

Kao is able to respond promptly to change, and implements efficient management that is sound, fair and highly transparent; in order to realize ongoing enhancement of corporate value, Kao has set up and operates an appropriate management structure and internal control system, implements necessary measures in a timely manner and demonstrates accountability.

Corporate Governance with the Corporate Philosophy at Its Core

At Kao, we practice corporate governance that places the corporate philosophy, the Kao Way, at its core and with a consistent focus on Innovation, which is one of Values of the Kao Way. Putting in place systems for organizational design and the executive team, as well as effectively implementing them, are key to maintaining an effective governance structure. To do this, we revise our system of corporate governance as necessary to address changes in the business and management environment and pursue the most optimum structure for realizing sustained growth.

We have also taken actions in the past to this end, including changing the number of Directors to activate discussions by the Board of Directors, introducing performance-based compensation for executives to increase awareness for contributing to mid- to long-term business performance improvements and enhanced corporate value, and establishing committees on a voluntary basis. In FY2019, to achieve greater diversity in our Board of Directors and further strengthen its supervisory function, we increased our Outside Directors by one to make their number equal to the number of inside Directors and appointed a woman as an Outside Director. We will continue to implement corporate governance able to advance corporate management in both offensive and defensive ways.

Basic Approach to Corporate Governance

Our vision by 2030 is to make Kao a company with a global presence. In addition to financial strategies and initiatives including financial results, non-financial strategies and initiatives should be strengthened. It is important that the fruits from those strategies and initiatives are used as investments for sustainable growth. We have announced that we recognize ESG initiatives as an investment for the future, not as a cost, and are promoting them. We consider good corporate governance as a prerequisite and a driving force for strongly promoting the achievement of such a goal. Our basic stance on measures related to corporate governance is to set up and operate a management structure and an internal control system, timely implement the necessary measures and achieve accountability so that we can swiftly respond to changes, realize efficient management that is sound, fair and highly transparent, and continuously enhance corporate value. We view accomplishing such tasks as one of our most important management issues. We have been actively engaging in activities to listen to stakeholders' voices and based on input from stakeholders and social trends, we conduct reviews of our corporate governance and implement the necessary measures and improvements, as needed, in an appropriate manner.



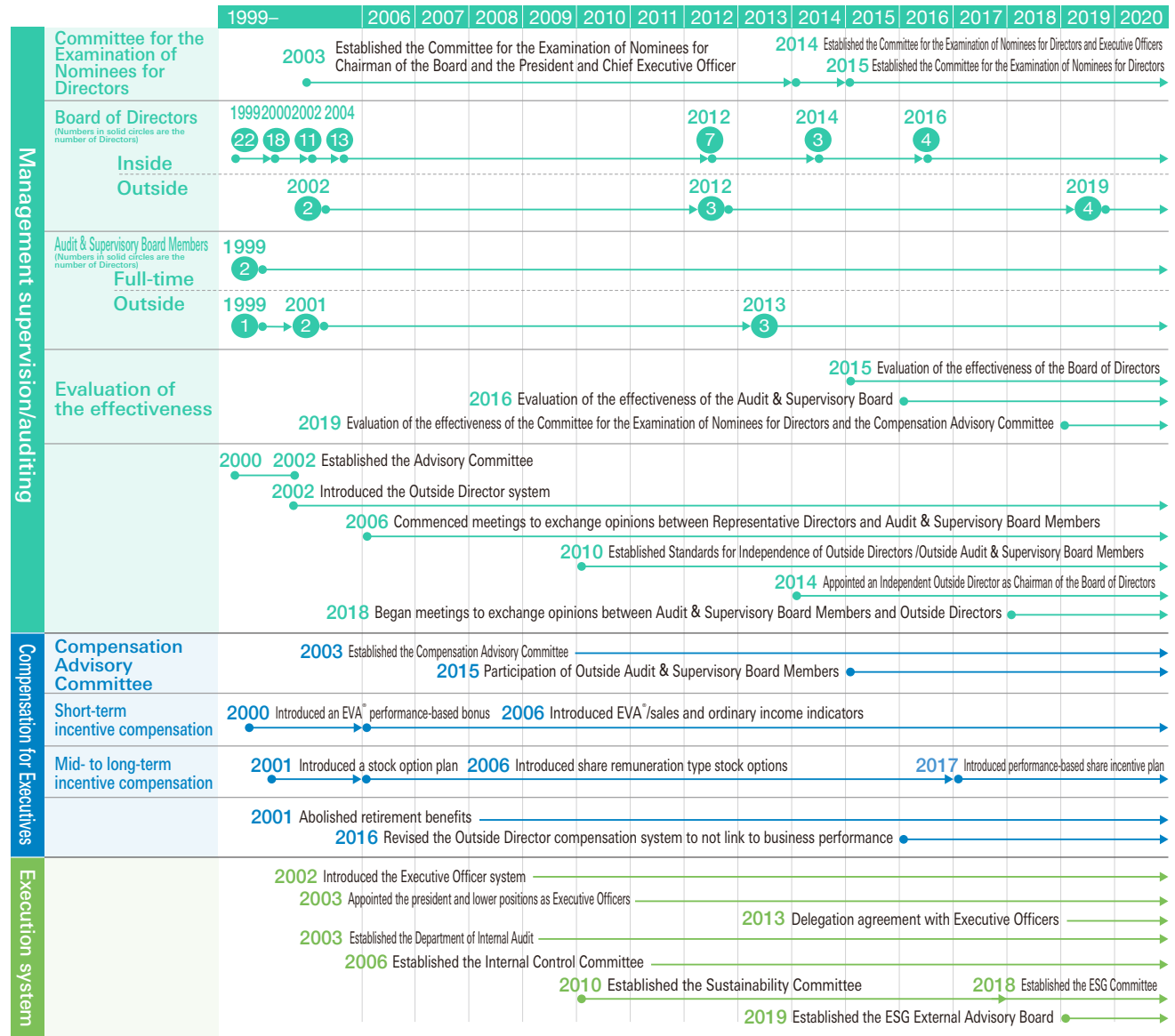
→ Report Concerning Corporate Governance
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_001.pdf

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Corporate Governance Reform

We have also practiced Innovation, which is one of Values of the Kao Way, in the area of corporate governance from an early stage. We have pursued creation of the most optimal structure to respond to changes in the business environment as well as social demands, and will continue to take steps to reform our governance.

Evolution of Kao's corporate governance



Corporate governance structure

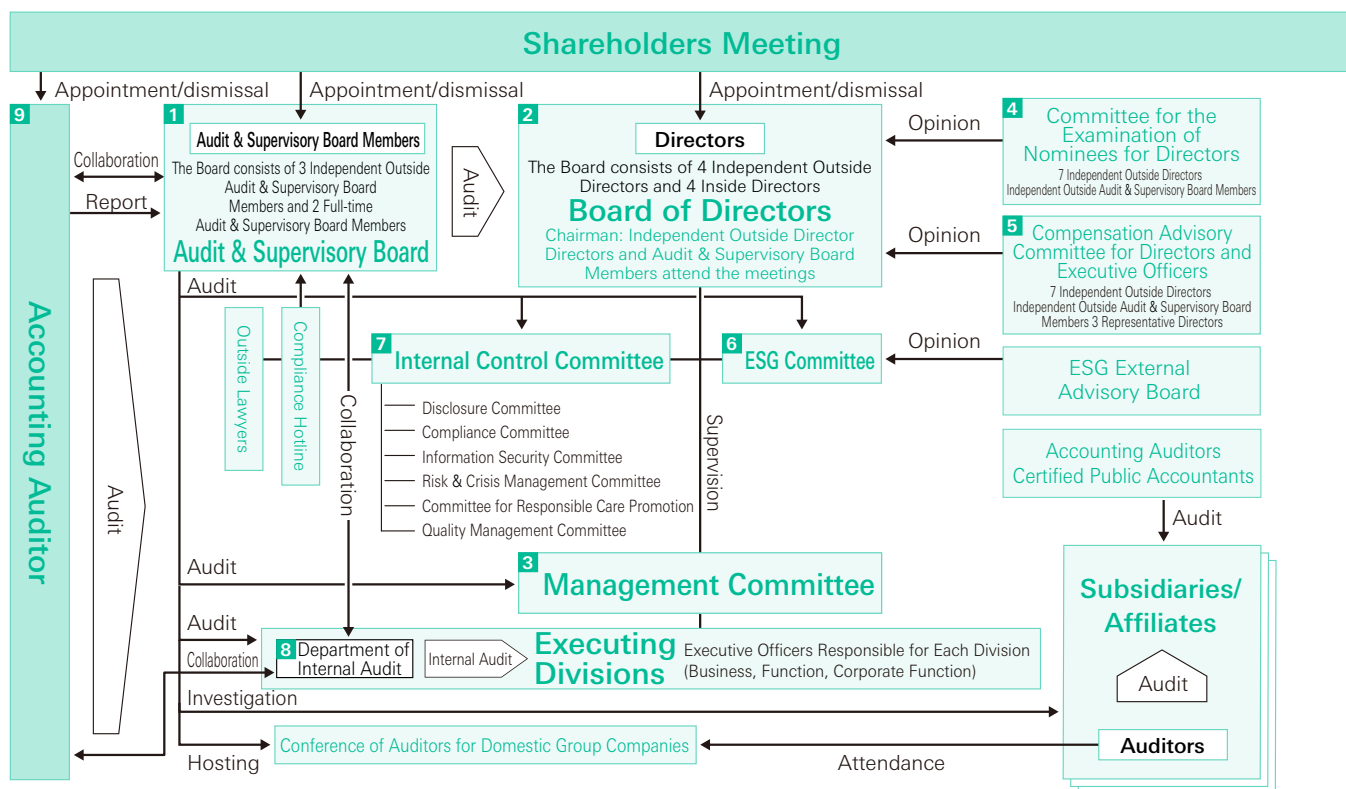
Kao has chosen to be a company with an Audit & Supervisory Board. In company with the Audit and Supervisory Board, the Audit and Supervisory Board Members are obligated to participate in meetings of the Board of Directors, but they do not possess voting rights. Therefore, the Company believes that this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

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

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

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

Corporate governance structure



1 Audit & Supervisory Board

Audits the execution of business by Directors and others by attending important meetings, such as meetings of the Board of Directors and the Management Committee, exchanging information with Accounting Auditor and internal auditing divisions including the Department of Internal Audit, conducting interviews at internal divisions and affiliates and others.

4 Committee for the Examination of Nominees for Directors

Comprising all Outside Directors and Outside Audit & Supervisory Board Members, examines and deliberates the appropriateness and other qualities of Director nominees, including for President and Chief Executive Officer, and submits its opinions to the Board of Directors.

7 Internal Control Committee

Discusses and determines the direction of the Kao Group's overall internal control systems to ensure the accuracy of financial reporting and achieve cross-organizational integration of functions pertaining to internal control.

2 Board of Directors

Deliberates the management direction including the management strategy from various perspectives including evaluation of risks, and makes decisions relating to the execution of business as well as supervises the execution of business by Directors.

5 Compensation Advisory Committee for Directors and Executive Officers

Comprising all Representative Directors, all Outside Directors and all Outside Audit & Supervisory Board Members, examine and deliberate the compensation system and standards for Directors and Executive Officers, and submit their opinions to the Board of Directors.

8 Department of Internal Audit

Conducts internal audits on management activities in general from the perspective of comply with laws and regulations, the appropriateness of financial reporting, and administrative effectiveness and efficiency. It also regularly makes reports to the Management Committee and the Board of Directors.

3 Management Committee

Makes decisions relating to the execution of the mid-to long-term direction and strategies as principal members with the position of Managing Executive Officer or higher. Acts to speed up decision-making and execution by delegating wide-ranging authority to the Management Committee.

6 ESG Committee

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

9 Accounting Auditor

Deloitte Touche Tohmatsu LLC is the audit firm appointed as the Accounting Auditor based on the Companies Act, and for accounting audits based on the Financial Instruments and Exchange Act.

Directors and Board of Directors

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

At these Board of Director meetings, to promote sustainable growth and mid- to long-term increases in corporate value, the Company deliberates from various perspectives, including evaluation of risks and determine the mid- to long-term direction of management toward business strategies. Furthermore, the Company supervise and audit whether or not its business strategies are being executed appropriately in various ways through reports by the Inside Directors on the status of progress of these strategies and issues preventing their achievement and response to such issues, as well as through evaluation and audits by Outside Directors and Outside Audit & Supervisory Board Members from their diverse perspectives. Moreover, the Company draws sharp distinctions between risks through the establishment of internal control and risk control systems. In these ways, the Company has created an environment that allows for a more proactive style of management.

Major Topics Discussed by the Board of Directors in FY2019

First Quarter	<ul style="list-style-type: none"> ● Revision of Business Conduct Guidelines ● Evaluation of the effectiveness of the Board of Directors ● ESG Strategy ● Department of Internal Audit semi-annual reports ● Audit & Supervisory Board Members' audit report summaries ● Overseas IR roadshow reports
Second Quarter	<ul style="list-style-type: none"> ● ESG Strategy ● Mid- to long-term strategy ● Current status of Research & Development and topics ● Compliance Committee annual reports
Third Quarter	<ul style="list-style-type: none"> ● Cosmetics Business strategy ● ESG Strategy ● Advanced Digital Technology strategy ● Department of Internal Audit semi-annual reports ● Human capital development strategy
Fourth Quarter	<ul style="list-style-type: none"> ● Research & Development progress report ● ESG Strategy ● Internal Control Committee activities report ● Cross-shareholdings status report ● Free discussion

The agenda for the mid- to long-term strategy included presentations given by multiple Executive Officers and engaging discussions based on them. In addition to the above, each month we have business execution reports from Directors currently serving as Executive Officers, as well as on matters discussed during the Management Committee from the Executive Officer in charge.

Audit & Supervisory Board Members and Audit & Supervisory Board

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

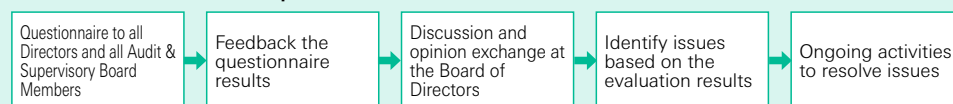
Audit & Supervisory Board Members hold regular meetings with the Representative Directors to exchange opinions and attend important meetings, such as meetings of the Board of Directors and the Management Committee. In addition to meetings with the auditors of domestic group companies, the Audit & Supervisory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

Evaluation of the effectiveness of the Board of Directors

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

For the FY2019 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held in January 2020, a survey of the eight (8) Directors and the five (5) Audit & Supervisory Board Members was conducted on the topics below. Feedback on the results was then provided before the meeting, during which the discussions and exchange of opinions were conducted.

Effectiveness evaluation process



(a) Efforts to address issues pointed out in the FY2018's evaluation of effectiveness of the Board of Directors

Issues pointed out in the FY2018's evaluation of effectiveness of the Board of Directors

1. With regard to human resources strategy, scouting and developing diverse human resources, including people who can excel globally, is an ongoing challenge. Further discussion is needed for the kind of human resources required based on the vision of the kind of company that Kao intends to be 10 years from now, and how to scout and develop those human resources.
2. With regard to management, the Board of Directors shall maintain dialogue in ways such as effectively sharing its discussions with executives and listening directly to the opinions of executives in order to further vitalize the Board of Directors and reflect its discussions in execution.
3. With regard to internal controls to comply with laws and regulations, the Board of Directors should not just maintain the control system, but should also conduct oversight in order to regularly revise operations to ensure the system functions even more effectively, in a timely and appropriate manner.

Evaluation of efforts to address the above issues

1. The Board of Directors has been able to conduct discussions of human resources strategy to a certain extent, which has enabled shared understanding of the issues. However, it needs to further deepen discussions regarding human resource requirements and development plans based on its vision for the future, from perspectives that include scouting and developing young human resources globally and using human resources from outside the Company.
2. Discussions at the Board of Directors are properly reported at the monthly meetings of Executive Officers, and reports regarding execution of business from Executive Officers at monthly meetings of the Board of Directors. These and other measures enable dialogue between Directors and Executive Officers. Especially, in FY2019,

several Executive Officers presented and discussed forward-looking mid-to-long-term strategy with the Board of Directors, and the opportunity for the Board of Directors to exchange opinions directly with the Executive Officers deepened mutual understanding. The Board of Directors intends to continue to provide opportunities for direct dialogue with executives.

3. An internal control system for legal compliance has been properly established. In the operation of this system, the amount and speed of information on problematic issues reaching the Board of Directors have increased. However, further improvements in system operation are required, as demonstrated by the lack of timely reports from worksites to senior management and issues with cooperation among departments, among other matters in some cases. Discussion of the background and nature of problematic issues that have arisen is also required.

(b) Evaluation of measures for viewpoints 1.-3. below, which are particularly expected of Board of Directors in the Corporate Governance Code

1. Constructive discussion of the broad direction of corporate strategy and other matters

At meetings of the Board of Directors, explicitly sharing discussion of the Kao Way, which expresses the vision of the kind of company Kao intends to be, and incorporating the opinions of Outside Directors, lead to energetic and constructive discussions about management strategy and management plans. In FY2019, the Board of Directors devoted significant time to discussing ESG strategy, which led to Kao's public commitments. The Board of Directors also engaged in multifaceted discussions about technology innovation. In FY2020, discussing the next mid-term plan will be a key responsibility of the Board of Directors. As part of this, the Board of Directors will deepen discussions about Kao's global strategy, M&A strategy, and the kind of human resources required.

2. Establishment of an environment where appropriate risk-taking by senior management is supported

Systems are in place to support checks on risks and promote proactive risk-taking through the energetic voicing of opinions by members of the Board of Directors from multiple perspectives, based on their diverse insights. Outside Directors and Outside Audit & Supervisory Board Members are provided opportunities to directly obtain frontline information by visiting business sites in Japan and overseas and by attending research presentations. In addition, the Chairman of the Board (an Outside Director), who sits on the Management Committee, provides background explanations that help the Board of Directors get to the central issues of its agenda. These features deepen discussion among members of the Board of Directors and help senior management make decisions.

3. Carrying out effective oversight of Directors and management from an independent and objective standpoint

The Board of Directors operates under the Chairman of the Board of Directors, who is a non-executive, Independent Outside Director. This ensures an atmosphere in which opinions can be freely expressed, transcending the boundaries separating internal and external perspectives. Moreover, Inside Directors who have executive responsibilities sincerely listen to the opinions of Outside Directors to maintain an approach to management that utilizes external perspectives, which vitalizes execution. The Board of Directors is composed of members with outstanding diversity in terms of their fields of expertise and experience. Inside Directors who are also executive officers, Independent Outside Directors with extensive knowledge, full-time Audit & Supervisory Board Members with regular access to detailed and specific internal information and Independent Outside Audit & Supervisory Board

Members with diverse experience and expertise all cooperate with each other. As a result, highly effective oversight functions are carried out based on objective opinions that are premised on timely and accurate information.

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

1. Composition: The Board of Directors is structured appropriately, with a good balance of Directors and Audit & Supervisory Board Members from inside and outside the Company offering diverse experience and insight as well as a compact size that enables ample communication and active discussions. In FY2019, a female Director and a female Audit & Supervisory Board Member were appointed to improve its balance. On the other hand, promotion or appointment of a non-Japanese Director or other Director who plays a role with a cross-divisional view of the entire Company is an issue that still needs to be addressed.
2. Status of operation: To allow for productive discussions at meetings of the Board of Directors, materials are distributed beforehand to promote understanding of matters such as the background, purposes and content of agenda items. The frequency of meetings is also set appropriately.
3. Status of deliberations: Proceedings allow sufficient time for questions and discussions, and discussions and exchanges of opinion are free, open, constructive and active. However, to elicit useful discussion by the Board of Directors, allocation of time for discussion needs to be more clearly delineated and presentation materials should be narrowed down to the main points.
4. Support from the Company: Lectures for Directors and Audit & Supervisory Board Members, opportunities to visit business sites in Japan and overseas, and information regarding technical matters including research and development are properly provided and appropriate support is given. Ongoing and periodic support will also be required.

(d) Operation of the Committee for Examination of Nominees for Directors and the Compensation Advisory Committee

Both committees have clear roles and authority, and discuss relevant themes at the appropriate times. Details of the discussions are duly shared with the Board of Directors. The Committee for the Examination of Nominees for Directors thoroughly discussed the next generation of human resources. The Compensation Advisory Committee shared the view that it was necessary to conduct discussions to review the compensation system in FY2020 in anticipation of the next mid-term plan.

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

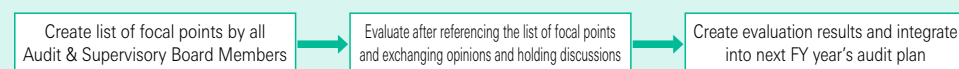
1. The Board of Directors should set aside time to discuss key directions of the Kao Group, such as the mid-term plan, human resources strategy, global strategy, and M&A strategy.
2. The Board of Directors must continue discussions of human resources strategy. It must incorporate external opinions as it further deepens discussion of human resource requirements and development plans based on the vision of the kind of company Kao intends to be and on the next mid-term plan.
3. With regard to internal controls to comply with laws and regulations, the Board of Directors needs to constantly monitor the controls to ensure proper operation so that the control system functions more effectively throughout the Kao Group.

Evaluation of the effectiveness of the Audit & Supervisory Board

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

At an Audit & Supervisory Board meeting held in February 2020, all Audit & Supervisory Board Members expressed their opinions on the activities of the Audit & Supervisory Board Members in FY2019 referring to the checklist of focus points for “Self-Evaluation of the Effectiveness of Kao’s Audit & Supervisory Board Members and Audit & Supervisory Board Meeting.” The attendees engaged in discussions based on those opinions, and made evaluations. The results of the self-evaluation are shared with the Board of Directors by incorporating them in the audit plan for the following fiscal year.

Effectiveness evaluation process



In FY2019, the following topics were reported at the Board of Directors.

Current Status

- Audit & Supervisory Board members attend the Board of Directors meetings, audit the management decision-making process, the status of development and operation of the internal control environment, and provide opinions as necessary.
- Full-time Audit & Supervisory Board members attend important meetings such as those of the Management Committee, Internal Control Committee and other related committees. In addition, Full-time Audit & Supervisory Board members actively conduct on-site visit at factories and research laboratories, interview business units and functional divisions, and conduct surveys of affiliated companies in Japan and overseas. Outside Audit & Supervisory Board members were provided with ample opportunity to participate in such activities. Based on the findings and opinions obtained through these audit activities, the Audit & Supervisory Board held meetings to exchange opinions with Representative Directors of the Company and its important subsidiaries, as well as meetings with all Outside Directors, and made suggestions as necessary.
- At Audit & Supervisory Board meetings, members frankly exchange opinions based on their respective experiences and expertise, incorporating an objective perspective and the Board is functioning effectively in general.
- The Audit & Supervisory Board has the opportunity to report on the activities of the Audit & Supervisory Board at the Board of Directors meeting regularly.

Issues

To respond appropriately and flexibly to changes in the business environment and business expansion,

- Regarding internal control, we will proactively make proposals to ensure effectiveness and efficiency in both its development and operation globally.
- From the perspective of group governance, it is also important to strengthen the framework for auditors of subsidiaries to function more effectively.
- As the expectations of the activities of corporate auditors in society increase, we will continue to consider how to proceed with audits.

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

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

Both the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee are chaired by independent Outside Directors. The effectiveness of both committees is evaluated on an annual basis.

1. Committee for the Examination of Nominees for Directors

The Committee for the Examination of Nominees for Directors comprises all Outside Directors and Outside Audit & Supervisory Board Members. The committee examines the suitability of nominees for company Directors, including the President and Chief Executive Officer, and submits its opinions to the Board of Directors. In addition, it discusses the size, composition and diversity of the Board of Directors as well as the qualities and capabilities that the President and Chief Executive Officer and members of the Board are required to possess. The results of these examinations and deliberations are also reported by the committee to the Board of Directors.

2. Compensation Advisory Committee

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

Independence of Outside Directors and Outside Audit & Supervisory Board Members

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

Attending members for meetings of the Board of Directors, the Audit & Supervisory Board and other committees

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

	Name	Board of Directors	Audit & Supervisory Board	Committee for the Examination of Nominees for Directors	Compensation Advisory Committee
Directors	Michitaka Sawada	○			○
	Toshiaki Takeuchi	○			○
	Yoshihiro Hasebe	○			○
	Tomoharu Matsuda	○			
	Sonosuke Kadonaga Outside/Independent	◎		◎	◎
	Osamu Shinobe Outside/Independent	○		○	○
	Chiaki Mukai Outside/Independent	○		○	○
	Nobuhide Hayashi Outside/Independent	○		○	○
Audit & Supervisory Board Members	Katsuya Fujii	○	◎		
	Hideko Aoki	○	○		
	Hideki Amano Outside/Independent	○	○	○	○
	Nobuhiro Oka Outside/Independent	○	○	○	○
	Takahiro Nakazawa Outside/Independent	○	○	○	○
Total		13	5	7	10

the Standards for Independence.

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



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

→ Kao Integrated Report 2020

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2020e-all.pdf#page=72

→ Adoption of Standards for Independence of Outside Directors/Audit & Supervisory Board Members

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

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

The compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is aimed at (1) securing and retaining diverse and excellent talent to establish and improve competitive advantages; (2) promoting prioritized measures for continuous increases in corporate value; and (3) sharing interests in common with shareholders. Starting in FY2017, we have introduced a performance-based share incentive plan for our Directors (excluding Outside Directors) and Executive Officers. Serving as a highly transparent and objective remuneration system that is closely linked to company performance, the performance-based share incentive plan aims to increase awareness of contributing to improvements in our financial performance and corporate value over the mid- to long-term.

The compensation system and compensation standards for Directors and Executive Officers are examined by the Compensation Advisory Committee and determined by the Board of Directors. Compensation for Independent Outside Directors consists solely of a fixed monthly salary. Compensation for Audit & Supervisory Board Members also consists solely of a fixed monthly salary, and compensation standards are determined at meetings of the Audit & Supervisory Board.

Compensation standards for Directors, Audit & Supervisory Board Members, and Executive Officers are determined each year after ascertaining standards at other major manufacturers of similar size, industry category, and business type as Kao using officer compensation survey data from an external survey organization. We do not have a system for providing retirement benefits to Directors or Audit & Supervisory Board Members.

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

	Base salary	Short-term incentive compensation		Long-term incentive compensation	
		Bonus		Performance-based share incentive	
		EVA®-linked part	Consolidated net sales/ profit-linked part		
Method of provision	Amount determined in accordance with role and rank, and provided as fixed monthly compensation.	Amount of bonus determined in accordance with degree of achievement of single fiscal-year targets and provided.		Kao shares, etc., are delivered within a four-year target period covered by the current mid-term plan <ul style="list-style-type: none"> • Fixed part: Deliver a set number of shares, etc. each year • Performance-based part: Deliver shares, etc. after the conclusion of the mid-term plan in accordance with the degree of achievement of the targets in the mid-term plan The compensation structure is set at 70% performance-based and 30% fixed.	
Performance evaluation period	—	One year		Four years (FY2017–2020)	
Evaluation indicator	—	<ul style="list-style-type: none"> • EVA® 	<ul style="list-style-type: none"> • Consolidated net sales • Income (Gross Profit Less Selling, and General and Administrative Expenses) 	<ul style="list-style-type: none"> • Like-for-like net sales CAGR (Compound annual growth rate) • Operating margin 	<ul style="list-style-type: none"> • Ethisphere® Institute evaluation (World's Most Ethical Companies®)*
Evaluation criteria	—	Degree of target achievement	Degree of target achievement/Degree of year-on-year improvement	Degree of target achievement	Number of selections
Coefficient/ Determination of payout rate	—	The payout rate is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.		The coefficient for the performance-based part is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.	
Compensation structure	—	Bonus amount by position when the payout rate is 100%. <ul style="list-style-type: none"> • President and Chief Executive Officer: 50% of base salary • Executive Officers with titles: 40% of base salary (except for the President and Chief Executive Officer) • Other Executive Officers: 30% of base salary 		The yearly share remuneration amount when the performance-based coefficient is 100% <ul style="list-style-type: none"> • About 40% to 50% of the base salary of the position. 	
Eligible for provision	<ul style="list-style-type: none"> • Directors. • Executive Officers. • Audit & Supervisory Board Members. 	<ul style="list-style-type: none"> • Directors (Except for Outside Directors) • Executive Officers 		<ul style="list-style-type: none"> • Directors (Except for Outside Directors) • Executive Officers 	

* "World's Most Ethical Companies®" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

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Compensation paid to Directors and Audit & Supervisory Board Members in FY2019

Classification	Number of persons (Persons)	Aggregate amount of remuneration (Millions of yen)	Amount of remuneration by type (Millions of yen)		
			Base salary	Bonus	Performance-based remuneration
Directors (of Outside Directors)	10 (5)	404 (71)	264 (71)	35 (-)	105 (-)
Audit & Supervisory Board Members (of Outside Audit & Supervisory Board Members)	6 (3)	78 (30)	78 (30)	0 (-)	0 (-)
Total (Outside Directors and Audit & Supervisory Board Members)	16 (8)	482 (101)	342 (101)	35 (-)	105 (-)

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

FY2019 Remuneration for Individual Directors

Name (Director classification)	Aggregate amount of remuneration (Millions of yen)	Amount of remuneration by type (Millions of yen)		
		Base salary	Bonus	Performance-based share incentive
Michitaka Sawada (Director)	133	82	16	35

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