and Kao's subsidiaries on a regular basis and additionally when necessary. Furthermore, at meetings of the Board of Directors, the Audit & Supervisory Board Members provide observations related to the legality and validity of the Company's business and accounting practices. The Audit & Supervisory Board also offers a wide range of advice to Kao's management, including advice on strategic management direction.

Evaluation of the Effectiveness of the Audit & Supervisory Board

Once a year, all the Audit & Supervisory Board Members express their views, discuss, and conduct evaluations while referring to a list of focal points prepared in advance at the Audit & Supervisory Board. The results are incorporated into next fiscal year's audit plan, and its summary is reported and shared at the Board of Directors.

Evaluation of Current Status

- The Audit & Supervisory Board has been effectively managed. Through Full-time Audit & Supervisory Board Members and staff correspondence, Outside Audit & Supervisory Board Members were able to work effectively.
- Began meetings to exchange opinions between Outside Directors. The Audit & Supervisory Board will continue to

share its awareness of issues and further strengthen its management supervisory functions.

- Held exchange information meetings with full-time auditors of major domestic subsidiaries. Mutually shared concerns, which led to the development of a relationship in which information can be conveyed to the headquarters.
- Established effective communication channels with the accounting auditors and the Department of Internal Audit, and strengthened the tripartite auditing framework.

Future Issues for the Audit & Supervisory Board

- By enhancing the opportunities for interactive communication between the Audit & Supervisory Board Members of the head office and subsidiaries through the Conference of Auditors for Domestic Group Companies and other measures.

Corporate Governance Initiatives

Committee for the Examination of Nominees for Directors and Compensation Advisory Committee

To ensure fairness and transparency in decisions regarding the appointment and compensation of Kao's Directors and Executive Officers, Kao has voluntarily established the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee.

The Committee for the Examination of Nominees for Directors comprises all Outside Directors and Outside Audit & Supervisory Board Members. The committee submits its opinions regarding nominees for company President and Directors to the Board of Directors. In addition to examining the appropriateness of Director nominees, it discusses size, composition and diversity of the Board of Directors as well as the qualities required for the President and Chief Executive Officer and members of the Board. The committee also reports the results of these examinations and deliberations to the Board of Directors.

The Compensation Advisory Committee is composed of all Outside Directors, all Outside Audit & Supervisory Board Members and all Representative Directors. The committee offers its opinions to the Board of Directors on compensation systems and levels of Directors and Executive Officers.

Furthermore, in FY2018, the effectiveness of both committees was evaluated at the Board of Directors.

Attending Members for Meetings of the Board of Directors, the Audit & Supervisory Board and Other Committees

Classification	Name	Meeting of the Board of Directors	Audit & Supervisory Board Meeting	Committee for the Examination of Nominees for Directors	Compensation Advisory Committee
Members of the Board	Michitaka Sawada	○			○
	Toshiaki Takeuchi	○			○
	Yoshihiro Hasebe	○			○
	Tomoharu Matsuda	○			
	Sonosuke Kadonaga	Outside/Independent	◎		◎
	Osamu Shinobe	Outside/Independent	○		○
	Chiaki Mukai	Outside/Independent	○		○
	Nobuhide Hayashi	Outside/Independent	○		○
Audit & Supervisory Board Members	Katsuya Fujii	○	◎		
	Hideko Aoki	○	○		
	Toraki Inoue	Outside/Independent	○	○	○
	Hideki Amano	Outside/Independent	○	○	○
	Nobuhiro Oka	Outside/Independent	○	○	○

◎ Indicates Chairman of the Board or specified committee
○ Indicates attending member

Independence of Outside Directors and Outside Audit & Supervisory Board Members

Kao uses a structure with the appropriate number of independent Outside Directors and independent Outside Audit & Supervisory Board Members who satisfy the "Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members of Kao Corporation" (hereinafter, the "Standards for Independence") to provide a check on the status of deliberations of the Board of Directors from an objective perspective independent of Kao's management so that its judgment is not biased toward the logic of persons inside the company. Four of the Company's eight Directors and three of its five Audit & Supervisory Board Members and fulfill the Standards for Independence. Under its current structure, The Board of Directors

has appointed an independent Outside Director as Chairman of the Board of Directors to further enhance the Board's neutrality and independence. To promote discussions from diverse perspectives, independent Outside Directors and independent Outside Audit & Supervisory Board Members hold meetings on their own initiative at intermissions of meetings of the Board of Directors or by setting up separate opportunities to exchange information and share awareness of issues related to the Company's management and the activities of the Board of Directors, the development of future management, and other matters.

More details on the Standards for Independence are listed below.
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf

Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

The compensation system for the Directors, Audit & Supervisory Board Members and Executive Officers is aimed at (1) securing and retaining diverse and excellent personnel to establish and improve competitive advantages; (2) promoting prioritized measures for lasting increases in corporate value; and (3) sharing interests in common with shareholders.

Starting in FY2017, Kao has introduced a performance-based share incentive plan for its Directors (excluding Outside Directors) and Executive Officers. Serving as a highly transparent and objective remuneration system that is closely linked to company performance, the performance-based share incentive plan aims to increase awareness of contributing to improvement in the company's financial performance and corporate value over the mid- to long-term.

(i) Base salary

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

(ii) Bonus as short-term incentive compensation

When the full bonus payment rate is paid, the bonus is set at 50% of the base salary for the President and Chief Executive Officer, 40% of the base salary for Executive Officers with titles other than the Chief Executive Officer and 30% of the base salary for other Executive Officers. The bonus payment rate is set within a range of 0% to 200%, depending on the degree of achievement of targets for net sales and income (gross profit less selling, general and administrative expenses), the degree of their improvement from the previous year, and the degree of achievement of the target for Economic Value Added (EVA®), the Company's main management indicator, which takes into account capital cost.

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

Within a four-year target period from FY2017 to FY2020, the period covered by the current mid-term plan, Kao shares, etc., are delivered to Directors, other than Outside Directors and Executive Officers in accordance with the degree of mid-term plan target achievements and non-financial target achievements from an ESG perspective. This incentive plan has two parts: a performance-based part in which Kao shares, etc., are delivered in accordance with the degree of mid-term plan target achievement, and a fixed part

in which a certain number of Kao shares, etc., are delivered annually. The performance-based part of the system provides an impetus for achieving the targets of our mid-term plan and increases the link between performance and compensation over the mid- to long term. The fixed part of the system strengthens shared interest with Kao's shareholders by promoting the holding of shares by Directors (excluding Outside Directors) and Executive Officers. The performance-based part accounts for 70% of shares delivered, with the fixed part accounting for 30%. When the performance-based coefficient for the performance-based part of the system is at 100%, the yearly share remuneration amount is set at nearly 40% to 50% of the base salary.

The compensation system and compensation standards for Directors and Executive Officers are examined by the Compensation Advisory Committee and determined by the Board of Directors. Compensation for independent Outside Directors consists solely of a fixed monthly salary. Compensation of Audit & Supervisory Board Members also consists solely of a fixed monthly salary, and compensation standards are determined at meetings of the Audit & Supervisory Board. Compensation standards for Directors, Executive Officers, and Audit & Supervisory Board Members are determined each year after ascertaining standards at other major manufacturers of similar size, industry category, and business type to Kao using officer compensation survey data from an external survey organization. The Company does not have a system for providing retirement benefits to Directors or Audit & Supervisory Board Members.

Compensation Paid to Directors and Audit & Supervisory Board Members in FY2018

Directors: eight, 480 million yen
(Outside Directors: four, 60 million yen)

Audit & Supervisory Board Members: six, 78 million yen
(Outside Audit & Supervisory Board Members: four, 30 million yen)

Note: The above numbers of Directors/Audit & Supervisory Board Members include one Outside Director and one Outside Audit & Supervisory Board Member who resigned at the conclusion of the 112th Annual General Meeting of Shareholders held on March 23, 2018.

The aggregate amount of remuneration of Directors

Michitaka Sawada (Director)

Aggregate amount of remuneration: 165 million yen

Base salary: 82 million yen

Bonus: 48 million yen

Performance-based remuneration: 35 million yen

Notes: Only Director remuneration amounts totaling over 100 million yen are listed.

Directors and Audit & Supervisory Board Members

(As of March 26, 2019)



Nobuhiro Oka

Outside Audit & Supervisory
Board Member

Toraki Inoue

Outside Audit & Supervisory
Board Member

Hideko Aoki

Full-time Audit & Supervisory
Board Member

Yoshihiro Hasebe

Representative Director
Senior Managing Executive Officer

Nobuhide Hayashi

Outside Director

Sonosuke Kadonaga

Outside Director
Chairman of the Board of Directors

Michitaka Sawada

Representative Director
President and Chief Executive Officer



Tomoharu Matsuda

Director
Managing Executive Officer

Katsuya Fujii

Full-time Audit & Supervisory
Board Member

Hideki Amano

Outside Audit & Supervisory
Board Member

Toshiaki Takeuchi
Representative Director
Senior Managing Executive Officer

Osamu Shinobe
Outside Director

Chiaki Mukai
Outside Director

Directors and Audit & Supervisory Board Members

(As of March 26, 2019)

Board of Directors

Michitaka Sawada

Representative Director
President and Chief Executive Officer

Apr. 1981	Joined Kao Corporation
Jul. 2003	Vice President, Sanitary Products Research Laboratories
Jun. 2006	Vice President, Global Research & Development, Executive Officer
Apr. 2007	Vice President, Global Research & Development, Human Health Care
Jun. 2008	Member of the Board, Executive Officer
Jun. 2012	Representative Director, President and Chief Executive Officer (current)
Jan. 2014	Responsible for Product Quality Management
Jan. 2016	Responsible for Corporate Strategy
Jan. 2019	Responsible for Human Capital Development (current)

Toshiaki Takeuchi

Representative Director
Senior Managing Executive Officer

Apr. 1981	Joined Kao Corporation
Mar. 2006	Vice President, Kyushu Office, Kao Customer Marketing Co., Ltd.
Mar. 2009	Vice President, Corporate Planning, Kao Customer Marketing Co., Ltd.
Mar. 2010	Member of the Board, Executive Officer, Kao Customer Marketing Co., Ltd.
May 2011	Member of the Board, Senior Managing Executive Officer, Kao Customer Marketing Co., Ltd.
May 2012	Representative Director, Senior Managing Executive Officer, Kao Customer Marketing Co., Ltd.
Jun. 2012	Executive Officer
Apr. 2013	Representative Director, Executive Vice President, Kao Customer Marketing Co., Ltd.
Mar. 2014	Managing Executive Officer, Kao Corporation; President, Kao Customer Marketing Co., Ltd.; Member of the Board, Representative Director
Jan. 2016	Representative Director, President, Kao Group Customer Marketing Co., Ltd. (current); Representative Director, Senior Managing Executive Officer (current)

Yoshihiro Hasebe

Representative Director
Senior Managing Executive Officer

Apr. 1990	Joined Kao Corporation
Mar. 2008	Director, Research and Development – Fabric and Home Care Research – Household Products Research
Mar. 2011	Vice President, Research and Development – Beauty Research – Hair Beauty Research
Jan. 2014	Vice President, Research and Development – Core Technology; Vice President, Research and Development – Eco-Innovation Research
Mar. 2014	Executive Officer, Vice President, Research and Development
Mar. 2015	Senior Vice President, Research and Development, Global (current)
Jan. 2016	Managing Executive Officer
Mar. 2016	Director, Managing Executive Officer
Jan. 2018	Director, Senior Managing Executive Officer Responsible for Corporate Functions
Apr. 2018	Senior Vice President, Strategic Innovative Technology, Global (current)
Jan. 2019	Responsible for Compliance (current)
Mar. 2019	Representative Director, Senior Managing Executive Officer (current)

Tomoharu Matsuda

Director
Managing Executive Officer

Apr. 1983	Joined Kao Corporation
Jan. 2008	President, Kao (Hong Kong) Ltd.
Mar. 2010	Chairman and General Manager, Kao (Taiwan) Corporation
Mar. 2013	President, Beauty Care, Skin Care and Hair Care Business Unit, Global
Mar. 2014	Executive Officer
Jan. 2018	Managing Executive Officer; Senior Vice President, Consumer Products Business, Global; Responsible for Skin Care and Hair Care Business (current); Responsible for Human Health Care Business (current); Responsible for Fabric and Home Care Business (current); Chairman of the Board, Oribe Hair Care, LLC (current)
Mar. 2019	Director, Managing Executive Officer (current); President, Consumer Products, Global (current); Responsible for Kao Professional Salon Services (current)

Sonosuke Kadonaga

Outside Director
Chairman of the Board of Directors

	President, Intrinsic Vice President, Business Breakthrough University
Apr. 1976	Joined Chiyoda Corporation
Jun. 1981	Masters in Science in Chemical Engineering, Massachusetts Institute of Technology, School of Engineering, U.S.A.
Aug. 1986	Joined McKinsey & Company, Inc., Japan
Jul. 2009	President, Intrinsic (current)
Jun. 2012	Member of the Board, Kao Corporation (current)
Mar. 2014	Chairman of the Board of Directors (current)

Osamu Shinobe

Outside Director

	Vice Chairman, ANA HOLDINGS INC.
Apr. 1976	Joined ALL NIPPON AIRWAYS CO., LTD. (Now ANA HOLDINGS INC.)
Jun. 2007	Member of the Board, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2009	Executive Vice President (<i>jomu torishimariyaku</i>), ALL NIPPON AIRWAYS CO., LTD.
Jun. 2011	Executive Vice President (<i>senmu torishimariyaku</i>), ALL NIPPON AIRWAYS CO., LTD.
Apr. 2012	Senior Executive Vice President, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2013	Member of the Board, ANA HOLDINGS INC.; President & Chief Executive Officer, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2017	Member of the Board, Vice Chairman, ANA HOLDINGS INC. (current)
Mar. 2018	Member of the Board, Kao Corporation (current)

Chiaki Mukai

Outside Director

	Vice President, Tokyo University of Science; Astronaut; Medical Doctor; M.D., Ph.D.; Outside Director, Fujitsu Limited
Apr. 1977	Staff, Department of Surgery, Keio University School of Medicine
Aug. 1985	Payload Specialist, the National Space Development Agency of Japan (currently, the Japan Aerospace Exploration Agency; JAXA)
Jun. 1987	Visiting Scientist, Division of Cardiovascular Physiology, Space Biomedical Research Institute, NASA Johnson Space Center
Sep. 1992	Research Instructor of the Department of Surgery, Baylor College of Medicine
Apr. 2000	Visiting Professor of the Department of Surgery, Keio University School of Medicine (current)
Apr. 2015	Vice president, Tokyo University of Science; Senior Technical Advisor, JAXA
Jan. 2016	Corporate Executive Fellow, Kao Corporation
Apr. 2016	Vice president, Tokyo University of Science (current)
Mar. 2019	Member of the Board, Kao Corporation (current)

Nobuhide Hayashi

Outside Director

	Director, Chairman, Mizuho Bank, Ltd.
Apr. 1980	Joined The Fuji Bank, Limited
Apr. 2007	Executive Officer – Corporate Banking Division #13, Mizuho Corporate Bank, Ltd.
Apr. 2009	Managing Executive Officer – Japanese Business Promotion, Mizuho Corporate Bank, Ltd.
Jun. 2011	Managing Director and Head of International Banking Unit, Mizuho Corporate Bank, Ltd.
Apr. 2013	Deputy President & Deputy President Executive Officer, Mizuho Financial Group Inc.; Deputy President & Deputy President Executive Officer, Mizuho Bank, Ltd.; Representative Director, Deputy President, Mizuho Corporate Bank, Ltd.
Jun. 2013	Director, Deputy President, Mizuho Financial Group Inc.
Jul. 2013	Representative Director, Deputy President, Mizuho Bank, Ltd.
Apr. 2014	Representative Director, President and CEO, Mizuho Bank, Ltd.
Apr. 2017	Director, Chairman, Mizuho Bank, Ltd. (current)
Mar. 2019	Member of the Board, Kao Corporation (current)

Audit & Supervisory Board Members

Katsuya Fujii

Full-time Audit & Supervisory Board Member

Apr. 1980	Joined Kao Corporation
Mar. 2003	IR Group Leader, Accounting and Finance
Jun. 2011	Financial Director, Accounting and Finance
Mar. 2017	Full-time Audit & Supervisory Board Member (current)

Hideko Aoki

Full-time Audit & Supervisory Board Member

Aug. 1982	Joined Kao Corporation
Apr. 2007	Vice President, Product Quality Management Division
Jun. 2010	Executive Officer
Mar. 2015	Managing Executive Officer
Jan. 2019	Responsible for Special Missions
Mar. 2019	Full-time Audit & Supervisory Board Member (current)

Toraki Inoue

Outside Audit & Supervisory Board Member

	Certified Public Accountant Representative Director, President, Accounting Advisory Co., Ltd.
Oct. 1980	Joined Arthur Andersen LLP
Dec. 1985	Registered as a certified public accountant
Jun. 1987	Resided at New York Office of Arthur Andersen
Oct. 1995	National Partner of Arthur Andersen
Oct. 1997	Worldwide Partner of Arthur Andersen
Jul. 1999	Representative Partner, Asahi & Co.
Jul. 2008	Toraki Inoue Certified Public Accountant Office (current)
Jun. 2010	Representative Director, President, Accounting Advisory Co., Ltd. (current)
Mar. 2016	Audit & Supervisory Board Member, Kao Corporation (current)

Hideki Amano

Outside Audit & Supervisory Board Member

	Certified Public Accountant
Apr. 1976	Joined Arthur Andersen LLP
Sep. 1980	Registered as a certified public accountant
Jun. 1984	Transferred to Arthur Andersen Düsseldorf Office, Germany
Sep. 1992	Senior Partner, Inoue Saito Eiwa Audit Corporation
Sep. 2011	Vice-Chairman of the Board of Trustees, KPMG AZSA LLC; member of KPMG Global Audit Steering Group
Jul. 2015	Executive Senior Partner, KPMG AZSA LLC
Mar. 2017	Audit & Supervisory Board Member, Kao Corporation (current)

Nobuhiro Oka

Outside Audit & Supervisory Board Member

	Attorney-at-Law Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd.
Apr. 1993	Registered as an attorney-at-law, joined Kajitani Law Offices
Apr. 1997	Representative Partner, Takekawa & Oka Law Office
Oct. 2004	Representative Partner, Takekawa, Oka & Yoshino Law Office
Apr. 2012	Professor, Keio University Law School (current)
Oct. 2013	Representative, Oka-Partners Law Office (current)
Mar. 2014	Outside Audit & Supervisory Board Member, Kao Customer Marketing Co., Ltd.
Jan. 2016	Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd. (current)
Mar. 2018	Audit & Supervisory Board Member, Kao Corporation (current)

Executive Officers and Corporate Executive Fellows (As of March 26, 2019)

Executive Officers



Michitaka Sawada
President and Chief Executive Officer
Responsible for Human Capital Development



Shigeru Ueyama
Managing Executive Officer
Senior Vice President, Corporate Strategy, Global



Toshiaki Takeuchi
Senior Managing Executive Officer
Representative Director, President, Kao Group
Customer Marketing Co., Ltd.



Masakazu Negoro
Managing Executive Officer
Senior Vice President, Procurement, Global



Yoshihiro Hasebe
Senior Managing Executive Officer
Senior Vice President, Research and
Development, Global;
Senior Vice President, Strategic Innovative
Technology, Global;
Responsible for Compliance



Yasushi Wada
Managing Executive Officer
Senior Vice President, Product Quality
Management, Global



Masumi Natusaka
Managing Executive Officer
Responsible for Special Missions



Osamu Tabata
Managing Executive Officer
Senior Vice President, Supply Chain
Management, Global;
Responsible for TCR Promotion



Yasushi Aoki
Managing Executive Officer
Representative Director, Chairman of the Board,
Senior Executive Officer,
Responsible for Special Missions,
Kanebo Cosmetics Inc.



Hitoshi Hosokawa
Executive Officer
Vice President, Research and Development –
Skin Care Products Research, Global;
Responsible for Research and Development –
Global Beauty Care



Tomoharu Matsuda
Managing Executive Officer
President, Consumer Products, Global;
Responsible for Skin Care and Hair Care Business;
Responsible for Human Health Care Business;
Responsible for Fabric and Home Care Business;
Responsible for Kao Professional Services Co., Ltd.;
Chairman of the Board, Oribe Hair Care, LLC



Hiroyuki Yamashita
Executive Officer
Vice President, Supply Chain Management –
Technology Development Center, Global



Minoru Nakanishi
Executive Officer
President, Consumer Products, Asia;
Chairman of the Board and President, Kao
(China) Holding Co., Ltd.;
Chairman of the Board and President, Kao
Corporation Shanghai;
Chairman of the Board and President, Kao
Commercial (Shanghai) Co., Ltd.;
Chairman of the Board and President, Kao
(Hefei) Co., Ltd.;
Chairman of the Board, Kanebo Cosmetics
(China) Co., Ltd.



Akemi Ishiwata

Executive Officer
Senior Vice President, Corporate Communications, Global



David J. Muenz

Executive Officer
Senior Vice President, ESG, Global



Satoru Tanaka

Executive Officer
President, Consumer Products, Americas and EMEA;
Chairman of the Board, Kao USA Inc.;
Chairman of the Board, Washing Systems, LLC



Akio Matsui

Executive Officer
Senior Vice President, Human Capital Development, Global;
President, Kao Group Corporate Pension Fund;
Chairman of the Board, Kao America Inc.



Kenichi Yamauchi

Executive Officer
Senior Vice President, Accounting and Finance, Global;
President, Kao America Inc.



Hideichi Nitta

Executive Officer
Vice President, Supply Chain Management – Demand and Supply Planning Center, Global



Hideaki Kubo

Executive Officer
Vice President, Research and Development, Global;
Responsible for Research and Development – Core Technology



Masahiro Katayose

Executive Officer
President, Chemical Business, Global;
Chairman of the Board, Fatty Chemical (Malaysia) Sdn. Bhd.;
Chairman of the Board, Pilipinas Kao, Inc.;
Presidente, Kao Chemicals Europe, S.L.



Yoshihiro Murakami

Executive Officer
Responsible for Cosmetics Business;
Representative Director, President, Kanebo Cosmetics Inc.;
Chairman of the Board, Molton Brown Limited



Shigeo Nakai

Executive Officer
Vice President, Research and Development – Performance Chemicals Research, Global;
Responsible for Research and Development – Environmental New Business



Ryoichi Harada

Executive Officer
Senior Vice President, Enterprise Information Solutions, Global;
Vice President, Strategic Innovative Technology, Global



Hideki Mamiya

Executive Officer
Representative Director, Senior Managing Executive Officer, Kao Group Customer Marketing Co., Ltd.



Hiroaki Taki

Executive Officer
Senior Vice President,
Marketing Emergence, Global



Masaru Takeyasu

Executive Officer
Senior Vice President, Legal and Compliance, Global

Corporate Executive Fellows

Yoshinori Takema

Corporate Executive Fellow
Individual treated as the same as the Company's Managing Executive Officer

Yuji Furui

Corporate Executive Fellow
Project Professor, Tokyo University
Visiting Professor, Jichi Medical University

Executive Fellows engage in activities to further deepen cooperation with outside parties by leveraging their expertise and external networks.

Takuji Yasukawa

Corporate Executive Fellow
Individual treated as the same as the Company's Executive Officer

KaO

Enriching lives, in harmony with nature.

Kao Corporation

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Corporate Business Planning and Coordination
Corporate Strategy

www.kao.com

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