



1-14-10, Nihonbashi Kayabacho, Chuo-ku, TOKYO 103-8210 JAPAN

March 3, 2020

NOTICE OF THE 114th ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

Kao Corporation (the “Company”) is pleased to announce that the 114th Annual General Meeting of Shareholders of the Company (“AGM”) will be held on March 25, 2020 at 10:00 a.m., Japan time, at The Prince Park Tower Tokyo, Ballroom, B2 (8-1 Shiba Koen 4-chome, Minato-ku, Tokyo, Japan). At the AGM, Shareholders will be asked to vote on the following agenda items: *(Please note that a shareholder is entitled to one vote per unit of shares, with each unit consisting of one hundred (100) shares.)*

1. Proposal for Appropriation of Retained Earnings
2. Partial Amendment to the Articles of Incorporation
3. Election of eight (8) Directors
4. Election of one (1) Audit & Supervisory Board Member

As we place great importance to your exercise of voting rights at the AGM, we have attached, for your convenience, English summaries of the Proxy Statement and the Business Report, the originals of which are in the Japanese language and are being distributed to all registered shareholders or their standing proxies in Japan. We strongly urge you to exercise your voting rights at the AGM.

As part of our ongoing effort to improve the quality of communications with our foreign investors and to increase the voting participation of foreign investors at the AGM, the Company has retained Georgeson as our Global Information Agent to assist us with the AGM. If you have any questions, please contact Cheryl Tirol at +001-201-222-4375 or ctirol@georgeson.com, or Michael Menahem at +001-201-222-4374 or mmenahem@georgeson.com. The attached materials are also available on our website at www.kao.com/global/en/investor-relations/stock-information/shareholders/

PLEASE CONTACT YOUR BROKER OR CUSTODIAN WITH YOUR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.

Thank you very much for your attention.

Very truly yours,

Michitaka Sawada
Representative Director
President and Chief Executive Officer

ISIN	JP3205800000
SEDOL	6483809
TSE	4452

Kao Corporation

English Summary of the PROXY STATEMENT

The Proxy Statement of Kao Corporation (the “Company”) in the Japanese language has been prepared for the purpose of the 114th Annual General Meeting of Shareholders of the Company (the “AGM”) to be held on March 25, 2020 at 10:00 a.m. Japan time, at The Prince Park Tower Tokyo, Ball Room, B2 (8-1 Shiba Koen 4-chome, Minato-ku, Tokyo, Japan), and is to be furnished to all shareholders of the Company holding at least one Unit Share* (“Shareholders”) of record as of December 31, 2019 (the “Record Date”).

All Shareholders have valid voting rights and are entitled to vote at the AGM. In order to properly transact business at the AGM, Shareholders holding more than one third of all the voting rights as of the Record Date must be present either in person or be represented by proxy at the AGM.

**Note: A shareholder is entitled to one voting right per Unit Share, with each Unit Share consisting of one hundred (100) shares.*

PROPOSAL 1: PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS

In order to achieve profitable growth, the Company secures an internal reserve for capital investment and acquisitions from a medium-to-long-term management perspective and places priority on providing shareholders with steady and continuous dividends. In addition, the Company flexibly considers the repurchase and retirement of shares from the standpoint of improving capital efficiency.

The following distribution of year-end retained earnings is proposed:

- (1) Matters concerning Assets to be Distributed to Shareholders and Aggregate Amount thereof
65.00 yen per share of common share of the Company
Aggregate amount of distribution: 31,310,472,440 yen
- (2) Effective Date of Distribution of Retained Earnings
March 26, 2020

If this proposal is adopted without any amendment, then, by adding the interim dividends of **65.00 yen per share** to the above year-end dividends of **65.00 yen per share**, the total dividends for this fiscal year will be **130.00 yen per share**, an increase of 10.00 yen per share over the previous fiscal year, representing a consolidated payout ratio of 42.4%.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 1.

PROPOSAL 2: PARTIAL AMENDMENT TO THE ARTICLES OF INCORPORATION

1. Reasons for the Proposals

With a view to separating supervision from execution, in the current version of the Company's Articles of Incorporation, the Chairperson of the Board is recognized as the head of the Board of Directors having supervisory functions, and the title is prescribed as "Chairperson of the Board of Directors (*torishimariyakukai kaicho*)"; however, since 2014, an Independent Outside Director whose title is not the "Chairperson of the Board of Directors" has been acting as the chairperson at meetings of the Board of Directors. Accordingly, in order to clearly distinguish between the role of Chairperson of the Board of Directors and chairperson at meetings of the Board of Directors, and to adopt a new title of "Director, Chair (*torishimariyaku kaicho*)" which is a more commonly-used title in Japanese, the Company proposes that necessary changes be made to Article 23, Paragraph 3 of the current version of the Articles of Incorporation.

2. Details of the Amendments

The following changes will be made to the current Articles of Incorporation:

(Underlined parts will be changed)

Current Articles of Incorporation (Extracts)	Proposed Amendments
(Representative Directors and <u>Chairperson of the Board of Directors</u>)	(Representative Directors and Director, Chair)
Article 23. The Board of Directors shall appoint by resolution one (1) or more Directors to represent the Company.	Article 23. (Unchanged)
2. Representative Director(s) shall represent the Company in managing the affairs of the Company according to resolutions of the Board of Directors.	2. (Unchanged)
3. The Board of Directors may appoint by resolution one (1) <u>Chairperson of the Board of Directors</u> .	3. The Board of Directors may appoint by resolution one (1) <u>Director, Chair</u> .

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF THIS PROPOSAL 2.

PROPOSAL 3: ELECTION OF EIGHT (8) DIRECTORS

The terms of office of all eight (8) incumbent Directors will expire at the conclusion of the AGM. Accordingly, the Company proposes that a total of eight (8) Directors, including four (4) Outside Directors, be elected. The nominees for Directors are as shown below.

Provided below is the list of the nominees followed by their personal information and career summary.

Also, if nominee of Proposal 3 and Proposal 4 are elected, as proposed by the Company, there will be four (4) Independent Outside Directors and three (3) Independent Outside Audit & Supervisory Board Members, according to “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation.” Accordingly, seven (7) out of thirteen (13) attendees of the meeting of the Board of Directors will be independent, so the Company believes that adequate discussions will be possible at the meetings of the Board of Directors, based on such independent and neutral opinions.

Please refer to the following page 16 for details of “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation.”

No.	Names of Nominees		Status at the Company and Other Material Position(s) Held	Board Tenure	Attendance Rate*
1.	Michitaka Sawada	Re-nomination	Representative Director, President and Chief Executive Officer	11 years and 9 months	100% (14/14)
2.	Toshiaki Takeuchi	Re-nomination	Representative Director, Senior Managing Executive Officer [Other material position(s) held] Representative Director, President, Kao Group Customer Marketing Co., Ltd.	6 years	100% (14/14)
3.	Yoshihiro Hasebe	Re-nomination	Representative Director, Senior Managing Executive Officer; Senior Vice President, Research and Development, Global; Senior Vice President, Strategic Innovative Technology, Global; Responsible for Compliance	4 years	100% (14/14)
4.	Tomoharu Matsuda	Re-nomination	Director, 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.	1 year	100% (12/12)
5.	Sonosuke Kadonaga	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] President, Intrinsic; Member of the Board, Business Breakthrough Inc.; Outside Director, Chairperson of the Audit & Supervisory Committee, Sumitomo Mitsui Banking Corporation; Vice President, Business Breakthrough University	7 years and 9 months	100% (14/14)
6.	Osamu Shinobe	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] Special Advisor, ANA HOLDINGS INC.	2 years	100% (14/14)
7.	Chiaki Mukai	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] Specially Appointed Vice President, Tokyo University of Science; Astronaut, Medical Doctor; M.D., Ph.D.; Outside Director, Fujitsu Limited	1 year	100% (12/12)
8.	Nobuhide Hayashi	Re-nomination; Outside Director; Independent Director	Director [Other material position(s) held] Senior Advisor, Mizuho Bank, Ltd.; Outside Director, Baroque Japan Limited; Outside Audit & Supervisory Board Member, JTB Corp.	1 year	100% (12/12)

* During FY2019, 14 meetings of the Board of Directors were held. After Mr. Tomoharu Matsuda, Ms. Chiaki Mukai and Mr. Nobuhide Hayashi took office as Directors, 12 meetings of the Board of Directors were held.

1. Michitaka Sawada (Date of Birth: December 20, 1955)

Re-nomination



Attendance to the Meeting
of the Board of Directors:
14/14 (100%)

Number of the Company
shares owned:
34,600 shares

Term of office at the
conclusion of this AGM:
11 years and 9 months

[Career summary, status and duties at the Company]

April 1981	Joined the Company
June 2006	Executive Officer
June 2008	Director, Executive Officer
June 2012	Representative Director, President and Chief Executive Officer (current)

[Reason for appointment as a nominee for Director]

Ever since assuming office as Representative Director, President and Chief Executive Officer in 2012, Mr. Sawada has been at the forefront of furthering the “Yoki-Monozukuri”^{*} philosophy, which emphasizes R&D functions, as well as in aiming to “Make Kao a company with a global presence,” working to achieve both “profitable growth” and “social sustainability,” and enhancing corporate value, through the best use of the Kao Group’s assets. In 2019, he continued to steadily promote the Kao Group Mid-Term Plan “K20” under its slogan of “Transforming ourselves to drive change” and declared that ESG (Environmental, Social and Governance) issues would constitute the core of management. The Company expects that Mr. Sawada will even more strongly promote K20 in 2020, being the final year of the mid-term plan, with the objective of realizing what Kao aims to be by 2030. Having determined that Mr. Sawada will engage in the supervision and execution of management while taking all stakeholders into account, to thereby ensure sustainable growth of the Kao Group, the Company hereby appoints him as a nominee to continue as a Director.

^{}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.”*

2. Toshiaki Takeuchi (Date of Birth: March 22, 1959)

Re-nomination



[Career summary, status and duties at the Company]

April 1981	Joined the Company
June 2012	Executive Officer
March 2014	Representative Director, Managing Executive Officer
January 2016	Representative Director, Senior Managing Executive Officer (current); Representative Director, President, Kao Group Customer Marketing Co., Ltd. (current)

Attendance to the Meeting
of the Board of Directors:
14/14 (100%)

Number of the Company
shares owned:
25,200 shares

Term of office at the
conclusion of this AGM:
6 years

[Other material position(s) held]

Representative Director, President, Kao Group Customer Marketing Co., Ltd.

[Reason for appointment as a nominee for Director]

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. 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.

3. Yoshihiro Hasebe (Date of Birth: July 30, 1960)

Re-nomination



Attendance to the Meeting
of the Board of Directors:
14/14 (100%)

Number of the Company
shares owned:
11,000 shares

Term of office at the
conclusion of this AGM:
4 years

[Career summary, status and duties at the Company]

April 1990	Joined the Company
March 2014	Executive Officer
March 2015	Senior Vice President, Research and Development, Global (current)
January 2016	Managing Executive Officer
March 2016	Director, Managing Executive Officer
January 2018	Director, Senior Managing Executive Officer
April 2018	Senior Vice President, Strategic Innovative Technology, Global (current)
January 2019	Responsible for Compliance (current)
March 2019	Representative Director, Senior Managing Executive Officer (current)

[Reason for appointment as a nominee for Director]

Over many years, Mr. Hasebe has been involved in R&D activities in various fields, including fundamental research and product development research, and has been the driving force in providing the world with innovative products which contribute to enriching people's lifestyles. 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. Furthermore, since assuming office as Senior Vice President, Strategic Innovative Technology, Global, he has been promoting strategic digital transformation such as by utilizing artificial intelligence (AI) in management, in order to accomplish business transformations and improved business efficiency. In addition, since becoming responsible for compliance in January 2019, he has taken leadership in carrying out compliance promotion activities. 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. Hasebe 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.

4. Tomoharu Matsuda (Date of Birth: November 15, 1959) Re-nomination



[Career summary, status and duties at the Company]

April 1983	Joined the Company
January 2008	President, Kao (Hong Kong) Ltd.
March 2010	Chairman of the Board and President, Kao (Taiwan) Corporation
March 2014	Executive Officer
January 2018	Managing Executive Officer; Senior Vice President, Consumer Products, 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)
March 2019	Director, Managing Executive Officer (current); President, Consumer Products, Global (current); Responsible for Kao Professional Services Co., Ltd. (current)

Attendance to the Meeting
of the Board of Directors:
(since his appointment on
March 26, 2019) :
12/12 (100%)

Number of the Company
shares owned:
10,500 shares

Term of office at the
conclusion of this AGM:
1 year

[Reason for appointment as a nominee for Director]

Over many years, Mr. Matsuda has been involved in product development, namely, the core function of *Yoki-Monozukuri*, 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.

5. Sonosuke Kadonaga (Date of Birth: August 5, 1952)

Re-nomination

Outside Director

Independent
Director



[Career summary, status and duties at the Company]

April 1976	Joined Chiyoda Corporation
June 1981	Master of Science in Chemical Engineering, Massachusetts Institute of Technology, School of Engineering, U.S.A.
August 1986	Joined McKinsey & Company, Inc., Japan
July 2009	President, Intrinsic (current)
June 2012	Director, Kao Corporation (current)

[Other material position(s) held]

President, Intrinsic; Member of the Board, Business Breakthrough Inc.; Outside Director, Chairperson of the Audit & Supervisory Committee, Sumitomo Mitsui Banking Corporation; Vice President, Business Breakthrough University

Attendance to the Meeting
of the Board of Directors:
14/14 (100%)

Number of the Company
shares owned:
12,000 shares

Term of office at the
conclusion of this AGM:
7 years and 9 months

[Reason for appointment as a nominee for Outside Director]

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.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Mr. Kadonaga is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if he is reelected and assumes office as a Director.

6. Osamu Shinobe (Date of Birth: November 11, 1952)

Re-nomination

Outside Director

Independent
Director



Attendance to the Meeting of the Board of Directors: **14/14 (100%)**

Number of the Company shares owned:
400 shares

Term of office at the conclusion of this AGM:
2 years

[Career summary, status and duties at the Company]

April 1976	Joined ALL NIPPON AIRWAYS CO., LTD. (currently, ANA HOLDINGS INC.)
June 2007	Member of the Board, ALL NIPPON AIRWAYS CO., LTD.
April 2009	Executive Vice President (jomu torishimariyaku), ALL NIPPON AIRWAYS CO., LTD.
June 2011	Executive Vice President (senmu torishimariyaku), ALL NIPPON AIRWAYS CO., LTD.
April 2012	Senior Executive Vice President, ALL NIPPON AIRWAYS CO., LTD.
April 2013	Member of the Board, ANA HOLDINGS INC. President and Chief Executive Officer, ALL NIPPON AIRWAYS CO., LTD.
April 2017	Member of the Board, Vice Chairman, ANA HOLDINGS INC.
March 2018	Director, Kao Corporation (current)
April 2019	Special Advisor, ANA HOLDINGS INC. (current)

[Other material position(s) held]

Special Advisor, ANA HOLDINGS INC.

[Reason for appointment as a nominee for Outside Director]

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.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Mr. Shinobe is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if he is reelected and assumes office as a Director.

He 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 and there are transactions related to the payment of advertising expenses for its in-flight magazine and others. 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.

7. Chiaki Mukai (Date of Birth: May 6, 1952)

Re-nomination

Outside Director

Independent
Director



Attendance to the Meeting
of the Board of Directors
(since her appointment on
March 26, 2019) : **12/12**
(100%)

Number of the Company
shares owned:
600 shares

Term of office at the
conclusion of this AGM:
1 year

[Career summary, status and duties at the Company]

April 1977	Staff, Department of Surgery, Keio University School of Medicine
August 1985	Payload Specialist, the National Space Development Agency of Japan (currently, the Japan Aerospace Exploration Agency; JAXA)
June 1987	Visiting Scientist, Division of Cardiovascular Physiology, Space Biomedical Research Institute, NASA Johnson Space Center
September 1992	Research Instructor of the Department of Surgery, Baylor College of Medicine
April 2000	Visiting Professor of the Department of Surgery, Keio University School of Medicine (current)
April 2015	Vice president, Tokyo University of Science; Senior Technical Advisor, JAXA
January 2016	Corporate Executive Fellow, Kao Corporation
April 2016	Specially Appointed Vice President, Tokyo University of Science (current)
March 2019	Director, Kao Corporation (current)

[Other material position(s) held]

Specially Appointed Vice President, Tokyo University of Science; Astronaut; Medical Doctor; M.D., Ph.D.;
Outside Director, Fujitsu Limited

[Reason for appointment as a nominee for Outside Director]

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.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Ms. Mukai is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if she is reelected and assumes office as a Director.

She previously had executive authority at Tokyo University of Science, but ceased to have such authority 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. Although the Company has transactions with the Tokyo University of Science, which involve the entrustment of research projects to 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. Also, she has served as a Corporate Executive Fellow of the Company since January 2016 to March 2019, however, the annual compensation amount is well below the 10 million yen limit set forth in the "Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members of Kao Corporation."

8. Nobuhide Hayashi (Date of Birth: March 27, 1957)

Re-nomination

Outside Director

Independent
Director



Attendance to the Meeting of the Board of Directors (since his appointment on March 26, 2019) : **12/12 (100%)**

Number of the Company shares owned:
100 shares

Term of office at the conclusion of this AGM:
1 year

[Career summary, status and duties at the Company]

April 1980	Joined The Fuji Bank, Limited
April 2007	Executive Officer – Corporate Banking Division #13, Mizuho Corporate Bank, Ltd.
April 2009	Managing Executive Officer – Japanese Business Promotion, Mizuho Corporate Bank, Ltd.
June 2011	Managing Director and Head of International Banking Unit, Mizuho Corporate Bank, Ltd.
April 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.
June 2013	Director, Deputy President, Mizuho Financial Group Inc.
July 2013	Representative Director, Deputy President, Mizuho Bank, Ltd.
April 2014	Representative Director, President and CEO, Mizuho Bank, Ltd.
April 2017	Director, Chairman, Mizuho Bank, Ltd.
March 2019	Director, Kao Corporation (current)
April 2019	Senior Advisor, Mizuho Bank, Ltd. (current)

[Other material position(s) held]

Senior Advisor, Mizuho Bank, Ltd.; Outside Director, Baroque Japan Limited;
Outside Audit & Supervisory Board Member, JTB Corp.

[Reason for appointment as a nominee for Outside Director]

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.

[Matters regarding independency]

The Company has reported to the Tokyo Stock Exchange, Inc. that Mr. Hayashi is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange, Inc. The Company will continue the above report if he is reelected and assumes office as a Director.

He 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.

[Special notes concerning nominees for Directors]

■ **Special relationship between the Company and the nominees for Directors**

There are no special interests between the Company and the nominees for Directors.

■ **Matters regarding the nominees for Outside Directors**

Of the nominees for Directors, Mr. Sonosuke Kadonaga, Mr. Osamu Shinobe, Ms. Chiaki Mukai and Mr. Nobuhide Hayashi are nominees for Outside Directors.

■ **Summary of liability limitation agreements**

Pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, the Company entered into an agreement with Mr. Sonosuke Kadonaga, Mr. Osamu Shinobe, Ms. Chiaki Mukai and Mr. Nobuhide Hayashi, respectively, to the effect that each of their liability 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. If they are reelected and assume office, the Company will continue these agreements with them.

<p>THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF THIS PROPOSAL 3.</p>

PROPOSAL 4: ELECTION OF ONE (1) AUDIT & SUPERVISORY BOARD MEMBER

Of the five (5) incumbent Audit & Supervisory Board Members, the term of office of Mr. Toraki Inoue will expire at the conclusion of the AGM. Accordingly, the Company proposes that one (1) Audit & Supervisory Board Member be elected as an Outside Audit & Supervisory Board Member.

The Audit & Supervisory Board has approved the submission of this proposal to the AGM. Provided below is the relevant personal information and career summary held by the nominee.

Takahiro Nakazawa (Date of Birth: May 30, 1958)

New Nominee

Outside Audit &
Supervisory
Board Member

Independent Audit &
Supervisory Board
Member



[Career summary]

October 1981	Joined PriceWaterhouse Tokyo
June 1983	Joined Aoyama Audit Corporation
March 1985	Registered as Certified Public Accountant
July 2001	Representative Partner, Chuo-Aoyama Audit Corporation
September 2006	Representative Partner, Aarata Audit Corporation (currently, PricewaterhouseCoopers Aarata LLC)
July 2018	Nakazawa Certified Public Accountant Office (current)

[Other material position(s) held]

Certified Public Accountant

Number of the Company
shares owned:
0 shares

[Reason for appointment as a nominee for Outside Audit & Supervisory Board Member]

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 glean 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.

[Matters regarding independency]

If Mr. Nakazawa is elected and assumes office as an Audit & Supervisory Board Member, the Company will report to the Tokyo Stock Exchange, Inc. that he is an Independent Audit & Supervisory Board Member as set forth in the Regulations of the Tokyo Stock Exchange, Inc.

[Special notes concerning nominee(s) for Audit & Supervisory Board Memeber]

■ **Special relationship between the Company and the Nominee for Audit & Supervisory Board Members**

There are no special interests between the Company and the nominee for Audit & Supervisory Board Members.

■ **Matters regarding the Nominee for Outside Audit & Supervisory Board Member**

Mr. Takahiro Nakazawa is a nominee for Outside Audit & Supervisory Board Member.

■ **Summary of liability limitation agreement**

If Mr. Takahiro Nakazawa is elected and assumes office as an Audit & Supervisory Board Member, pursuant to Article 427, paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, the Company will enter into an agreement with him, to the effect that his liability 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.

<p>THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF THIS PROPOSAL 4.</p>

(For Reference)

Policy on Nomination of Directors and Audit & Supervisory Board Members Candidates

The Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings deliberate on the appropriateness of the business strategies, the risks related to their realization and other matters in an objective and multifaceted fashion. They also supervise and audit the status of execution. To conduct these tasks, the Company considers it important those parties from inside and outside the Company with a greater diversity of experience, knowledge, expertise and insight conduct examinations through joint contributions of opinions from various perspectives. Consequently, the Company nominates the appropriate Directors and Audit & Supervisory Board Members to realize this objective.

In addition, to promote sharing of the knowledge and information obtained related to the Company's management and businesses from predecessor to successor, the Company sets staggered terms of office for Outside Directors and Outside Audit & Supervisory Board Members.

Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors

In accordance with the above policy on nomination, the Company ensures diversity and a balance among the knowledge, experience and skills of the Board of Directors as a whole as follows. In addition, the Company sets the appropriate size of the Board of Directors in consideration of the simplification of the Board of Directors to accelerate decision-making for dealing with business expansion and other matters, and the balance of diverse personnel required to conduct the proper deliberations and supervision of execution, premised on the delegation of responsibility to appropriately placed Executive Officers.

Inside Directors are nominated with emphasis on their experience of the operation, including global operation, of R&D, marketing, sales, production and other divisions related to *Yoki-Monozukuri* and the operation of divisions related to corporate functions that support these divisions, as well as their understanding of the business environment in which the Company operates and the Company's strengths and issues for dealing with it, necessary for the appropriate planning and deliberation of business strategies.

Outside Directors are nominated with emphasis on diverse experience, their knowledge and high level of insight obtained from such experience that cannot be obtained from Inside Directors alone in deliberations on business strategies, together with consideration for their independence. Examples include experience, including global experience, managing a company that provides products and services in a different field from the Company, and consulting or academic experience. In addition, the Company aims to have Outside Directors comprise approximately half of the Board of Directors to ensure its diversity and influence.

Full-time Audit & Supervisory Board Members are nominated with emphasis on the balance of business experience of each person to date and the knowledge gained therefrom, experience working overseas, and qualities that can ensure independence from persons executing business. The nominees are selected from inside the Company from persons involved in corporate management of accounting and finance, operation of business, the supply chain from R&D to production and sales and persons with overseas and other business experience.

Outside Audit & Supervisory Board Members are nominated with emphasis on factors necessary for auditing, including a high level of expertise, insight and abundance of experience relating to accounting and finance and laws and their high level of ethics as professionals, as well as by considering the legal and regulatory requirement for externality and independence. In addition, to increase the independence and neutrality of the Audit & Supervisory Board, a majority are Outside Audit & Supervisory Board Members who meet the Standards for Independence. When nominating Audit & Supervisory Board Members, the Company emphasizes experience, disposition, expertise and other characteristics necessary for deliberation, etc. of the business strategies.

Moreover, the Company recognizes that, in addition to knowledge, experience and ability, the diverse perspectives of people of various genders, races and nationalities and others contribute to the promotion of business, global expansion and proper supervision and auditing, and promotes the appointment of such diverse personnel as Directors, Audit & Supervisory Board Members and Executive Officers.

Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates

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

With regard to nominees for Audit & Supervisory Board Members, the Audit & Supervisory Board, which includes all Outside Audit & Supervisory Board Members as its members, discuss the appropriateness and qualifications, etc. of each nominee, based on its independent and objective perspective and in accordance with the above-described policy and the policy of nominating nominees for Audit & Supervisory Board Members established by the Audit & Supervisory Board. Furthermore, with the consent of the Audit & Supervisory Board,

the Board of Directors determines such nominees as the nominees for Audit & Supervisory Board Members to be presented in a proposal for the General Meeting of Shareholders.

(For Reference)

Summary of “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation”

1. In order for the board of directors of Kao Corporation (the “Company”) to determine an outside director or outside Audit & Supervisory Board Member of the Company (collectively, the “outside director/ Audit & Supervisory Board Member”) qualifies as independent, the relevant outside director/Audit & Supervisory Board Member must be neutral and independent from the management of the Company and must not be described by any of the following items (an outside director/Audit & Supervisory Board Member who is qualified as independent is hereinafter referred to as an “independent director/Audit & Supervisory Board Member”):
 - (a) A person executing the operations (“executing person”) of the Company or its affiliate companies (collectively, the “Kao Group”);
 - (b) A party for whom the Kao Group is a principal business partner or an executing person of such party;
 - (c) A principal business partner of the Kao Group or an executing person of such party;
 - (d) A large shareholder of the Company (a party which directly or indirectly holds 10% or more of the total voting rights of the Company) or an executing person of such party;
 - (e) An executing person of a party in which the Kao Group is a large investor (a party, 10% or more of whose voting rights are directly or indirectly held by the Kao Group);
 - (f) A party which has received a significant amount of donation from the Kao Group or an executing person of such party;
 - (g) A consultant, an accounting professional such as a certified public accountant or a legal professional such as an attorney-at-law who has received a significant amount of money or other property from the Kao Group, other than as compensation for being a director and/or an Audit & Supervisory Board Member (if the party having received such property is a corporation, partnership or any other entity, this item refers to a person belonging to the relevant entity);
 - (h) A person belonging to the auditing firm engaged to conduct the statutory audit of the Company;
 - (i) In the case where any executing person of the Kao Group currently serves, or served within the past three (3) years, as an outside director/Audit & Supervisory Board Member of any other company, an executing person of such other company;
 - (j) Any person who was described by any of the items (a) to (i) above in the past three (3) years; and
 - (k) An immediate family member, etc. of any of the persons listed below:
 - a. Any person described in items (b) through (i) above; provided, however, that an “executing person” in items (b) through (f) is limited to key executing persons ; a “person belonging to the relevant entity” in item (g) is limited to key executing persons, and if the relevant entity is an auditing firm, a law firm or any other professional entity, such person is limited to persons with professional qualifications such as certified public accountants, attorneys-at-law; a “person belonging to the auditing firm” in item (h) is limited to key executing persons and other persons with professional qualifications such as certified public accountants; and “an executing person of such other company” in item (i) is limited to key executing persons of such other company;
 - b. A key executing person of the Kao Group; and
 - c. Any person who was described by item b. above in the past three (3) years.
2. In addition to the requirements set forth in the preceding Article there must not be any circumstances that are reasonably deemed to prevent an independent director/Audit & Supervisory Board Member from performing his or her duties as an independent director/Audit & Supervisory Board Member.
3. An independent director/Audit & Supervisory Board Member must make efforts to maintain independence as set forth in these Standards until retirement or resignation from his or her position. If an independent director/Audit & Supervisory Board Member loses his or her independence as set forth in these Standards, he or she shall notify the Company immediately.

For further information please see the following website:

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf

- End -

BUSINESS REPORT

(From January 1, 2019 to December 31, 2019)

I. Current Condition of the Kao Group

1. Business Progress and Results

Please review the *Consolidated Financial Results for the Fiscal Year Ended December 31, 2019* at www.kao.com/global/en/investor-relations/library/results/.

2. Status of Capital Investments

The aggregate amount of capital investments, etc., for this fiscal year was 113.3 billion yen.

In the Consumer Products Business, the reinforcement, streamlining, maintenance and renewal, etc. of facilities were conducted in each business. In the Human Health Care Business, the production capacity of sanitary product plants in Japan and overseas were expanded in order to reinforce the supply system. Furthermore, the reinforcement of both new and improved products and the expansion of production capacity, etc. were conducted in the Fabric and Home Care Business in Japan.

In the Chemical Business, the expansion of production capacity, streamlining, maintenance and renewal, etc. of facilities were conducted in Japan and overseas.

The aggregate amount of capital investments, etc. shown above includes investments in property, plant and equipment, right-of-use assets, and intangible assets.

3. Financing Status

Kao Corporation (the “Company”) globally and effectively used its group’s capital to cover necessary operating activities and investing activities including capital investments, etc.

4. Issues for Management

With intensifying market competition, changing market structure and volatility in raw material market conditions and currency exchange rates, the operating environment remains uncertain. Changes in the attitudes of consumers regarding the environment, health and other matters and associated changes in their purchasing attitudes, as well as the aging society, hygiene and other social issues, are growing in significance. Moreover, amid the global expansion of business and the progress of structural changes in various fields, companies must deal with changes in the risks entailed in their businesses. The Kao Group will therefore address and deal appropriately with the following issues.

- To respond to changes in risks pertaining to its business, the Kao Group defines risks that have a particularly large impact on management and for which it must augment its response as corporate risks, and will work to prevent damage to the corporate value of the Group as a whole by further reinforcing its management system.
- Given the current rapid progress of factors such as the diversification of consumer values associated with technology innovation and the accompanying changes in purchasing behavior and the structure of retailing, our business model targeting the mass market, which could formerly be conducted efficiently, must be reviewed from all aspects, including research and development, production, logistics, sales and marketing. To resolve these issues, the Kao Group will proactively promote the enhancement of Essential Research and the use of artificial intelligence, the Internet of Things, robotics and other cutting-edge technologies.
- To promote an ESG strategy unique to Kao, the Kirei Lifestyle Plan, all members of the Kao Group must have a proper understanding of its purpose and content, and fulfill their respective roles and responsibilities. To that end, the Kao Group will step up its awareness-raising activities to implement the Kirei Lifestyle Plan at the global level. Also, the Kao Group will step up its activities even further by making use of the Board of Directors and third-party checks and opinions from External ESG Advisory Board to make sure it does not become complacent.
- With regard to internal controls, it is necessary to respond promptly to changes in society, and further strengthen both systems and operations to ensure that the Kao Group can make its internal control work more effectively.

All members of the Kao Group will continue to share and practice the Group’s commitment to “Integrity” as set forth in the corporate philosophy the Kao Way. In addition, Kao Group members will make further efforts and work closely together to realize the mission specified in the Kao Way, namely, “to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world,” as well as the corporate message, “enriching lives, in harmony with nature.” The continued understanding and further support of the shareholders in business operations of the Kao Group will be greatly appreciated.

5. Transitions of Assets and Profits and Losses

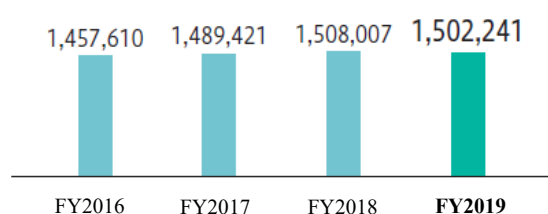
(million yen)

	FY2016	FY2017	FY2018	FY2019
Net sales	1,457,610	1,489,421	1,508,007	1,502,241
Operating income	185,571	204,791	207,703	211,723
Income before income taxes	183,430	204,290	207,251	210,645
Net income	127,889	148,607	155,331	150,349
Net income, attributable to owners of the parent	126,551	147,010	153,698	148,213
Total assets	1,338,309	1,427,375	1,460,986	1,653,919
Total equity	691,463	819,364	835,509	871,421
Basic earnings per share (yen)	253.43	298.30	314.25	306.70

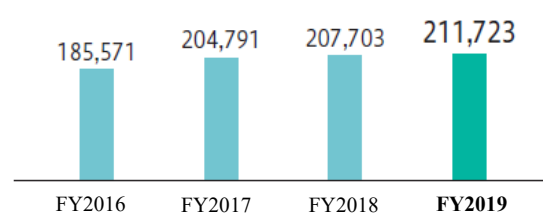
Notes:

1. The Kao Group has voluntarily adopted IFRS from the FY2016.
2. In the FY2017, the Kao Group adopted IFRS 15, “Revenue from Contracts with Customers” and its amendments early in tandem with a revision of its sales system for the Consumer Products Business in Japan.
3. In the FY2019, the Kao Group adopted IFRS 16, “Leases.”

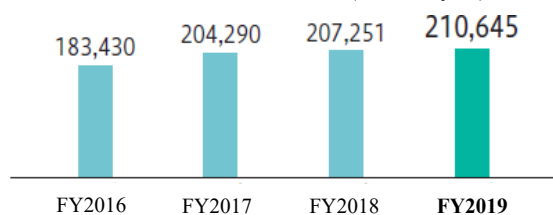
Net Sales (million yen)



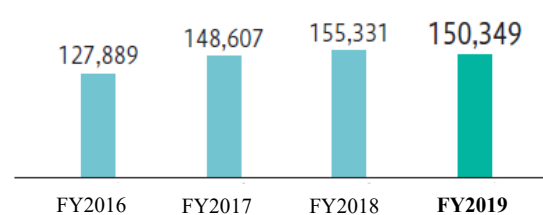
Operating Income (million yen)



Income before Income Taxes (million yen)



Net Income (million yen)



6. Main Businesses of the Kao Group (as of December 31, 2019)

of Main Businesses of the Kao Group (as of December 31, 2013)

Business Category		Main Products
Consumer Products Business	Cosmetics Business	[Cosmetics] Counseling cosmetics, Self-selection cosmetics
	Skin Care and Hair Care Business	[Skin care products] Soaps, Facial cleansers, Body cleansers
		[Hair care products] Shampoos, Conditioners, Hair styling agents, Hair coloring agents, Men's products
	Human Health Care Business	[Sanitary products] Sanitary napkins, Baby diapers
		[Personal health products] Bath additives, Oral care products, Thermo products
		[Beverage products] Beverages
	Fabric and Home Care Business	[Fabric care products] Laundry detergents, Fabric treatments
		[Home care products] Kitchen cleaning products, House cleaning products, Paper cleaning products, Commercial-use products
Chemical Business	[Oleo chemicals] Fatty alcohols, Fatty amines, Fatty acids, Glycerin, Commercial-use edible fats and oils	
	[Performance chemicals] Surfactants, Plastics additives, Superplasticizers for concrete admixtures	
	[Specialty chemicals] Toner and toner binder for copiers and printers, Ink and colorants for inkjet printers, Fragrances and aroma chemicals	

7. Main Subsidiaries (as of December 31, 2019)

Name of Company	Capital Stock	Ratio of Voting Rights	Main Businesses
Kao Group Customer Marketing Co., Ltd.	JPY 10 million	100%	Control of affiliates in the business of sales of consumer products in Japan and sales of consumer products.
Kanebo Cosmetics Inc.	JPY 7,500 million	100%	Manufacture and sales of cosmetics products
Kao Transport & Logistics Co., Ltd.	JPY 15 million	100%	Transportation and inventory management of consumer products
Kao (China) Holding Co., Ltd.	CNY 2,603,727 thousand	100%	Control of affiliates in the People's Republic of China and sales of cosmetics products
Kao Corporation Shanghai	CNY 564,200 thousand	100%	Manufacture and sales of consumer products
Kao (Hefei) Co., Ltd.	CNY 588,502 thousand	100%	Manufacture and sales of consumer products
Kao Commercial (Shanghai) Co., Ltd.	CNY 1,348,490 thousand	100%	Sales of consumer products
Kanebo Cosmetics (China) Co., Ltd.	CNY 1,271,687 thousand	100%	Sales of cosmetics products
Kao (Shanghai) Chemical Industries Co., Ltd.	CNY 740,000 thousand	100%	Manufacture and sales of chemical products
Kao (Taiwan) Corporation	TWD 597,300 thousand	92%	Manufacture and sales of consumer products and sales of chemical products
Pilipinas Kao, Inc.	USD 91,435 thousand	100%	Manufacture and sales of oleo chemicals products
Kao Industrial (Thailand) Co., Ltd.	THB 2,000,000 thousand	100%	Manufacture and sales of consumer products and chemical products
Kao Commercial (Thailand) Co., Ltd.	THB 2,000 thousand	100%	Sales of consumer products
Fatty Chemical (Malaysia) Sdn. Bhd.	MYR 120,000 thousand	70%	Manufacture and sales of oleo chemicals products
PT Kao Indonesia	IDR 1,064,706 million	72%	Manufacture and sales of consumer products
Kao USA Inc.	USD 1	100%	Manufacture and sales of cosmetics products, skin care and hair care products, and sales of hair care products for beauty salons
Oribe Hair Care, LLC	USD 8,182 thousand	100%	Manufacture and sales of skin care and hair care products and hair care products for beauty salons
Washing Systems, LLC	USD 10	100%	Manufacture and sales of detergent for professional-use
Kao America Inc.	USD 3,200 thousand	100%	Provision of corporate services to affiliates in the United States
Kao Specialties Americas LLC	USD 1	100%	Manufacture and sales of chemical products
Kao Germany GmbH	EUR 25,000 thousand	100%	Sales of cosmetics and skin care products and hair care products for beauty salons
Kao Manufacturing Germany GmbH	EUR 13,000 thousand	100%	Manufacture and sales of hair care products
Kao Chemicals GmbH	EUR 9,101 thousand	100%	Manufacture and sales of chemical products
Molton Brown Limited	GBP 516 thousand	100%	Manufacture and sales of cosmetics products
Kao Chemicals Europe, S.L.	EUR 74,035 thousand	100%	Control of affiliates in the business of chemical products in Europe, etc.
Kao Corporation, S.A.	EUR 56,411 thousand	100%	Manufacture and sales of chemical products

Note: The above ratio of voting rights has been calculated based on the total number of voting rights held by the Company and its subsidiaries.

8. Main Offices, Plants, Laboratories, and Subsidiaries (as of December 31, 2019)

(1) The Company

Name	Location
Head Office	Chuo-ku, Tokyo
Sumida Office	Sumida-ku, Tokyo
Osaka Office	Nishi-ku, Osaka-shi, Osaka
Odawara Office	Odawara-shi, Kanagawa
Sakata Plant	Sakata-shi, Yamagata
Tochigi Plant	Ichikai-machi, Haga-gun, Tochigi
Kashima Plant	Kamisu-shi, Ibaraki
Tokyo Plant	Sumida-ku, Tokyo
Kawasaki Plant	Kawasaki-ku, Kawasaki-shi, Kanagawa
Toyohashi Plant	Toyohashi-shi, Aichi
Wakayama Plant	Wakayama-shi, Wakayama
Tochigi Research Laboratories	Ichikai-machi, Haga-gun, Tochigi
Tokyo Research Laboratories	Sumida-ku, Tokyo
Odawara Research Laboratories	Odawara-shi, Kanagawa
Wakayama Research Laboratories	Wakayama-shi, Wakayama

(2) Subsidiaries

1) Japan

Company	Location
Kao Group Customer Marketing Co., Ltd.	Chuo-ku, Tokyo (Head Office) and 8 regional headquarter offices
Kanebo Cosmetics Inc.	Chuo-ku, Tokyo (Head Office)
Kao Transport & Logistics Co., Ltd.	Sumida-ku, Tokyo (Head Office) and 45 offices
Kao Cosmetic Products Odawara Co., Ltd.	Odawara-shi, Kanagawa (Head Office)
Kao Sanitary Products Ehime Co., Ltd.	Saijo-shi, Ehime (Head Office)

2) Outside Japan

Company	Location
Kao (China) Holding Co., Ltd.	Shanghai
Kao Corporation Shanghai	Shanghai
Kao (Hefei) Co., Ltd.	Hefei, Anhui
Kao Commercial (Shanghai) Co., Ltd.	Shanghai
Kanebo Cosmetics (China) Co., Ltd.	Shanghai
Kao (Shanghai) Chemical Industries Co., Ltd.	Shanghai
Kao (Taiwan) Corporation	New Taipei City
Pilipinas Kao, Inc.	Philippines
Kao Industrial (Thailand) Co., Ltd.	Thailand
Kao Commercial (Thailand) Co., Ltd.	Thailand
Fatty Chemical (Malaysia) Sdn. Bhd.	Malaysia
PT Kao Indonesia	Indonesia
Kao USA Inc.	United States
Oribe Hair Care, LLC	United States
Washing Systems, LLC	United States
Kao America Inc.	United States
Kao Specialties Americas LLC	United States
Kao Germany GmbH	Germany
Kao Manufacturing Germany GmbH	Germany
Kao Chemicals GmbH	Germany
Molton Brown Limited	United Kingdom
Kao Chemicals Europe, S.L.	Spain
Kao Corporation, S.A.	Spain

9. Employees of the Kao Group (as of December 31, 2019)

Business Category	Number of Employees
Consumer Products Business	28,852
Cosmetics Business	11,348
Skin Care and Hair Care Business	6,364
Human Health Care Business	5,571
Fabric and Home Care Business	5,569
Chemical Business	3,970
Others	781
Total	33,603

Notes:

1. The total number of employees has decreased by 61 from the previous fiscal year.
2. Of the above, the number of the Company's employees is 7,905.

10. Main Lenders (as of December 31, 2019)

Not applicable

II. Shares of the Company (as of December 31, 2019)

1. Number of authorized shares :1,000,000,000 shares

2. Number of issued shares: 482,000,000 shares

Notes:

1. In July 2019, the Company retired 6,700,000 treasury shares.
2. The number of issued shares includes 300,424 treasury shares.

3. Number of shareholders: 55,234

4. Major Shareholders (Top 10)

Name / Company Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,057	9.98
Japan Trustee Services Bank, Ltd. (Trust Account)	33,274	6.91
STATE STREET BANK AND TRUST COMPANY 505223	13,238	2.75
Japan Trustee Services Bank, Ltd. (Trust Account 7)	11,193	2.32
Japan Trustee Services Bank, Ltd. (Trust Account 5)	9,713	2.02
JP MORGAN CHASE BANK 385151	8,407	1.75
STATE STREET BANK WEST CLIENT - TREATY 505234	7,848	1.63
SSBTC CLIENT OMNIBUS ACCOUNT	6,898	1.43
Nippon Life Insurance Company	6,691	1.39
THE BANK OF NEW YORK 134104	6,613	1.37

Notes:

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

III. Stock Acquisition Rights, etc., of the Company

The Company issues stock acquisition rights (*shinkabu yoyakuken*), allotted as remuneration to the Directors and Executive Officers of the Company who are not the Directors of the Company. The amount to be paid-in by an allottee at the time of the allotment of the stock acquisition rights is set off against the remuneration to be received by the allottee, and the exercise price is one (1) yen per share. Share remuneration type stock options are allotted for the purpose of enhancing the motivation and morale of the allottees to improve the corporate performance and stock value of the Company through further strengthening the correlation between remuneration to the allottees and the performance and stock value of the Company, as well as for the purpose of further increasing the Company's corporate value through promoting the shared interests of the allottees and the Company's shareholders.

Please note that the Company has not allotted any share remuneration type stock options since FY 2017, in line with approval having been obtained at the 111th Annual General Meeting of Shareholders held on March 21, 2017, concerning the Company introducing a performance-based stock incentive plan for the purpose of improving the Company's mid- and long-term performance as well as increasing the awareness of contributions to increasing corporate value.

1. Stock Acquisition Rights (as of December 31, 2019)

Name (Date of Issue)	Number of Stock Acquisition Rights	Type and Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights	Amount Paid in for Allotment of Stock Acquisition Rights	Value of Assets Contributed upon Exercise of Stock Acquisition Rights	Period for Exercising Stock Acquisition Rights
12 th Stock Acquisition Rights (May 23, 2013)	17	17,000 shares of the Company's common stock	3,027,000 yen per stock acquisition right	1 yen per share	July 1, 2015 - June 30, 2020
13 th Stock Acquisition Rights (May 22, 2014)	25	25,000 shares of the Company's common stock	3,808,000 yen per stock acquisition right	1 yen per share	July 1, 2016 - June 30, 2021
14 th Stock Acquisition Rights (May 21, 2015)	23	23,000 shares of the Company's common stock	5,630,000 yen per stock acquisition right	1 yen per share	July 1, 2017 - June 30, 2022
15 th Stock Acquisition Rights (May 26, 2016)	30	30,000 shares of the Company's common stock	5,681,000 yen per stock acquisition right	1 yen per share	July 1, 2018 - June 30, 2023

2. Stock Acquisition Rights Held by Directors and Audit & Supervisory Board Members of the Company (as of December 31, 2019)

(1) Stock Acquisition Rights Held by Members of the Board (Excluding Outside Directors)

Name	Number of Stock Acquisition Rights Holders	Number of Stock Acquisition Rights Allotted	Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights
12 th Stock Acquisition Rights	1	1	1,000
13 th Stock Acquisition Rights	1	4	4,000
14 th Stock Acquisition Rights	1	4	4,000
15 th Stock Acquisition Rights	2	6	6,000

Note: From FY 2017, the Company does not allot stock acquisition rights to its Directors.

(2) Stock Acquisition Rights Held by Outside Directors

Name	Number of Stock Acquisition Rights Holders	Number of Stock Acquisition Rights Allotted	Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights
12 th Stock Acquisition Rights	1	1	1,000
13 th Stock Acquisition Rights	1	2	2,000
14 th Stock Acquisition Rights	1	2	2,000

Note: From FY 2016, the Company does not allot stock acquisition rights to its Outside Directors in accordance with the revision of the compensation system for Outside Directors.

(3) Stock Acquisition Rights Held by Audit & Supervisory Board Members

Name	Number of Stock Acquisition Rights Holders	Number of Stock Acquisition Rights Allotted	Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights
15 th Stock Acquisition Rights	1	1	1,000

Note: The Company does not allot stock acquisition rights to its Audit & Supervisory Board Members. The Stock Acquisition Rights held by Audit & Supervisory Board Members described above were allotted to them when they were Executive Officers who were not Directors.

3. Stock Acquisition Rights, Allotted to Employees, etc., of the Company during This Fiscal Year

Not applicable

IV. Directors and Audit & Supervisory Board Members of the Company

1. Status of Directors and Audit & Supervisory Board Members (as of December 31, 2019)

Title	Name	Duties at the Company and Other Material Position(s) Held
Representative Director, President and Chief Executive Officer	Michitaka Sawada	Responsible for Human Capital Development
Representative Director, Senior Managing Executive Officer	Toshiaki Takeuchi	Representative Director, President, Kao Group Customer Marketing Co., Ltd.
Representative Director, Senior Managing Executive Officer	Yoshihiro Hasebe	Senior Vice President, Research and Development, Global; Senior Vice President, Strategic Innovative Technology, Global; Responsible for Compliance
Director, Managing Executive Officer	Tomoharu Matsuda	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
Outside Director	Sonosuke Kadonaga	President, Intrinsics; Director, Business Breakthrough Inc.; Outside Director, Chairperson of the Audit & Supervisory Committee, Sumitomo Mitsui Banking Corporation; Vice President, Business Breakthrough University
Outside Director	Osamu Shinobe	Special Advisor, ANA HOLDINGS INC.
Outside Director	Chiaki Mukai	Specially Appointed Vice President, Tokyo University of Science; Astronaut; Medical Doctor; M.D., Ph.D.; Outside Director, Fujitsu Limited
Outside Director	Nobuhide Hayashi	Senior Advisor, Mizuho Bank, Ltd.; Outside Director, Baroque Japan Limited; Outside Audit & Supervisory Board Member, JTB Corp.
Full-time Audit & Supervisory Board Member	Katsuya Fujii	
Full-time Audit & Supervisory Board Member	Hideko Aoki	
Outside Audit & Supervisory Board Member	Toraki Inoue	Certified Public Accountant; Representative Director, President, Accounting Advisory Co., Ltd.; Outside Audit & Supervisory Board Member, Aozora Bank, Ltd.
Outside Audit & Supervisory Board Member	Hideki Amano	Certified Public Accountant; Outside Director, TOPPAN FORMS CO., LTD.; Outside Audit & Supervisory Board Member, Ajinomoto Co., Inc.; Outside Audit & Supervisory Board Member, Seiko Holdings Corporation
Outside Audit & Supervisory Board Member	Nobuhiro Oka	Attorney-at Law; Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd.; Outside Director, Yamatane Corporation; Professor, Keio University Law School

Notes:

1. Mr. Sonosuke Kadonaga, Mr. Osamu Shinobe, Ms. Chiaki Mukai and Mr. Nobuhide Hayashi are Outside Directors.
2. Messrs. Toraki Inoue, Hideki Amano and Nobuhiro Oka are Outside Audit & Supervisory Board Members.
3. Mr. Katsuya Fujii has had many years of experience in the Company's accounting management, and has considerable expertise in finance and accounting.
4. Messrs. Toraki Inoue and Hideki Amano, who are qualified as a Certified Public Accountant, have considerable expertise in finance and accounting.
5. The Company reported Mr. Sonosuke Kadonaga, Mr. Osamu Shinobe, Ms. Chiaki Mukai, Mr. Nobuhide Hayashi, Messrs. Toraki Inoue, Hideki Amano and Nobuhiro Oka to the Tokyo Stock Exchange, Inc. as Independent Directors/Audit & Supervisory Board Members as set forth in the Regulations of the Tokyo Stock Exchange, Inc.
6. Personnel changes in Directors and Audit & Supervisory Board Members during this fiscal year:

- (1) Mr. Tomoharu Matsuda, Ms. Chiaki Mukai and Mr. Nobuhide Hayashi were newly elected, and took their offices, as Directors and Ms. Hideko Aoki was newly elected, and took office, as an Audit & Supervisory Board Member, respectively, at the 113th Annual General Meeting of Shareholders held on March 26, 2019.
- (2) Mr. Katsuhiko Yoshida, Representative Director and Mr. Masayuki Oku, Outside Director and Mr. Toshiharu Numata, Full-time Audit & Supervisory Board Member retired from their offices upon the expiration of their term at the conclusion of the 113th Annual General Meeting of Shareholders held on March 26, 2019.
- (3) Mr. Yoshihiro Hasebe, Director, Senior Managing Executive Officer, was newly elected and took office as a Representative Director, Senior Managing Executive Officer, at the Board of Directors meeting held on March 26, 2019.
7. Mr. Michitaka Sawada, Representative Director became responsible for Human Capital Development and Mr. Yoshihiro Hasebe, Representative Director became responsible for Compliance from January 1, 2019.
8. Mr. Sonosuke Kadonaga has served as a Chairperson of the Audit & Supervisory Committee, Sumitomo Mitsui Banking Corporation since June 27, 2019.
9. Mr. Osamu Shinobe had served as a Member of the Board, Vice Chairman, ANA HOLDINGS INC. until March 31, 2019 and has served as a Special Advisor since April 1, 2019.
10. Mr. Nobuhide Hayashi had served as a Director, Chairman, Mizuho Bank, Ltd. until March 31, 2019 and has served as a Senior Advisor since April 1, 2019. Also, he has served as an Outside Director, Baroque Japan Limited since May 30, 2019 and an Outside Audit & Supervisory Board Member, JTB Corp. since June 28, 2019.
11. Mr. Hideki Amano has served as an Outside Audit & Supervisory Board Member, Seiko Holdings Corporation since June 27, 2019.

2. 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 Director (excluding Executive Director, etc.) and Audit & Supervisory Board Member to the effect that the liability of each Director (excluding Executive Director, etc.) 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. Remuneration, etc., Paid to Directors and Audit & Supervisory Board Members

(1) Policy for Determining Amount and Calculation Method of Remuneration

The Company's compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is aimed at i) securing and retaining diverse and excellent personnel to establish and improve competitive advantages; ii) promoting prioritized measures for lasting increases in corporate value; and iii) sharing interests in common with shareholders.

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

(a) Base salary

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

(b) Bonus as short-term incentive compensation

When the 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 by looking at sales and profit (gross profit minus selling and general administrative expenses) results against the single-year target, improvement from the previous year's results and the achievement level of target EVA which is a management index that the Company holds in high regard as an indicator to measure the degree of corporate value. The bonus payment rate is set within a range of 0% to 200%. The sales and profit targets have been made consistent between Directors and employees so that they can work together to achieve them.

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

Within a four-year target period from FY2017 to FY2020, the period covered by the current mid-term plan, Company shares, etc. are delivered to Directors, other than Outside Directors, and Executive Officers based on factors such as the level of achievement of the performance targets adopted under the mid-term plan and the non-financial targets related to ESG (Environment, Social and Governance) perspective. This performance-based share incentive plan comprises two parts: a performance-based part in which Company share, etc. is delivered in accordance with the degree of achievement of targets adopted under the mid-term plan, etc., and a fixed part in which a certain number of Company share, etc. is delivered annually. The purpose of the performance-based part of the system is to provide an impetus for achieving the targets of the Company's mid-term plan as well as to increase the link between performance and compensation over the medium to long term. The purpose of the fixed part of the system is to strengthen shared interest with the Company's shareholders by promoting the holding of shares by the Directors, other than Outside Directors, and Executive Officers. The performance-based part accounts for 70% of shares delivered, with the fixed part accounting for 30%. When the performance-based coefficient for the performance-based part of the system is at 100%, the yearly share remuneration amount is set at approximately 40% to 50% of a base salary.

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 the medium-term management plan, 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"* award.

Long-term incentive compensation is determined in the range of 0% to 200% according to the results of these indicators.

Compensation for the Outside Directors, who hold a position independent from the Company's business execution function, is limited to a fixed monthly salary.

The compensation system and compensation standards for the Directors and Executive Officers are examined by the Compensation Advisory Committee and determined by the Board of Directors. The Compensation Advisory Committee comprises all of the Company's Representative Directors, 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.

Compensation standards for the 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.

* "World's Most Ethical Companies" and "Ethisphere" are registered trademark of Ethisphere LLC.

(2) Aggregate Amount of Remuneration, etc., Paid to Directors and Audit & Supervisory Board Members during this Fiscal Year

(million yen)

Category	Number of Members	Aggregate Amount of Remuneration, etc.	Components of Remuneration		
			Base Salary	Bonus as Short-term Incentive Compensation	Performance-based Share Incentive Plan as Long-term Incentive Compensation
Directors (including, in parentheses, Outside Directors)	10 (5)	404 (71)	264 (71)	35 (-)	105 (-)
Audit & Supervisory Board Members (including, in parentheses, Outside Audit & Supervisory Board Members)	6 (3)	78 (30)	78 (30)	- (-)	- (-)
Total (including, in parentheses, Outside Directors and Outside Audit & Supervisory Board Members)	16 (8)	482 (101)	342 (101)	35 (-)	105 (-)

Notes:

1. The above numbers of Directors/Audit & Supervisory Board Members include one Director, one Outside Director and one full-time Audit & Supervisory Board Member who resigned at the conclusion of the 113th Annual General Meeting of Shareholders held on March 26, 2019.

2. The maximum amounts of remuneration, etc. are as follows:

(1) Maximum aggregate amount of remuneration, etc., to be paid to Directors:

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 share 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.

4. Outside Directors and Outside Audit & Supervisory Board Members

(1) Relationships between the Company and Entities where Outside Directors and Outside Audit & Supervisory Board Members Hold Positions

Title	Name	Material Position(s) Held	Relationship with the Company
Director	Sonosuke Kadonaga	President, Intrinsic	No special relation
		Director, Business Breakthrough Inc.	No special relation
		Outside Director, Chairperson of the Audit & Supervisory Committee, Sumitomo Mitsui Banking Corporation	The Company engages in regular bank transactions with, and has loans from, Sumitomo Mitsui Banking Corporation; however, the amounts of the Company's loans from Sumitomo Mitsui Banking Corporation account for less than 2% of the Company's total assets for the latest fiscal year.
		Vice President, Business Breakthrough University	No special relation
Director	Osamu Shinobe	Special Advisor, ANA HOLDINGS INC.	No special relation
Director	Chiaki Mukai	Specially Appointed Vice President, Tokyo University of Science	The Company makes donations to Tokyo University of Science, and also has transactions with such university, which involve the entrustment of research projects thereto; however, the amounts of such donations and 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.
		Outside Director, Fujitsu Limited	The Company has transactions with Fujitsu Limited, which involve licenses and repair of Fujitsu Limited's products; however, the amounts of such transactions account for less than 0.1% of the Fujitsu Limited's net sales and the Company's net sales for the latest fiscal year, respectively.
Director	Nobuhide Hayashi	Senior Advisor, Mizuho Bank, Ltd.	The Company engages in regular bank transactions with and has loans from Mizuho Bank, Ltd., and receives consulting service in overseas markets; however, the amounts of 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.
		Outside Director, Baroque Japan Limited	No special relation
		Outside Audit & Supervisory Board Member, JTB Corp.	The Company has transactions with JTB Corp., which involve arranging business trips for the Company's directors, officers and

			employees; however, the amounts of such transactions account for less than 0.1% of JTB Corp.'s net sales and the Company's net sales for the latest fiscal year, respectively.
Audit & Supervisory Board Member	Toraki Inoue	Representative Director, President, Accounting Advisory Co., Ltd.	No special relation
		Outside Audit & Supervisory Board Member, Aozora Bank, Ltd.	No special relation
Audit & Supervisory Board Member	Hideki Amano	Outside Director, TOPPAN FORMS CO., LTD.	The Company has transactions with TOPPAN FORMS CO., LTD., which involve the purchase of TOPPAN FORMS CO., LTD.'s products; however, the amounts of such transactions account for less than 0.1% of TOPPAN FORMS CO. LTD.'s net sales and the Company's net sales for the latest fiscal year, respectively.
		Outside Audit & Supervisory Board Member, Ajinomoto Co., Inc.	The Company has transactions with Ajinomoto Co., Inc., which involve the payment of storage fees concerning the Company's products; however, the amounts of such transactions account for less than 0.1% of Ajinomoto Co., Inc.'s net sales and the Company's net sales for the latest fiscal year, respectively.
		Outside Audit & Supervisory Board Member, Seiko Holdings Corporation	No special relation
Audit & Supervisory Board Member	Nobuhiro Oka	Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd.	Kao Group Customer Marketing Co., Ltd. is a subsidiary of the Company.
		Outside Director, Yamatane Corporation	No special relation
		Professor, Keio University Law School	The Company has transactions with Keio University, which involve the entrustment of research projects to such university; however, 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.

(2) Principal Activities during this Fiscal Year

Title	Name	Attendance at Meetings of the Board of Directors	Attendance at Meetings of the Audit & Supervisory Board	Comments at Meetings
Director	Sonosuke Kadonaga	14 out of 14 meetings	—	As the Chairman of the Board, he contributed to the activation and the streamlining of the proceedings. Also, at meetings of the Board of Directors, he made comments principally based on his considerable experience as a management consultant.
Director	Osamu Shinobe	14 out of 14 meetings	—	At meetings of the Board of Directors, he made comments principally based on his considerable experience as a manager of an airline company.
Director	Chiaki Mukai	12 out of 12 meetings	—	At meetings of the Board of Directors, she made comments principally based on her extensive expertise in the scientific field.
Director	Nobuhide Hayashi	12 out of 12 meetings	—	At meetings of the Board of Directors, he made comments principally based on his considerable experience as a manager of a financial institution.
Audit & Supervisory Board Member	Toraki Inoue	14 out of 14 meetings	8 out of 8 meetings	At meetings of the Board of Directors and meetings of the Audit & Supervisory Board, he made comments principally based on his professional opinion as a Certified Public Accountant.
Audit & Supervisory Board Member	Hideki Amano	14 out of 14 meetings	8 out of 8 meetings	At meetings of the Board of Directors and meetings of the Audit & Supervisory Board, he made comments principally based on his professional opinion as a Certified Public Accountant.
Audit & Supervisory Board Member	Nobuhiro Oka	14 out of 14 meetings	8 out of 8 meetings	At meetings of the Board of Directors and meetings of the Audit & Supervisory Board, he made comments principally based on his professional opinion as an attorney-at-law.

Note: During this fiscal year, 14 meetings of the Board of Directors and 8 meetings of Audit & Supervisory Board were held. After Ms. Chiaki Mukai and Mr. Nobuhide Hayashi took their offices as Directors, 12 meetings of the Board of Directors were held.

(For Reference) Status of Executive Officers (as of January 1, 2020)

Title	Name	Duties at the Company and Other Material Position(s) Held
President and CEO	Michitaka Sawada	
Senior Managing Executive Officer	Toshiaki Takeuchi	Representative Director, President, Kao Group Customer Marketing Co., Ltd.
Senior Managing Executive Officer	Yoshihiro Hasebe	Senior Vice President, Research and Development, Global; Senior Vice President, Strategic Innovative Technology, Global; Responsible for Compliance
Managing Executive Officer	Tomoharu Matsuda	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.
Managing Executive Officer	Shigeru Ueyama	Senior Vice President, Corporate Strategy, Global
Managing Executive Officer	Masakazu Negoro	Senior Vice President, Procurement, Global
Managing Executive Officer	Yasushi Wada	Senior Vice President, Product Quality Management, Global; Representative Director, Chairman of the Board, Kanebo Cosmetics Inc.
Managing Executive Officer	Osamu Tabata	Senior Vice President, Supply Chain Management, Global; Responsible for TCR Promotion
Managing Executive Officer	Yoshihiro Murakami	Responsible for Consumer Products - Cosmetics Business; Representative Director, President, Kanebo Cosmetics Inc.; Chairman of the Board, Molton Brown Limited
Executive Officer	Akemi Ishiwata	Senior Vice President, Corporate Communications, Global
Executive Officer	Satoru Tanaka	President, Consumer Products, Americas and EMEA; Chairman of the Board, Kao USA Inc.; Chairman of the Board, Oribe Hair Care, LLC
Executive Officer	Kenichi Yamauchi	Senior Vice President, Accounting and Finance, Global; President, Kao America Inc.
Executive Officer	Hideaki Kubo	Vice President, Research and Development, Global; Responsible for Research and Development - Core Technology
Executive Officer	Ryoichi Harada	Senior Vice President, Enterprise Information Solutions, Global; Vice President, Strategic Innovative Technology, Global
Executive Officer	Hiroaki Taki	Senior Vice President, Consumer Products - Marketing Emergence, Global
Executive Officer	David J. Muenz	Senior Vice President, ESG, Global
Executive Officer	Akio Matsui	Senior Vice President, Human Capital Development, Global; President, Kao Group Corporate Pension Fund; Chairman of the Board, Kao America Inc.
Executive Officer	Hideichi Nitta	Vice President, Supply Chain Management - Demand and Supply Planning Center, Global
Executive Officer	Masahiro Katayose	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.
Executive Officer	Shigeo Nakai	Vice President, Research and Development - Performance Chemicals Research, Global; Responsible for Research and Development - Environmental New Business
Executive Officer	Hideki Mamiya	Representative Director, Senior Managing Executive Officer, Kao Group Customer Marketing Co., Ltd.

Executive Officer	Masaru Takeyasu	Senior Vice President, Legal and Compliance, Global
Executive Officer	Toru Nishiguchi	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, Kao Commercial (Shanghai) Co., Ltd.; Chairman of the Board and President, Kao (Hefei) Co., Ltd.
Executive Officer	Hiroaki Yamaguchi	Vice President, Supply Chain Management - Manufacturing Plant Center, Global
Executive Officer	Atsushi Koizumi	Senior Vice President, Consumer Products - Business Planning and Management, Global
Executive Officer	Kotaro Nuriya	President, Consumer Products - Biore Business, Global; Responsible for Consumer Products - New Business Challenging Projects
Executive Officer	Motomitsu Hasumi	Vice President, Research and Development - Household Products Research, Global; Responsible for Research and Development - Consumer Products Technology

V. The Accounting Auditor of the Company

1. Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

2. Amount of Remuneration, etc., to be Paid to the Accounting Auditor for this Fiscal Year

- (1) Amount of remuneration, etc., to be paid by the Company as Accounting Auditor fees: 122 million yen
- (2) Aggregate amount of monetary and other proprietary benefits to be paid by the Company and its subsidiaries: 188 million yen

Notes:

1. *The audit contract between the Company and the Accounting Auditor does not clearly distinguish between remuneration, etc., paid for the audit conducted in accordance with the Companies Act from that paid for the audit conducted in accordance with the Financial Instruments and Exchange Law, and it is practically impossible to make such a distinction. The amount of remuneration, etc., specified in (1) above, is the aggregate amount of remuneration, etc., for these two types of audits.*
2. *After having performed the necessary verification as to the appropriateness of matters such as the content of the Accounting Auditor's audit plan, the status of performance of duties by the Accounting Auditor, and the basis for the calculation of the estimated remuneration for the Accounting Auditor, the Audit & Supervisory Board has decided to consent to the amount of remuneration, etc. to be paid to the Accounting Auditor.*
3. *In addition to the audit certification services prescribed in Article 2.1 of the Certified Public Accountant Law, the Company entrusted the Accounting Auditor with other services such as performing advisory services for the purpose of duly addressing the recommendations made by the TCFD (Task Force on Climate-related Financial Disclosures).*
4. *Of the Company's main subsidiaries listed on page 20 audits (limited to audits under the Companies Act or the Financial Instruments and Exchange Law, and including audits under equivalent foreign laws and regulations) in respect of Kao (China) Holding Co., Ltd., Kao Corporation Shanghai, Kao (Hefei) Co., Ltd., Kao Commercial (Shanghai) Co., Ltd., Kanebo Cosmetics (China) Co., Ltd., Kao (Shanghai) Chemical Industries Co., Ltd., Kao (Taiwan) Corporation, Pilipinas Kao, Inc., Kao Industrial (Thailand) Co., Ltd., Kao Commercial (Thailand) Co., Ltd., Fatty Chemical (Malaysia) Sdn. Bhd., PT Kao Indonesia, Kao Germany GmbH, Kao Manufacturing Germany GmbH, Kao Chemicals GmbH, Molton Brown Limited, Kao Chemicals Europe, S.L., and Kao Corporation, S.A. have been performed by certified public accountants or accounting firms other than the Company's Accounting Auditor (including those with equivalent foreign qualifications).*

3. Policy for Determining the Dismissal or Non-reappointment of the Accounting Auditor

If any item of Article 340, Paragraph 1 of the Companies Act is found to apply to the Accounting Auditor, the Audit & Supervisory Board will dismiss the Accounting Auditor with the consent of all Audit & Supervisory Board Members. In such case, the Audit & Supervisory Board Members selected by the Audit & Supervisory Board will report the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders held after the dismissal. Furthermore, if the Audit & Supervisory Board finds any problem in the qualifications, independence, or reliability of the Accounting Auditor, the content of a proposal to be submitted to the General Meeting of Shareholders for dismissal or non-reappointment of the Accounting Auditor will be determined.

If the Board of Directors finds any problem, such as in the qualifications, independence, or reliability of the Accounting Auditor, the Board of Directors will request the Audit & Supervisory Board to cause the dismissal or non-reappointment of the Accounting Auditor to be proposed to the General Meeting of Shareholders, and the Audit & Supervisory Board shall decide upon the content of the relevant proposal to be submitted to the General Meeting of Shareholders after having determined the appropriateness of such matter.

VI. Systems to Assure Appropriate Business Operations of the Company and Outline of Management of such 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 Systems.”

Basic Policy Regarding the Internal Control System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit & Supervisory Board Members may attend meetings of the Management Committee, the Internal Control Committee and related committees, and may access the minutes, decision records and other documents of important meetings at any time. They may also receive activity reports from the head of

each division and subsidiary regularly or as necessary, and have periodic exchanges of views with Representative Directors of the Company and major subsidiaries and exchanges of views with Representative Directors of the Company's subsidiaries when conducting an audit. In addition, Directors, Executive Officers and employees of the Company and Directors, Auditors and employees of subsidiaries, etc. should promptly report to Audit & Supervisory Board Members when any fact that may potentially cause significant harm to the Company or to its subsidiaries or any fact of a serious violation of laws or the Articles of Incorporation occurred or when those fact were reported. Compliance Committee reports information delivered to Compliance Hotline and Department of Internal Audit reports audit results to Audit & Supervisory Board Members regularly or as necessary. Auditors of subsidiaries share audit results with Audit & Supervisory Board Members of the Company at the Conference of Auditors for Domestic Group Companies held periodically.

(11) A system to ensure that those who made such reports in the preceding paragraph shall not receive any disadvantageous treatment due to his/her submission of the reports

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

(12) Policy concerning payment or reimbursement of expenses pertaining to execution of duties by Audit & Supervisory Board Members including advance payment of expenses and reimbursement procedure, etc.

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

(13) A system to ensure that audits by Audit & Supervisory Board Members are conducted effectively

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

(14) Implement of a system to ensure the appropriateness of business operations

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

2. Outline of Management of Systems to Assure Appropriate Business Operations of the Company

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

Efforts Concerning Compliance

Under the initiative of the Compliance Committee chaired by the Representative Director, Senior Managing Executive Officer responsible for compliance, efforts have been continuously made in this area, involving both domestic and overseas Kao Group companies, such as by improving related regulations, including Kao's Business Conduct Guidelines (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:

- The BCG was revised in April 2019 for the purpose of further organizing the items thereof to make the BCG easier to understand, contributing to the achievement of SDGs, and enhancing the effectiveness of internal reporting systems; explanatory meetings were held at domestic and overseas Kao Group companies concerning such revisions.
- To further ensure thorough compliance with applicable laws and regulations, organizations and systems for monitoring activities of the departments that are primarily in charge of promoting compliance with significant laws and regulations relating to the Company's business were clearly prescribed. In addition, activities to promote further reduction of other risks which may result in material violations of compliance were also continued.
- In October, which was designated as "Compliance Month," messages from the Chairman of the Compliance Committee and presidents of the respective overseas Kao Group companies were posted on bulletin boards and intranets within workplaces, and BCG verification tests were taken by all employees of domestic Kao Group companies, in order to enhance the awareness of compliance.
- To ensure thorough compliance, as well as to create workplaces which have a favorable communication flow that will allow for any wrongdoing to be reported at an early stage and appropriate measures to be taken, training sessions were held and lectures were given by the heads of each of the overseas Kao Group companies, wherein such company heads directly conveyed messages to the employees of their companies.
- Tasks were sorted out from the evaluation items obtained through the principal outside surveys and such tasks were added to the future activity plans.

Efforts Concerning Risk and Crisis Management

This fiscal year, efforts were primarily made to strengthen our practical abilities in responding to corporate risks, namely, material risks involved in corporate operations, and to strengthen the management of material risks within all divisions of the Company, as well as in overseas Kao Group companies, with the Risk & Crisis Management Committee managing the progress thereof. Corporate risks include not only risks such as large earthquakes, natural disasters or pandemics which would affect the continuation of business, but also risks affecting the maintenance of corporate credibility or those involved in management strategies. In order to strengthen the ability to respond to crises upon the occurrence thereof, efforts were made such as conducting training drills based on large-earthquake scenarios (disaster prevention plan and business continuity plan), with management also participating therein. Furthermore, commentaries and information concerning risk and crisis-related subjects were issued each month to enhance all divisions of the Company and domestic Kao Group companies employees' awareness and sensitivity toward risks and crisis.

Efforts Concerning Subsidiary Management

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

Furthermore, 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 Department of Internal Audit and sections in charge of subsidiary management have verified that agenda items have been submitted and reports made in accordance with regulations, etc., by way of site visits for auditing purposes or by causing checklists to be submitted.

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

Efforts Concerning Auditing by Audit & Supervisory Board Members

The Audit & Supervisory Board Members attend meetings of the Board of Directors, audit 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.

Full-time Audit & Supervisory Board Members also attend important meetings including meetings of the Management Committee, 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 were held, and the Audit & Supervisory Board Members exchanged information and opinions with the auditors of affiliates at the time they performed investigations and listened to opinions at the respective affiliates, and worked 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 received an annual audit plan and accounting audit results (quarterly reviews and annual audit results) from, and duly exchanged 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

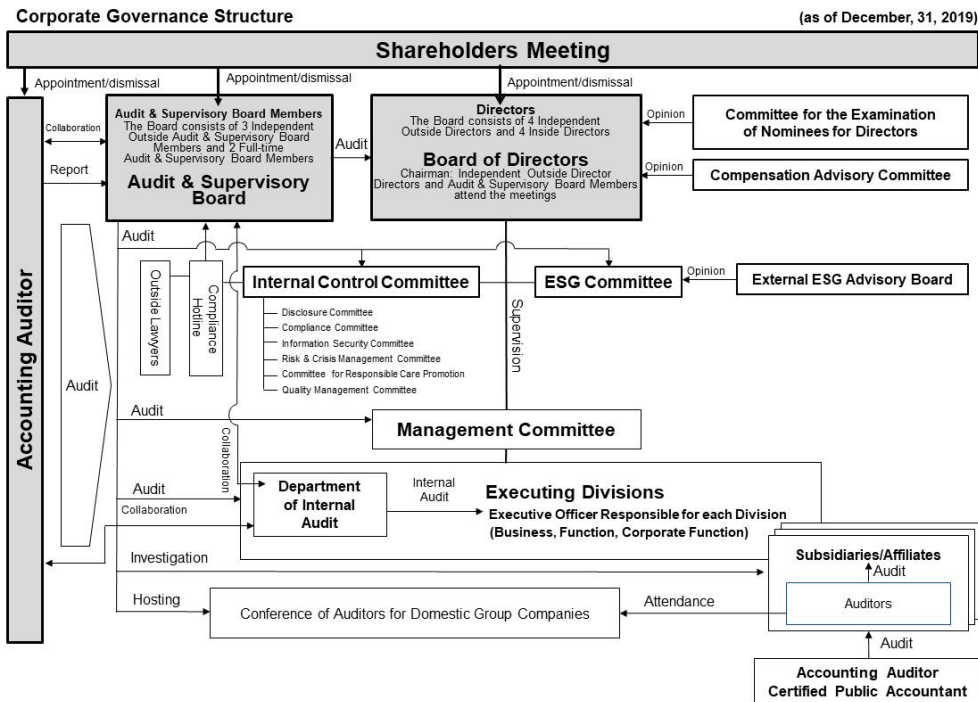
At the Board of Directors meeting held in February 2019, minor amendments were made to the wording of the Policy Regarding the Development of the Internal Control Systems ("Policy"). Furthermore, at the Board of Directors meeting held in December 2019, the Board of Directors adopted a resolution to the effect that no amendment would be made to the Policy, having confirmed that there had not been any revisions, etc. to applicable laws or regulations which would require amendments to the Policy, and also having confirmed that, as a result of listening to the opinions of the respective subcommittees of the Internal Control Committee, the respective departments, the Audit & Supervisory Board Members and others, internal control systems were actually being operated pursuant to the Policy.

(For your reference)

Basic Views of Corporate Governance

Basic Policy

Our vision by 2030 is to make Kao a company with a global presence. In addition to financial strategies and initiatives including financial results, non-financial strategies and initiatives should be strengthened. It is important that the fruits from those strategies and initiatives are used as investments for sustainable growth. The Company has announced that it recognizes ESG (Environmental, Social and Governance) initiatives as an investment for the future, not as a cost, and is promoting them. The Company considers good corporate governance as a prerequisite and a driving force for strongly promoting the achievement of such a goal. The Company's basic stance on measures related to corporate governance is to set up and operate a management structure and an internal control system, timely implement necessary measures and achieve accountability so that the Company can swiftly respond to changes, realize efficient management that is sound, fair, and highly transparent, and continuously enhance corporate value. The Company views accomplishing such tasks as one of its most important management issues and has been actively engaging in activities to listen to stakeholders' voices. 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.



1. Board of Directors

In order to promote sustainable growth and medium-to-long-term enhances in corporate value, the Company principally deliberates from various perspectives, including evaluation of risks, and determines the overall direction of management such as business strategies. In addition, Inside Directors and Full-time Audit & Supervisory Board Members who are familiar with the strengths and tasks involved in the management and business of the Kao Group, as well as Outside Directors and Outside Audit & Supervisory Board Members who have neutral and objective perspectives based on their abundant experience and high level of professional skill and expertise, work together to oversee the appropriate execution of management strategies from various perspectives. Moreover, the Company draws sharp distinctions between risks through the establishment of internal control and risk management systems. In these ways the Company has created an environment that allows for a more proactive style of management.

<Analysis and Evaluation of 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, the Company conducted a survey in advance, and the Board of Directors discussed and exchanged their opinions regarding the shared results. Based on that all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to express opinions, discuss and conduct evaluation.

2. Audit & Supervisory Board

Composed of both Full-time Audit & Supervisory Board Members who are well informed about internal affairs and Outside Audit & Supervisory Board Members who have a high level of professional skill and expertise in the field of accounting/finance or law, the Audit & Supervisory Board engages in meaningful discussions from an independent and objective perspective. Furthermore, the Audit & Supervisory Board performs highly effective audits principally through: attendance of the Audit and Supervisory Board Members at important meetings such as meetings of the Board of Directors and the Management Committee; its cooperation with the Accounting Auditor and internal auditing related departments, including the Department of Internal Audit; and listening to opinions from internal departments and affiliates.

<Analysis and Evaluation of Effectiveness of the Audit & Supervisory Board>

Once a year, all the Audit & Supervisory Board Members express their opinions, discuss and conduct evaluation while referring to a list of focal points prepared in advance at the Audit & Supervisory Board.

3. Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee
To ensure thorough fairness and transparency in the processes for determining Director appointments and compensation, the Company has voluntarily established the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee.

1) Committee for the Examination of Nominees for Directors

This committee is composed of all Outside Directors and all Outside Audit & Supervisory Board Members and it conducts examinations concerning the appropriateness of nominees for Directors and submits its opinions to the Board of Directors. Furthermore, the committee discusses the size, composition and diversity of the Board of Directors, as well as the qualities and abilities required of the CEO and Directors, and reports the results of these examinations to the Board of Directors.

2) Compensation Advisory Committee

This committee is composed of all Representative Directors, all Outside Directors and all Outside Audit & Supervisory Board Members. The committee conducts prior examinations concerning the compensation systems and levels for Directors and Executive Officers and submits its opinions to the Board of Directors.

The Board of Directors, the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee are each chaired by an Independent Outside Director. In addition, an effectiveness evaluation is conducted every year in respect of all of the two governing bodies described above.

The evaluation results of Board of Directors, Audit & Supervisory Board, Committee for the Examination of Nominees for Directors and Compensation Advisory Committee for fiscal 2019 are disclosed in the Company's Corporate Governance Report.

www.kao.com/global/en/about/policies/corporate-governance/

4. Internal Control Committee

This committee discusses and determines the direction of the entire Kao 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.

5. 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 strategy, aiming to contribute to sustainable development of Kao Group and society.

6. Management Committee

This committee, which is mainly composed of members with the position of Managing Executive Officer or higher who have a great deal of 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, the Company works to speed up its decision-making and execution process.

- End -