

Kao's approach

To earn the trust and support of society, Kao is committed to timely, accurate and fair disclosure of information to its shareholders, investors and all other stakeholders. Kao adheres strictly to the Japanese Corporation Law, the Financial Instruments and Exchange Law, regulations set down by Tokyo Stock Exchange, Inc., and other laws and regulations concerning disclosure. Kao discloses information promptly in accordance with these laws and regulations. In addition, Kao proactively discloses information of social relevance pertaining to the Kao Group.

Policies

Information disclosure

As for information disclosure, Kao's basic policy is to disclose information in a timely, accurate and fair manner in accordance with its Disclosure Guidelines. Kao discloses information which it is obligated to release publicly, based on the Securities Listing Regulations of the Tokyo Stock Exchange (TSE) in English and Japanese, through the online Timely Disclosure Network (TDnet)*. Kao also posts information useful to shareholders and investors on the Investor Relations section of Kao's website from the perspective of fair disclosure.

Kao will continue to reinforce strategic information disclosures, such as enhanced delivery of messages from top management and intensified dialogue with institutional investors to continuously improve its corporate value.

*TDnet (Timely Disclosure Network)

A service to distribute information on listed companies on a real time basis; operated by the Tokyo Stock Exchange.



→ Investor Relations
<http://www.kao.com/global/en/investor-relations/>

→ Disclosure Guidelines
<http://www.kao.com/global/en/investor-relations/management-information/disclosure/>

Promoting dialogue with shareholders and institutional investors

In order to improve its corporate value, Kao considers it important to communicate with shareholders and other stakeholders, thereby gaining better understanding of mutual views and positions, and taking appropriate measures based on this understanding. Kao develops a framework to promote constructive communication with shareholders, and create opportunities to communicate with individual shareholders and domestic and foreign institutional investors. In communication with shareholders, the members of management participate to the extent possible in order to reflect the opinions of the shareholders and other matters in management appropriately.

Kao also discloses information to individual shareholders in an accurate and fair manner by improving Kao's website.

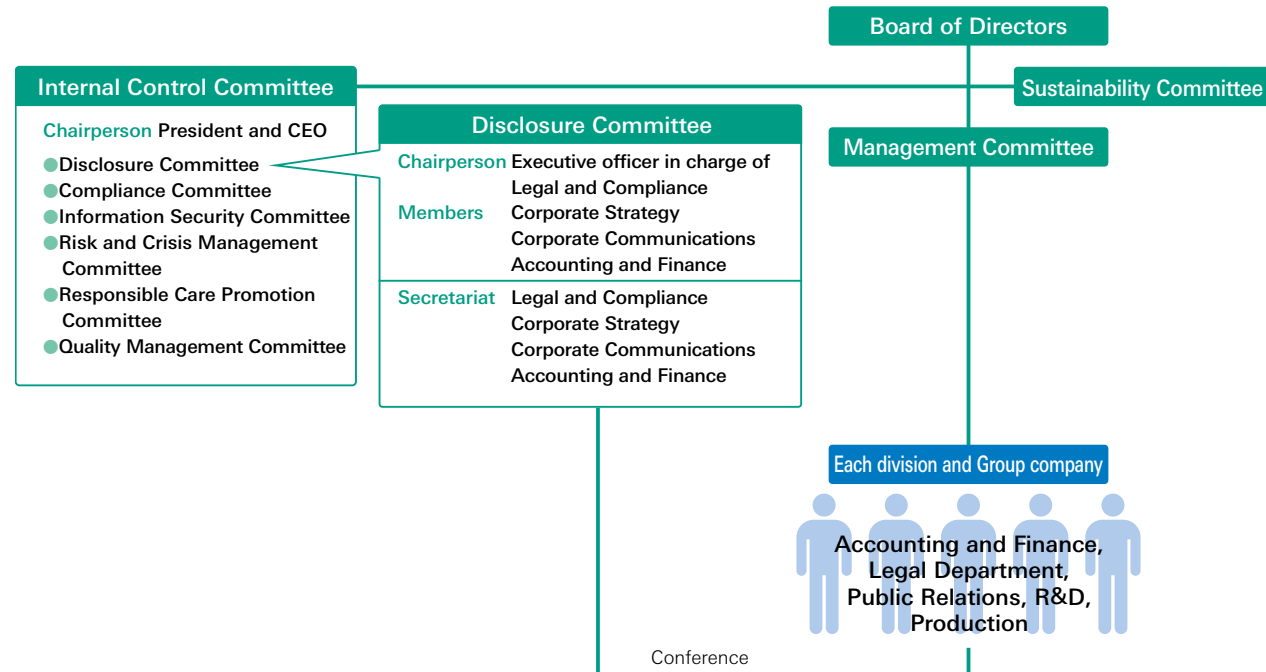
Information disclosure

Framework

Kao has established a system whereby the secretariat of the Disclosure Committee consolidates the management of material corporate information including all the decisions, occurrence of material facts and earnings information of the company and of the company's subsidiaries. The Disclosure Committee reviews whether certain material corporate information should be disclosed pursuant to the Securities Listing Regulations of TSE in consultation with relevant divisions such as Accounting & Finance, Legal, Public Relations, R&D and Production. If necessary, the committee decides the contents, time and methods of disclosure after getting approval from the President and CEO, or if the President and CEO is unavailable, one of the other Representative Directors or the Corporate Information Handling Officer registered at TSE.

In principle, the disclosure of material information is done by a Representative Director or its assignee through TDnet and, if necessary, through press conferences and news releases in accordance with the decision by the committee. The information registered at TDnet will also be promptly posted on the Kao website. The Public Relations Division manages the disclosed information.

Information disclosure framework



Education and promotion

In 2017, Kao conducted the e-learning course on insider trading regulations produced and supervised by Japan Exchange Group, with the aim of providing correct information with employees who are subject to the regulations and required to submit a prior notification.

Mid- to long-term targets and performance

Performance in 2017

1. Timely, accurate and fair disclosure

- Kao implemented disclosure using TDnet and by posting information on the Investor Relations section of the Kao website, as well as by holding press conferences and mailing out information when necessary.
- Kao submitted Corporate Governance Reports, detailing implementation status of the principles of the Corporate Governance Code formulated by the Tokyo Stock Exchange three times.

2. Strengthening dialogue with shareholders and investors

- Tours of Kao facilities for shareholders: 12 times
- Company briefing for shareholders: once
- Briefings to analysts and institutional investors: twice
- Meetings regarding the Environmental, Social and Governance (ESG) criteria: 21 times
- Governance roadshow (U.S.)
- Financial results briefings (on the same day of announcement of half-year and full-year financial results)
- IR roadshow (U.S., Europe and Asia)
- Small meetings with the President: twice
- One-on-one meetings with analysts and institutional investors: (about 310 times in Japan and overseas)
- Disclosure of information on corporate website
- Issuance of Reports to shareholders in Japanese (issued at the end of the first half of the fiscal year, and at the end of the fiscal year)
- Disclosure of Integrated Report
- Issuance of the Financial Report in English in PDF format on the corporate website

Our initiatives

Publicizing shareholder meetings and facilitating the exercise of voting rights

To provide shareholders with sufficient time to examine agenda items, Kao strives for the early dispatching of the convocation notice to the Annual General Meeting of Shareholders (AGM) every year. Furthermore, Kao posts the convocation notice on the online TDnet and on the corporate website ahead of sending the convocation notice. In addition, to provide prompt and fair information disclosure to foreign shareholders, who hold about half of its shares, a summarized English translation of the convocation notice is provided.

To encourage the exercise of voting rights, Kao uses electronic means for voting, including the Internet and an electronic voting platform operated by ICJ, Inc.

Kao works to enhance the contents of its convocation notices for the AGM by conducting regular revisions to proactively incorporate information considered conducive to appropriate judgments by shareholders, in addition to items required by law. Also, Kao provides institutional investors and others with explanations as necessary.

At the AGM, Kao provides shareholders with easy-to-understand explanations of the summary of the

business report, major issues and the medium- to long-term outlook using projected images and a thorough question-and-answer session. Kao also provides opportunities for shareholders who desire to make the acquaintance of Directors and Executive Officers to do so after the close of the AGM.

After the conclusion of the AGM, Kao also posts presentation materials used at the meeting and a summary of voting resolutions from the meeting in both Japanese and English on its website.

The 112th Annual General Meeting of Shareholders (Held in March 2018)

Total number of shareholders who attended: 2,027

Dialogue with individual shareholders

In 2017, Kao conducted tours of the Kao Museum, the Kawasaki Plant and the Kao Eco-Lab Museum (Wakayama) for shareholders over seven days in June, with a total of about 463 people attending.

After each approximately one-hour tour, Executive Officers explained Kao's performance, initiatives in 2017 and the Kao Group Mid-term Plan 2020 (K20) and shareholder returns, and responded to questions from participants. We received many favorable comments from participants in the tours, including, "I now have a clear understanding of Kao's vision and goals," and "I will use Kao's products to contribute to environmental activities."

In August, we also held our first company briefing for shareholders in Osaka. This session was intended to establish direct dialogue between our top management and shareholders who live in the areas far from Tokyo which is the venue of the Annual General Meeting held in Tokyo. We welcomed many participants, which made us realize the high level of interest of shareholders. In the session, the President explained our mid-term plan as well as our R&D activities, after which seven executive officers answered questions from participants. We received comments from participants, including, "It was a good opportunity to hear from the top

management," and "I found it informative to learn the scientific basis behind product development."

We continue to incorporate such feedback as we plan and implement future events to bring higher satisfaction to shareholders.

Promoting dialogue with institutional investors

Conference calls for the first- and third-quarter financial results

In addition to the half-year and full-year financial results briefings, in 2017, we started the conference calls in the first and third quarter. Executive Officer in charge of Accounting and Finance and Vice President, Financial Controllers outlined the fiscal results followed by the question-and-answer session. Analysts and institutional investors have commented that these conference calls have provided an opportunity for two-way communication that has helped to give them a better understanding of the company, which in the past tended to rely mainly on disclosure via the corporate website.

Shortly after the conference, we provided the summary of the question-and-answer session both in Japanese and English from the perspective of fair disclosure, engaging in the wider dissemination of information.



→ Presentation materials of the financial results conference calls and summary of the question-and-answer session
<http://www.kao.com/global/en/investor-relations/library/presentations/>

Meetings focusing on ESG themes

At Kao, we held meetings with several institutional investors in Japan in which ideas were exchanged regarding the ESG criteria and information disclosure, with the participants on Kao's team comprised of Investor Relations, Legal Department and Sustainability Department. Kao views these meetings as providing an important opportunity to learn institutional investors' views directly. In 2017, our human rights initiatives, procurement of palm oil, and other initiatives were evaluated. We endeavor to use the feedback and ideas obtained at these meetings as a basis for further improvements to our ESG activities and disclosure, and for a further enhancement of dialogue.

Furthermore, the Executive Officer in charge of corporate governance visited institutional investors in the United States, to exchange ideas regarding Kao's corporate governance. By explaining Kao's approach to corporate governance and its governance systems in a face-to-face environment, we provided investors more in-depth understanding of the relevant issues, including the Audit & Supervisory Board that is unfamiliar to Western investors. On the other hand, we identified the issue that Japan specific systems such as Audit & Supervisory Board Members are not fully understood among investors outside Japan. In the future, we will work closely with the relevant external organizations to engage in the dissemination of information.