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Kao Corporation

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TSE Code: 4452

www.kao.com/global/en/

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

1. Basic Views

Our targets for 2030 is to make Kao a company with a global presence, valuable to society. In order to become an essential company in a sustainable world, we are significantly shifting our direction to ESG (environmental, social, and governance) management. While aiming to become a high-profit global company, we are also working toward raising the level of social contribution by capturing changes in business environments surrounding us and changes in stakeholders' values. In order to gain trust from society, which is indispensable for these corporate activities and business activities, we are constantly strengthening our corporate governance in both systems and operations. We position our corporate governance as one of our most important management issues and 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 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 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 necessary measures and improvements in an appropriate manner.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

<Definitions>

As used in these matters to be disclosed, the definitions of the following terms shall be as follows:

“Management” means executive Directors and Executive Officers.

“Senior Management” means Executive Officers with titles.

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

Ensure Adequate Coordination with External Accounting Auditor and Outside Directors (Principle 3.2.2 (iii))

Kao Corporation (hereinafter referred to as the “the Company”) expects Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, to fulfill the role of coordination with the external Accounting Auditor as contact points on the Company's side, and the external Accounting Auditor's views, issues and other matters are shared with Directors, including the Outside Directors, through the Audit & Supervisory Board Members. In the course of such information sharing, if Directors judge it necessary, they ensure efficiency and adequate coordination by establishing opportunities for direct exchange of information with the external Accounting Auditor.

Regular Exchange of Information Solely among Independent Outside Directors (Principle 4.8.1)

To promote discussions from diverse perspectives, independent Outside Directors and Outside Audit & Supervisory Board Members hold meetings exclusively for independent outside members on their own initiative to exchange information and share awareness of issues related to the Company's management and the activities of the Board of Directors, development of future Senior Management, and other matters. Given the current situation of having good communications, ad hoc meetings among independent outside members are considered more appropriate for such communication than regular meetings scheduled by the Company. Also, a newly appointed member who attended the meeting expressed his view that he was reassured by the fact that outside members can make their proposals directly to the Company through frank exchanges of opinions

undertaken at the meeting.

[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]

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

The following updates have been implemented.

- 6. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors (Principle 4.11, Principle 4.11.1, Principle 2.4)
- 9. Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management (Principle 3.1(v), Principle 4.11.1)
- 11. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc. (Principle 4.8)
- 15. Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties (Principle 3.1.3)

2. Capital Structure

Foreign Shareholding Ratio: More than 30%

[Status of Major Shareholders]

(As of December 31, 2021)

Name / Company Name	Number of Shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	86,788,300	18.28
Custody Bank of Japan, Ltd. (Trust Account)	26,998,300	5.69
STATE STREET BANK AND TRUST COMPANY 505223	14,627,614	3.08
SMBC Nikko Securities Inc.	13,961,700	2.94
THE BANK OF NEW YORK 134104	8,231,805	1.73
STATE STREET BANK WEST CLIENT - TREATY 505234	8,101,167	1.71
SSBTC CLIENT OMNIBUS ACCOUNT	7,352,719	1.55
JAPAN SECURITIES FINANCE CO., LTD.	6,835,400	1.44
Nippon Life Insurance Company	6,691,215	1.41
NATIONAL MUTUAL INSURANCE FEDERATION OF AGRICULTURAL COOPERATIVES	6,334,000	1.33

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

Supplementary Information [Updated]

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

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

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

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

Company could not confirm the number of beneficial shares.

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

3. The amendment to the large shareholdings report filed by Mitsubishi UFJ Financial Group, Inc. and six other persons on October 18, 2021, which is open to the public, stating that they held shares of the Company as shown below as of October 11, 2021. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Mitsubishi UFJ Financial Group, Inc. and six other persons	27,293	5.75

4. The amendment to the large shareholdings report filed by Sumitomo Mitsui Trust Bank, Limited and two other persons on March 4, 2022, which is open to the public, stating that they held shares of the Company as shown below as on February 28, 2022. However, these shareholdings were not included in the above list of major shareholders.

Name	Number of shares (thousand shares)	Ratio of shareholding (percentage)
Sumitomo Mitsui Trust Bank, Limited and two other persons	32,093	6.76

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	December 31
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

None

5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
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Details of the information about Audit & Supervisory Board Members are reported on the Japan Audit & Supervisory Board Members Association's website.

www.kansa.or.jp/support/el009_130711_2.pdf

[Directors] [Updated]

Maximum Number of Directors Stipulated in Articles of Incorporation	0 (Not stipulated)
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	9
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)												
Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Osamu Shinobe	From another company								△			
Chiaki Mukai	Others								△			
Nobuhide Hayashi	From another company								△			
Eriko Sakurai	From another company								○			

*Categories for "Relationship with the Company"

*"○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

*"●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)			
Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Shinobe	○	Mr. Shinobe previously had executive authority at ALL NIPPON AIRWAYS CO., LTD., but ceased to have such authority from April 2017. ALL NIPPON AIRWAYS CO., LTD. provides public transportation services as an airline company, and the Kao Group engages in regular transactions with ALL NIPPON AIRWAYS CO., LTD. and its group companies in terms of the directors, officers and employees of the Company using its services as a means of transportation in making business trips, however, the amounts involved in such transactions account for less than 0.1% of the ALL NIPPON AIRWAYS group's consolidated net sales and the Kao Group's consolidated net sales for the latest fiscal year, respectively.	(i) He has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections of an international airline which carries both cargo and passengers where safety and security took top priority. He has been actively presenting opinions and proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. In view of these facts, the Company expects him to supervise the management of the Kao Group as an Independent Outside Director. He is to chair the meetings of the Board of Directors from March 2022. ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the

			“Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Chiaki Mukai	○	Ms. Mukai previously had executive authority at Tokyo University of Science, but ceased to have such authority from April 2016. In addition, although the Company conducts joint research with Tokyo University of Science and advertising, 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.	(i) She has an extensive and high level of expertise in the scientific field. She has a wealth of experience and track record in various fields from her achievements as a medical doctor, astronaut and Specially Appointed Vice President of a university. Based on such experience and expertise, she has been actively presenting opinions and proposals in deliberations at the Board of Directors concerning material matters in the management of the Kao Group. In view of these facts, the Company expects her to supervise the management of the Kao Group as an Independent Outside Director. ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to her, and also that she has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Nobuhide Hayashi	○	Mr. Hayashi previously had executive authority at Mizuho Bank, Ltd., but ceased to have such authority from April 2017. The Kao Group conducts regular bank transactions with Mizuho Bank, Ltd. and its group companies, and receives consulting service, etc. in overseas markets, however, the amounts involved in such transactions account for less than 0.1% of the Mizuho Bank group’s consolidated ordinary income and the Kao Group’s consolidated net sales for the	(i) Over many years, he has played an active role on an international basis in the fields of finance and financial affairs, such as by experiencing an extensive range of duties in sales, international business planning, etc. at leading financial institutions. He has an abundance of experience and a high level of expertise in company management, such as having served as a corporate manager amidst global changes in the business environment surrounding the financial

		latest fiscal year, respectively.	industry. He has been actively giving opinions and making proposals in deliberations of the Board of Directors concerning material matters in the management of the Kao Group, based on his considerable experience and expertise. In view of these facts, the Company expects him to supervise the management of the Kao Group as an Independent Outside Director. ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to him, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Eriko Sakurai	○	Ms. Sakurai has executive authority at Dow Chemical Japan Limited. As a Japanese subsidiary of a US chemical manufacturer, Dow Chemical Japan Limited manufactures, imports, and sells various chemical products and provides technical services. The Kao Group conducts transactions related to the purchase of raw materials, etc. with the corporate group to which Dow Chemical Japan Limited is affiliated, however, the amounts involved in such transactions account for less than 0.1% of such group’s consolidated net sales and less than 0.5% of the Kao Group’s consolidated net sales for the latest fiscal year.	i) She has a wealth of experience in global companies, including many years of corporate management at the Japanese subsidiary of a US chemical manufacturer with global business operations, as well as supervision of management as an Outside Director at a major manufacturer and a financial institution. Based on her experience in the chemical industry, she also has a high level of expertise in chemical business, which comprises the two key pillars of the Kao Group together with the Consumer Products Business. In view of these facts, the Company expects her to supervise the management of the Company as an Independent Outside Director. ii) The Company determined that none of the requirements for prior discussion as provided in Section III. 5. (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to her, and also that she has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by

			the Company in line with the above guidelines.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson
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	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee
All Committee Members	7	11
Full-time Members	0	0
Inside Directors	0	4
Outside Directors	4	4
Outside Experts	0	0
Other	3	3
Chairperson	Outside Director	Outside Director

Supplementary Explanation [Updated]
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The Company has established the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee which fulfill functions similar to the nominating committee and compensation committee of a “company with committees.” (As of July 29, 2020, the Committee for the Examination of Nominees for Directors was renamed to the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members which examines the nominee(s) of Audit & Supervisory Board Members as well.)

To incorporate an independent and objective perspective, the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members consists exclusively of all Outside Directors and all Outside Audit & Supervisory Board Members, with the chairperson chosen by the members, and in FY2021 an Independent Outside Director held the position again. Prior to the election or re-election of Directors (including Representative Directors, Chair and President & CEO) and Audit & Supervisory Board Members, the Committee conducts examinations and submits its opinions of the nominees' appropriateness to the Board of Directors. Furthermore, with the appointment by the chairperson, President & CEO attends the meeting to contribute by submitting necessary and sufficient documents for an examination (including a summary of the new management structure, incorporating a classification of duties of the Directors and Executive Officers, in addition to materials related to the subjects of the examination) to each member of the Committee and work to enhance the examination by making arrangements such as creating opportunities for nominees and the Committee members to meet beforehand.

The Committee met four times in FY2021, April, September, October, and December, and in addition to discussing the necessity to ensure the diversity of the Board of Directors and examining the appropriateness of nominees, it discussed the allocation of human capital with K25 in mind, including the executive officer structure. The results of its examination were reported to the meeting of the Board of Directors.

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

Chiaki Mukai, Outside Director (Chairperson)

Osamu Shinobe, Outside Director

Nobuhide Hayashi, Outside Director

Eriko Sakurai, Outside Director

Hideki Amano, Outside Audit & Supervisory Board Member

Nobuhiro Oka, Outside Audit & Supervisory Board Member

Takahiro Nakazawa, Outside Audit & Supervisory Board Member

The compensation system and compensation level of Directors and Executive Officers are reviewed by the Compensation Advisory Committee from the perspective of ensuring objectivity and transparency in the decision-making process and determined by resolution of the Board of Directors. The Compensation Advisory Committee is composed of the all Outside Directors and all Outside Audit & Supervisory Board Members to incorporate independent and outside perspectives, and all Representative Directors and Director, Chair. The chairperson is chosen by a vote among the Committee members, and in FY2021 an independent Outside Director served as the chairperson again. The Committee is asked to provide its opinion on and conducts reviews of the compensation system and remuneration levels of the Directors and Executive Officers. In FY 2021, the Committee was held twice in September and November, and the remuneration level and the composition ratio of each remuneration were reviewed, and based on the results of the review, the content of the remuneration for FY2022 was decided by a resolution of the Board of Directors held in December 2021.

Members of the Compensation Advisory Committee

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

Furthermore, the Company has established a Compensation Advisory Committee for Audit & Supervisory Board Members, and examines the validity and transparency in the decision-making process of compensation amounts for Audit & Supervisory Board Members from an outside perspective. The committee is composed of all Outside Audit & Supervisory Board Members, the President and CEO, and one Outside Director. The chair is elected from among the Outside Audit & Supervisory Board Members. In FY 2021, the Committee was held twice in February and October.

Members of the Compensation Advisory Committee for Audit & Supervisory Board Members

Hideki Amano, Outside Audit & Supervisory Board Member (Chairperson)
 Nobuhiro Oka, Outside Audit & Supervisory Board Member
 Takahiro Nakazawa, Outside Audit & Supervisory Board Member
 Yoshihiro Hasebe, Representative Director
 Osamu Shinobe, Outside Director

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	0 (Not stipulated)
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

■Cooperation between Audit & Supervisory Board Members and the Accounting Auditor
 At the start of the accounting audit for each fiscal year, the Audit & Supervisory Board Members receive from the Accounting Auditor an audit plan describing matters such as the fundamental audit policy, the major items and sites to be audited and the main contents of the audit. The Audit & Supervisory Board Members also exchange views with the Accounting Auditor regarding the contents of the audit plan.

In each quarterly settlement of accounts, the Audit & Supervisory Board Members receive from the Accounting Auditor, in the course of the quarterly audit conducted by the Accounting Auditor, reports on the main content of the audit and whether any material problem has been found in the audit so far conducted, and also exchange views with the Accounting Auditor. At the time when the Accounting Auditor submits a quarterly audit report to the Board of Directors of the Company, a quarterly audit report meeting is held, where the quarterly summary of the audit results are reported to the Audit & Supervisory Board Members by the Accounting Auditor.

Similarly, in the settlement of accounts for each fiscal year, the Audit & Supervisory Board Members have opportunities to mutually discuss with the Accounting Auditor the contents of their audits, in the course of the audit conducted by the Accounting Auditor. Furthermore, the Audit & Supervisory Board Members receive an audit report from the Accounting Auditor within the time frame prescribed by law, as well as a summary of the audit results, which are later used by the Board of Audit & Supervisory Board Members in preparing its audit report.

The Audit & Supervisory Board Members also contact the Accounting Auditor whenever necessary to cooperate in forming their respective audit opinions.

■Cooperation between Audit & Supervisory Board Members and Internal Auditing Divisions

Audit & Supervisory Board Members regularly exchange opinions with the Department of Internal Audit that presides over internal control and works closely with it to improve the effectiveness of audits.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3
Outside Audit & Supervisory Board Members' Relationship with the Company (1)	

Name	Attribute	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Hideki Amano	CPA														
Nobuhiro Oka	Attorney-at-law										○				
Takahiro Nakazawa	CPA														

*Categories for "Relationship with the Company"

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

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

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

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

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. An Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the an Audit & Supervisory Board Member himself/herself only)

- l. Executive of a company or organization that receives a donation from the Company (the an Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2) [Updated]

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Hideki Amano	○	None	<p>(i) Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at a major auditing firm as a member of management, he has served as an Audit & Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group.</p> <p>(ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to Mr. Amano, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>
Nobuhiro Oka	○	<p>Mr. Oka serves as a Professor at the Keio University Law School, and is involved in business execution. The Company conducts transactions related to the advisory of research guidance by Keio 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</p>	<p>(i) He, in his career as an attorney and a university professor, has obtained considerable professional expertise and experience in relation to corporate legal affairs and corporate governance. Having served as an audit & supervisory board member of principal subsidiary of the Company since 2014, he also has expertise in relation to the business of the Kao Group. He has served as an Audit & Supervisory Board Member of the Company since March 2018, conducting effective audits from a professional perspective including group governance. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group.</p> <p>(ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines</p>

		fiscal year, respectively.	Concerning Listed Company Compliance, etc.” of the TSE applies to Mr. Oka, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.
Takahiro Nakazawa	○	None	<p>(i) Mr. Nakazawa has a high level of professional expertise as a certified public accountant. During his service with major auditing firms, he has been involved in providing auditing services for leading companies and has also engaged in various advisory services such as those relating to the introduction of U.S. accounting standards and the International Financial Reporting Standards (IFRS), thereby gaining significant and valuable insights concerning governance and internal control systems which contribute to the growth of globally-operating companies. The Company expects that he will to make full use of his experience in the auditing of the entire Kao Group.</p> <p>(ii) The Company determined that none of the requirements for prior discussion as provided in Section III.5 (3) 2 of the “Guidelines Concerning Listed Company Compliance, etc.” of the TSE applies to Mr. Nakazawa, and also that he has the necessary independence based on the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation” established by the Company in line with the above guidelines.</p>

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	7
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Matters relating to Independent Directors/Audit & Supervisory Board Members

All Outside Directors and all Audit & Supervisory Board Members of the Company meet qualification for Independence and the Company has reported these members to the TSE as Independent Directors/Audit & Supervisory Board Members.

■The Company’s Policy for Independence of Outside Directors/Outside Audit & Supervisory Board Members

The Company has adopted at a meeting of its Board of Directors the “Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation”, with the unanimous consent of its Audit & Supervisory Board Members. The purpose of establishing these Standards is to provide clear criteria for an outside director/Audit & Supervisory Board Member to qualify as an independent director/Audit & Supervisory Board Member.

Please read these Standards on the Company's website.

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

[\[Incentives\]](#)

Incentive Policies for Directors	Performance-based Remuneration
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Supplementary Explanation

It is described in following "Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration" in Remuneration for Directors.

Recipients of Stock Options

Supplementary Explanation

The Company grants stock options to applicable stock option grantees for the purpose of further increasing the Company's corporate value by aligning the interests of the stock option grantees with those of the shareholders of the Company. The Company selects as stock option grantees Inside Directors and Executive Officers, who are in charge of management and conform to this purpose.

[\[Director Remuneration\]](#)

Disclosure of Individual Directors' Remuneration	Selected Director
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Supplementary Explanation

The remuneration, etc., paid to Directors and Audit & Supervisory Board Members for FY2021

(million yen)

Category	Number of Members	Aggregate Amount of Remuneration, etc.	Components of Remuneration			
			Base Salary	Short-term incentive compensation (performance-based bonus)	Long-term incentive compensation (Performance-based share incentive plan)	
					Variable portion (performance-linked portion)	Fixed portion
Directors (including, in parentheses, Outside Directors)	8 (4)	467 (75)	324 (75)	39 (-)	73 (-)	31 (-)
Audit & Supervisory Board Members (including, in parentheses, Outside Audit & Supervisory Board Members)	6 (3)	82 (30)	82 (30)	- (-)	- (-)	- (-)
Total (including, in parentheses, Outside Directors and Outside Audit & Supervisory Board Members)	14 (7)	549 (105)	406 (105)	39 (-)	73 (-)	31 (-)

Notes:

- The above numbers of Directors/Audit & Supervisory Board Members include one Audit & Supervisory Board Member who resigned at the conclusion of the 115th Annual General Meeting of Shareholders held on March 26, 2021.
- As for the variable portion (performance-linked portion) of the long-term incentive compensation (performance-linked stock compensation), it will be determined after the end of the final year of the five fiscal years from 2021 to 2025, which are covered by the Company's medium-term management plan "K25". Therefore, the variable portion (performance-linked portion) shown above is the amount of the allowance for the current fiscal year.
- 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.

Based on a resolution adopted at the 115th Annual General Meeting of Shareholders held on March 26, 2021, 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 3.65 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 five fiscal years from the fiscal year ended December 31, 2021 to the fiscal year ending December 31, 2025), and the Company's shares are acquired through a trust and are then vested, etc., through the trust, based on the evaluation indicators consisting of growth potential evaluation indicators (such as the degree of growth in overall business sales and profit, etc.), ESG potential evaluation indicators (such as evaluation by external indicators), and management potential evaluation indicators (such as evaluation of management activities by the Company's employees). The Company had four Directors (excluding Outside Directors) at the time such resolution was adopted.

- (2) Maximum aggregate amount of remuneration, etc., to be paid to Audit & Supervisory Board Members:
An annual amount of 120 million yen (as resolved at the 113th Annual General Meeting of Shareholders held on March 26, 2019). The Company had five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) at the time such resolution was adopted.
- (3) Aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members by the Company's subsidiaries, etc., other than the aggregate amount of remuneration, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members:
Remuneration paid to one Outside Audit & Supervisory Board Member for his service as an Audit & Supervisory Board Member of Kao Group Customer Marketing Co., Ltd. was 4 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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The purpose of the Company's compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is as follows:

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

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

(a) Base salary

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 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 net sales and profit targets have been made consistent between Directors, other than Outside Directors, and Executive Officers and employees so that they can work together to achieve them. These targets are different from the figures in the announced forecasts, taking into account a certain level of relevance and consent as the companywide goals. On the other hand, regarding the EVA target, the Company has set target based on publicly announced performance forecasts as executive performance indicators.

For the fiscal year under review, some indicators have been reviewed and revised so that Directors, other than Outside Directors, Executive Officers and employees can work together as one and make consistent growth within the harsh business climate. These indicators comprise the degree of improvement from the previous fiscal year in sales (calculated based on standards prior to the adoption of IFRS 15) and profit (gross profit minus selling, general and administrative expenses) and the achievement level of target EVA. The targets for these evaluation indicators for the current fiscal year were sales of 1,471.1 billion yen, profit of 174.9 billion yen, and EVA of 59.2 billion yen. The actual results were sales of 1,512.8 billion yen, profit of 146.1 billion yen, and EVA of 45.1 billion yen.

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

Within a five-year target period from FY2021 to FY2025, 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 key performance targets adopted under the mid-term plan. This performance-based share incentive plan comprises two parts: a variable portion 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 portion in which a certain number of Company share, etc. is delivered annually. The purpose of the variable portion 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 portion 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 variable portion accounts for 70% of shares delivered, with the fixed portion accounting for 30%. When the variable coefficient for the variable portion of the system is at 100%, the yearly share remuneration amount is set at approximately 30% to 50% of a base salary.

The variable portion is delivered after the Director, etc. retire, reflecting their achievement level. The fixed portion is delivered after the end of each fiscal year. A portion of the amount is delivered in Company shares and the remainder is delivered in the amount of Company shares cashed within the trust for delivering shares.

In calculating the variable coefficient, in order to promote "Sustainability is the only path and growing the businesses of the company through proactive engagement in ESG activities and investment," which is the goal of "K25," "growth potential evaluation (degree of growth in overall business sales and profit, etc.)"; "ESG potential evaluation (evaluation by external indicators, status of realization of internal indicators, etc.)"; and "management potential evaluation (evaluation of management activities by our employees, etc.)" are used as evaluation indicators and evaluations are made based on the degree of achievement. Depending on the results of evaluating these indicators, the range will be from 0% to 200% and the shares will be issued after the performance is confirmed. Figures for the variable portion will be finalized upon the completion of the applicable period from 2021 to 2025.

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

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

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

To allow for active discussions at meetings of the Board of Directors, the Board of Directors Secretariat provides Outside Directors and Outside Audit & Supervisory Board Members with

sufficient explanations by distributing materials on matters such as the background, purposes, and content of the respective agenda items, as necessary, prior to the meeting of the Board of Directors as necessary.

Outside Audit & Supervisory Board Members are supported by staff who assist their duties. Furthermore, under this support system, administrative divisions such as the Department of Internal Audit, and the Legal & Governance Department and Finance & Accounting Department provide the Outside Audit & Supervisory Board Members with assistance upon their request.

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

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

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

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

The Company has no such system.

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

■ Outline of the Current Corporate Governance Structure

The Company has introduced, within the framework of a “Company with an Audit & Supervisory Board*,” the Executive Officer system in order to separate the supervision function from the execution function. Following the conclusion of the 116th Annual General Meeting of Shareholders held in March 2022, the Company has: nine (9) Directors, including four (4) Outside Directors; five (5) Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members; and thirty (30) Executive Officers (including Executive Officers concurrently serving as the Board of Directors). All Outside Directors and all Outside Audit & Supervisory Board Members maintain their neutrality, independent from the Company’s management. In order to improve the transparency and other aspects of discussions in the Board of Directors, an Independent Outside Director has become the chairperson of the Board after the 108th Annual General Meeting of Shareholders held in March 2014. The term of office for Directors and Executive Officers is one (1) year.

*For information concerning reasons for adopting a company with an Audit & Supervisory Board, please see “(5) Company with an Audit & Supervisory Board” in “4. Basic position and policy on corporate governance” in “Matters to be disclosed based on each principle of the Corporate Governance Code” in “1. Basic Position on Corporate Governance” in “Basic Position on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information”.

Activities of the Board of Directors in FY2021

- Number of times held: 15 times
- Attendance status: 100% for Directors and 100% for Audit Supervisory Board Members
(For further details regarding the attendance by individual, please see Convocation Notice of the 116th Annual General Meeting of Shareholders at www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/shareholders_2022_01.pdf)

Major topics discussed by the Board of Directors

a. Corporate Philosophy/Medium- to long-term Business Plan

- Deliberations on the revision of the Kao Way
- Report on medium- to long-term strategies (strategies for realizing the Kao Group Medium-Term Management Plan "K25")
 - Strategic meeting reporting
 - Digital Life Platform reporting

- "Reborn Kao" and "Anther Kao" progress report
- b. Capital Policy
 - Financial strategy reporting
- c. Corporate Governance
 - Department of Internal Audit report
 - Audit & Supervisory Board Member audit summary report
 - Deliberations on disclosure of Corporate Governance
- d. Others
 - Report on human capital strategy
 - ESG Committee activity report

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

Activities of the Audit & Supervisory Board in FY2021

The activities of the Audit & Supervisory Board in FY2021 are as follows:

Number of meetings 10 times

Attendance (average attendance rate) Audit & Supervisory Board Members 100%

The status of the Activities of the Board of Corporate Auditors is described in IV. Matters Related to the Internal Control System, 2. Outline of Management of Systems to Assure Appropriate Business Operations of the Company, Efforts Concerning Auditing by Audit & Supervisory Board Members.

The Audit & Supervisory Board's main resolutions and other matters to be reported and examined in this fiscal year are as follows:

a. Resolutions (16 items)

Audit & Supervisory Board and Audit & Supervisory Board Members-related: Selection of Chairperson and Full-time Audit & Supervisory Board Members, revision of Audit & Supervisory Board policy, etc.

Audit & Supervisory Board Members Audit-related: Audit policy, plan, sharing, selection of priority audit items, "Audit Report of the Audit & Supervisory Board" at the end of the fiscal year

Accounting auditor-related: Reappointment of accounting auditor, consent to accounting auditor compensation, etc.

b. Other reports and considerations (36 items)

Group governance, internal control, whistleblowing response, issues in interviews and hearings, evaluation of the effectiveness of the Audit & Supervisory Board

Support system for Audit & Supervisory Board Members

In order to assist Audit & Supervisory Board Members in the performance of their duties, the Audit & Supervisory Board Members Office was established directly under the Audit & Supervisory Board as of January 1, 2022, and two to five auxiliary staff members with considerable knowledge of finance, accounting, legal affairs, audits, etc. have been assigned to it.

Furthermore, administrative divisions such as the Department of Internal Audit, and the Legal & Governance Department and Finance & Accounting Department provide the Audit & Supervisory Board Members with assistance upon their request.

In addition, the accounting firm, Deloitte Touche Tohmatsu LLC as the Company's Accounting Auditor, ensures, in accordance with applicable laws, regulations, etc., that none of its employees who become involved in the audits of the Company will be involved in such audit for more than 7 accounting periods. The Company executed an audit contract with Deloitte Touche Tohmatsu LLC with respect to audits required under the Companies Act and the Financial Instruments and Exchange Law, and pays remuneration to the accounting firm in accordance with this contract. To ensure the reliability of disclosed information relating to the Company's financial results and audit quality, the Accounting Auditor formulates an audit plan and secures necessary and sufficient time for audits. In addition, the Accounting Auditor conducts sufficient coordination, including holding regular meetings and exchange of information with the Executive Officer in charge of accounting and finance, the Audit & Supervisory Board Members and Department of Internal Audit, respectively.

The names of the certified public accountants (CPA) who engaged in the audit for FY2021 (ended December 31, 2021) and the composition of the assistants in the audit are as follows:

- Name of the CPAs engaged in the audit:
Designated Limited Liability Partner/Engagement Partner: Junichi Yamanobe, Kenichiro Shiga and Koji Inoue
- Composition of assistants in the audit:
11 CPAs and 27 others

The election, reappointment and dismissal of the Accounting Auditor are appropriately evaluated and decided at the Audit & Supervisory Board meeting, after collecting information from the Company's finance and management divisions, internal auditing divisions and the Accounting Auditor, based on evaluation criteria established by the Audit & Supervisory Board, taking into account factors such as the existence of a cooperative network with partner auditors overseas made up of multiple accounting firms and the quality, expertise and independence of proposals and advice for resolving issues, accelerating the settlement of accounts and increasing audit efficiency. As a result, the Audit & Supervisory Board confirmed the suitability of the audit methods and results of the current Accounting Auditor, and resolved at a meeting in February 2022 to reappoint the current Accounting Auditor. This resolution was reported at the meeting of the Board of Directors in February 2022.

■Summary of liability limitation agreements

According to Article 427, Paragraph 1 of the Companies Act and Articles of Incorporation of the Company, the Company entered into an agreement with each Outside Director and Audit & Supervisory Board Member to effect that the liability of each Outside Director or Audit & Supervisory Board Member under Article 423, Paragraph 1 of the Companies Act will be limited to the higher of: 10 million yen; or any amount prescribed by applicable laws and regulations.

■Summary of Directors and Officers Liability Insurance

The Company has entered into a directors and officers liability insurance contract with an insurance company, as provided for in Article 430-3, Paragraph 1 of the Companies Act, insuring the Directors, Audit & Supervisory Board Members, and Executive Officers, etc., of the Company and the Kao Group. This contract covers compensation for damages and legal costs that may be incurred by the insured if they receive a claim for damages as a result of their actions (including omissions) committed by them in connection with their duties as officers, etc. of the Company and the Kao Group. However, the contract does not cover damages arising from actions taken by the insured with the knowledge that they were in violation of the law, so as not to impair the appropriate execution of duties by the insured. Insurance premiums are covered by the Company and the Kao Group.

3. Reasons for Adoption of Current Corporate Governance System

The Company has made continuous efforts to improve its corporate governance structure in order to respond changes in the business and management environment. The Company will continue to examine the issue of corporate governance structure improvement as part of its managerial challenges. The Company considers it appropriate to make efforts to improve its corporate governance structure through establishing the Committee for the Examination of the Nominees and the Compensation Advisory Committee, on the basis of its current structure as a "Company with an Audit & Supervisory Board*" which has the Board of Directors (consists of five (5) Inside Directors and four (4) Outside Directors) and the Audit & Supervisory Board (consists of two (2) Inside Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members.)

*For information concerning reasons for adopting a company with an Audit & Supervisory Board, please see "(5) Company with an Audit & Supervisory Board" in "4.Basic position and policy on corporate governance" in "Matters to be disclosed based on each principle of the Corporate Governance Code" in "1.Basic Position on Corporate Governance" in "Basic Position on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information".

■Matters Related to Outside Directors (Roles and Functions of Outside Directors)

The Outside Directors are expected to share, in the course of management of the Company, their considerable experience and expertise as a management consultant, the top executive of a global airline company and a major financial institution, and an astronaut and medical doctor respectively, and the Outside Directors fulfill the checking functions from neutral positions, independent of the Company's management, to ensure that the managerial decisions of the Company are not biased by the views of its internal members. Also, an Independent Outside Director has become the chairperson of the Board.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	<p>The Company strives for the early dispatching and disclosure of the convocation notice of its Annual General Meeting of Shareholders (“AGM”) every year so that our shareholders can fully examine agenda items of AGM. Prior to the dispatching of the printed convocation notice, on February 22, 2022, the Company uploaded and disclosed it on the Timely Disclosure Network of the Tokyo Stock Exchange and on the Company’s website for the AGM to be held on March 25, 2022.</p> <p>(www.kao.com/global/en/investor-relations/stock-information/shareholders/)</p> <p>The printed copy of convocation notice was dispatched on March 7, 2022.</p>
Allowing Electronic Exercise of Voting Rights	<p>The exercise of voting rights by electromagnetic means was started at the Annual General Meeting of Shareholders held in 2006.</p>
Participation in Electronic Voting Platform	<p>The use of an electronic voting right exercise system for institutional investors (“Platform” operated by ICJ, Inc.) was also started at the Annual General Meeting of Shareholders held in 2006. Furthermore in order to encourage the exercise of voting rights by the foreign shareholders, who hold close to 50% of the Company's total shares, the Company conducts surveys on shareholders who actually own the shares and provides them with the summary of the notice of Annual General Meeting of Shareholders in English. The Company also encourages the exercise of voting rights by Japanese Institutional Investors at analyst meeting and interviews for full-year financial results.</p>
Providing Convocation Notice in English	<p>English translation (summary) of the convocation notice is published on the Company’s website on the same day as Japanese.</p>
Other	<p><Determination of an Appropriate Date for the Annual General Meeting of Shareholders></p> <p>The Company decides on a date for its Annual General Meeting of Shareholders within the three-month period after the fiscal year-end by designing a schedule premised on providing sufficient time for deliberation by shareholders who have received a convocation notice and ensuring a sufficient number of days for an audit of the financial statements by the Accounting Auditor then considering factors including securing an assembly hall with the capacity to hold the attendees and days when Directors and Audit & Supervisory Board Members, including Outside Directors/Audit & Supervisory Board Members, and Executive Officers can attend.</p> <p><Providing Appropriate Information to Shareholders>The Company works to enhance the content of its convocation notices for Annual General Meetings of Shareholders by conducting regular revisions to proactively incorporate information considered conducive to appropriate judgments by shareholders, in addition to items required by law. Also, it provides institutional investors and others with explanation as necessary. At the Annual General Meeting of Shareholders, the Company provides shareholders with easy-to-understand explanations of the main parts of the business report, major issues and the medium-to-long-term outlook using projected images and a thorough question-and-answer session. The Company also provides opportunities for shareholders who desire to make the acquaintance of Directors and Audit & Supervisory Board Members and Executive Officers to do so after the close of the Annual General Meeting of Shareholders. (However, at the Annual General Meetings of Shareholders in March 2021 and March 2022, it was canceled to prevent the spread of COVID-19.)</p> <p><Response in the Event a Considerable Number of Votes are Cast against a Proposal by the Company></p> <p>For proposals against which a considerable number of votes have been cast at the Annual General Meeting of Shareholders, after conducting an analysis of the causes, including confirmation of matters such as benchmarks for the exercise of voting rights by institutional investors, the Company works to gain understanding of its</p>

	<p>stance through explanations to institutional investors by sending letters or conducting direct dialogues. In addition, the Company takes the advice and opinions of institutional investors seriously and uses them to reconsider and improve items related to such proposals against which votes were cast.</p> <p><Delegation of Powers of the General Meeting of Shareholders to the Board of Directors> The Company enables the delegation of certain powers of the Annual General Meeting of Shareholders, such as issuing an interim dividend and exempting Directors and Audit & Supervisory Board Members from liability, to the Board of Directors. Such delegation is premised on the attendance at Meetings of the Board of Directors (nine (9) Directors and five (5) Audit & Supervisory Board Members) of the seven (7) outside members, who consist of four (4) Independent Outside Directors, and the three (3) independent Outside Audit & Supervisory Board Members, representing half of attendees, thus maintaining a structure for conducting checks from the perspective of shareholders.</p> <p><Posting Videos from Annual General Meeting of Shareholders> Since the Annual General Meeting of Shareholders in 2018, the Company has posted videos of the business report including the presentation by the chairperson on the Company's website. The videos are available only in Japanese. (www.kao.com/jp/corporate/investor-relations/stock-information/shareholders/)</p>
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2. IR Activities [Updated]

	Supplementary Explanations	Explanation by Representative(s) of the Company
Preparation and Publication of Disclosure Policy	<p>The Company has established and published Disclosure Guidelines which set forth its commitment to strict compliance with the Companies Act, the Financial Instruments and Exchange Law, the rules set down by the Tokyo Stock Exchange (TSE) and other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines have been updated, which takes into account fair disclosure. The Company's Disclosure Guidelines are published on the Company's website. www.kao.com/global/en/investor-relations/management-information/disclosure.html</p>	
Regular Investor Briefings for Analysts and Institutional Investors	<p>Financial results briefings are held on the date of the announcement of full-year and interim financial results. A business management overview and management policy are reported and explained by the President and CEO, and the actual and expected corporate performance are reported and explained by the Senior Vice President of the Accounting and Finance. For the first quarter and the third quarter, the Company holds conference calls. As part of a constructive dialogue with a view to enhance the corporate value, small meetings between the President and CEO and analysts and institutional investors are held regularly. Furthermore, the Company holds briefings on new strategies, initiatives, and businesses whenever necessary.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>To hold constructive dialogues with a view to enhance the corporate value and to facilitate the exercise of voting rights, the President and CEO regularly engages in direct dialogue with various institutional investors and holds timely dialogue with various institutional investors. Also, other members of the management engage in direct dialogue with institutional investors in Asia adequately, and they explained the Company's management policy, as well as matters such as the managerial environment and business performance and outlook, and answered questions subsequently asked by investors. Even in situations where overseas travel is difficult due to the spread of COVID-19, the Company continues to hold meetings using online tools. In addition, the executive officer in charge and IR staff participate in conferences hosted by securities companies as appropriate, and hold dialogues with various institutional investors regarding management policies and</p>	Yes

	business performance.	
Posting of IR Materials on Website	<p>Reports of financial results, annual securities reports, quarterly reports, quarterly securities reports, notices of convocation of shareholders meetings, integrated report, shareholders' reports (interim) and presentation materials at shareholders meetings and financial results briefing sessions are published on the Company's website. Furthermore, reports of financial results, notices of convocation of shareholders meetings and presentation materials at financial results briefing sessions are translated into English and published on the Company's website. Presentation materials at shareholders meetings in Japanese and English are disclosed promptly at the same time on the Company's website. From fair disclosure perspectives, Q&As from various meetings such as interim and full-year financial results briefings and conference calls are disclosed in script in Japanese and English. Financial results briefings videos are posted on the website as well.</p> <p>In September 2021, the investor information website was redesigned to expand public information and improve convenience, and the Company has continued to add and update information since then.</p> <p>Investor information in Japanese: www.kao.com/jp/corporate/investor-relations/</p> <p>Investor information in English: www.kao.com/global/en/investor-relations/</p>	
Establishment of Department and/or Manager in Charge of IR	Corporate Strategy performs IR functions, aiming to reinforce strategic disclosure of information, communicate with securities analysts and institutional investors, hold events and disclose information on the website. A total of six members respond to IR issues at the head of one Vice President.	
Other	<p><Measures aimed at Shareholders></p> <p>The Company posts shareholders' interim report to shareholders every August.</p> <p>Also, the Company holds a "Kao Museum Tour" (Tokyo), a "Kao Kawasaki Plant Tour" (Kanagawa), a "Kao Eco-Lab Museum Tour" (Wakayama) and a "Company Briefing" for shareholders who own one unit share or more. However, due to the COVID-19 pandemic all have been canceled.</p> <p>In December 2021, the Company held online event regarding Kao's supply chain management and its ESG activities.</p> <p><Measures aimed at institutional investors></p> <p>The Company conducts exchanges of opinions with multiple institutional investors in Japan and outside Japan regarding how to promote constructive dialogues and ESG and makes use to improve information disclosure and daily IR activities.</p> <p>Also, the Company held a seminar on Kao Group Mid-term Plan 2020 (K20).</p> <p><Published Integrated Report></p> <p>The Company releases the Kao Integrated Report, which covers both financial and non-financial information. Kao's Financial Report is also available in PDF format.</p> <p>Integrated Report www.kao.com/global/en/investor-relations/library/reports/ Financial Report www.kao.com/global/en/investor-relations/library/financial-report/</p> <p><External Evaluation></p> <p>The Company received the Best IR Award from the Japan Investor Relations Association and 2019 Award for Excellence in Corporate Disclosure in the Cosmetics and Personal Care Industry from the Securities Analysts Association of Japan.</p> <p>In April 2020, the Company won the Most Honored Company status in the Household, Cosmetics and Personal Care sector in the 2020 All-</p>	

	Japan Executive Team ranking, which is released by Institutional Investor, a leading international financial magazine based in the USA, having been ranked in 1st place in four categories—Best CEO, Best CFO, Best IR Professional, and Best Investor Relations Team.
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3. Measures to Ensure Due Respect for Stakeholders [Updated]

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Kao Way, an essence of the Company's corporate philosophy, declares, " As one, we create a Kirei life for all - providing care and enrichment for the life of all people and the planet; As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life – a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all." The "Vision" section of the Kao Way further states, " To be closest to the individual and beyond their expectation; By deeply knowing and understanding our world and its people, we aim to improve people’s lives beyond their expectations for a future where humans and nature thrive together."</p> <p>Furthermore, the Principles of Corporate Ethics in “Kao's Business Conduct Guidelines” state, "Kao Corporation seeks to be an honest and exemplary company, guided by sensible and fair actions and driven by a fundamental adherence to ethical principles that go beyond mere compliance with laws to earn the true respect of all stakeholders. The Business Conduct Guidelines also give specific guidance about respecting the standpoint of stakeholders.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>< Evaluation of ESG Measures> Selected for the A List for climate change, forest, and water by CDP and Supplier Engagement Leader by CDP The Company has been selected as the A List for climate change, forest, and water by CDP based on the CDP's environmental response survey of the companies surveyed worldwide two years in a row. The Company has been included in the climate change A List for the third time, the forest A list for the second time, and the water security A List for the fifth time. Also, the Company has been recognized, for the fifth consecutive year, as a Supplier Engagement leader for its initiatives in reducing carbon emissions and tackling climate change across its supply chain by CDP, an international non-profit organization that drives companies and governments to reduce their greenhouse emissions.</p> <p>*CDP: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.</p> <p>Included in Stock Indices for ESG Investing</p> <ul style="list-style-type: none"> • FTSE4Good Index <p>Index developed by FTSE Russell, a unit of the London Stock Exchange Group. Companies that satisfy its environment, social, and governance standards are selected for the index. Kao has been continuously selected for the index since 2008.</p> <ul style="list-style-type: none"> • MSCI ESG Leaders Indexes • MSCI Japan ESG Select Leaders Index <p>Indexes developed by U.S.-based MSCI. Companies with excellent environment, social, governance (ESG) ratings are selected for the indexes. Kao has been continuously selected for the index since 2017.</p> <p>Details on Kao's sustainability-related initiatives can be found at following websites. Kao Sustainability: www.kao.com/global/en/sustainability/ Kao Sustainability Data Book: www.kao.com/global/en/sustainability/pdf/</p>
Development of Policies on Information	<p>The Company has established Disclosure Guidelines which set forth its commitment to timely, accurate, and impartial disclosure of information to shareholders, investors, and all stakeholders in strict compliance with the</p>

Provision to Stakeholders	<p>Companies Act, the Financial Instruments and Exchange Law, the rules set down by the Tokyo Stock Exchange (TSE) where the Company's shares are listed, as well as other applicable laws and regulations. In Addition, based on the revision of the Financial Instruments and Exchange Law in April 2018, Kao Disclosure Guidelines have been updated, which takes into account fair disclosure.</p> <p>www.kao.com/global/en/investor-relations/management-information/disclosure</p>
Other	<p><Measures to Promote Diversity></p> <p>Recognizing that the vitality born from diversity supports our business growth, the Company expresses its aim and principles of action in the Kao Way, the Company's corporate philosophy, and shares it widely. For individuals and the Company to grow together, we aim to strengthen the organization by bringing together employees of diverse backgrounds, respecting each other, and accepting each individual's perspective and way of thinking; and to create an environment where each individual can maximize his/her ability and individuality. The Company discloses information on its initiatives through the Kirei Lifestyle Plan Progress Report, Kao Integrated Report, and other reports.</p> <p>Please see below for Kirei Lifestyle Plan Progress Report and Kao Integrated Report.</p> <ul style="list-style-type: none"> • Kirei Lifestyle Plan Progress Report www.kao.com/global/en/sustainability/pdf/ • Kao Integrated Report www.kao.com/global/en/investor-relations/library/reports/ <p>With regard to ensuring diversity in appointment to core positions, together with thorough evaluation and promotion based on individual abilities regardless of personal attributes, the Company has established targets according to the composition of employees and are steadily promoting selection and training that are not biased toward attributes in the selection to core positions.</p> <p>With regard to promotion of women to managerial positions, among other efforts, the Company has set a target to have a proportionate ratio of female managers in Kao Group companies in Japan to the ratio of female employees in Kao Group companies in Japan by 2030, creates a compatible environment for diverse work methods and encourages female manager candidates to participate in outside cross-industry study groups. On December 31, 2021, the percentage of female employees in Kao Group companies in Japan was 51.9% and the percentage of female employees in managerial positions in Kao Group companies in Japan was 20.5%.</p> <p>With regard to non-Japanese employees, the Company strives to secure excellent human resources regardless of nationality, such as by setting a certain target value and actively recruiting people of non-Japanese nationalities for recruitment of researchers in Japan. On December 31, 2021, the percentage of non-Japanese employees (full-time) in Kao Group companies in Japan was 0.6% and the percentage of non-Japanese employees in executive positions in Kao Group companies in Japan was 0.4%. The Company has set a target to have a proportionate ratio of non-Japanese managers of Kao Group companies in Japan to the ratio of non-Japanese employees in Kao Group companies in Japan by 2030.</p> <p>With regard to mid-career employees, because the Company is going to actively develop new businesses in the future, the Company is going to actively recruit specialists from outside the Company. On December 31, 2021, the percentage of mid-career employees in Kao Group companies in Japan was 30.2% and the percentage of mid-career employees in managerial positions in Kao Group companies in Japan was 17.5%. The Company has set a target to have a proportionate ratio of mid-career employees in managerial positions of Kao Group companies in Japan to the percentage of mid-career employees in Kao Group companies in Japan.</p> <p><Evaluation of Initiatives to Promote Diversity></p> <p>Kao Group's philosophy and initiatives to promote diversity and inclusion, as well as the organizational culture in which employees can play active roles regardless of</p>

gender or other attributes, have been highly evaluated. In 2018, the Company was included in MSCI Japan Empowering Women Index (WIN)*¹, and in 2019, 2020, 2021 and 2022 selected for inclusion in the Bloomberg Gender-Equality Index*². Also, the Company was selected as a “Nadeshiko Brand*³” in 2013, 2015, 2018 and 2020 and "Semi-Nadeshiko Brand" in 2019 and 2021. Also, the Company was selected “Diversity Management Selection 100 Project*⁴” in 2013, the year it was established and in 2019, received the Prime Minister's Award for “Leading Companies Where Women Shine*⁵.”

- *¹ MSCI Japan Empowering Women Index (WIN): Index by U.S.-based MSCI: Companies with outstanding assessments for empowering women and promoting gender diversity are selected from among the MSCI Japan IMI Top 500 Index.
- *² Bloomberg Gender-Equality Index: Index developed by U.S.-based Bloomberg to track the performance of those companies most committed to transparency in gender reporting and to advancing women globally.
- *³ Nadeshiko Brand: The Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry jointly select and publicize enterprises listed on the first section of the Tokyo Stock Exchange that are exceptional in encouraging women's success in the workplace from 2013.
- *⁴ Diversity Management Selection 100: The Ministry of Economy, Trade and Industry selects enterprises that create innovation and conduct business which leads to creation of value, by utilizing various human resources and by giving them opportunities to fully show their competence.
- *⁵ Leading Companies Where Women Shine: The Gender Equality Bureau Cabinet Office publicly recognizes companies that disclose information about their policies, initiatives, and results of promoting women to managerial and executive positions, and from this information demonstrate outstanding achievements.

<Measures to Promote the Health of Employees>

Based on the Kao Group Health Declaration established in 2008, the Company is engaged in health management mobilizing a robust organizational framework led by a dedicated department and involving the participation of the employer, the health insurance union, industrial healthcare staff, and external specialists. In addition, the Company is promoting practical health promotion activities in which employees and their families participate by incorporating products and health solution services developed from analysis of basic internal and external health information and health care knowledge into the Company's health management. Outstanding initiatives are made available outside the company through the Kao GENKI Project. In 2022, the Company renewed the Kao Group Health Declaration, declaring that the Company will expand its activities beyond employees and their families to corporations, local governments, and consumers.

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

*Health and productivity management brand: The Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry jointly select enterprises which set the management of employee health as a corporate management issue and actively implement relevant strategies.

Also, in March 2021, the Company won the Development Bank of Japan Inc.'s highest rating in its “DBJ Employees' Health Management Rated Loan Program” as a company that is particularly superior in terms of its consideration for the health of its employees. This is the third time Kao has been given this highest rating. The last time was in 2012 when the Program was first introduced. Kao successfully procured financing under preferential conditions as provided by the Program.

*Loans with discounted interest rates according to the Rating
DBJ evaluates the health management efforts of corporations and applies three different interest levels based on the result of the evaluation.

<Most Ethical Company in the World>

Kao was Selected as the "World's Most Ethical Companies 2022" of the U.S. think tank Ethisphere Institute. Kao is the only Japanese company that has been selected for 16 consecutive years since the award was established in 2007.

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

<Corporate Governance of the Year>

The Company received the "Grand Prize Company" for FY2017 since Kao has been working on corporate governance from early stage and practicing well-balanced corporate governance from both proactive and protective aspect.

*The Corporate Governance of the Year: Japan Association of Corporate Directors honors the companies which have achieved and maintained long term profitability by implementing good corporate governance with the ultimate goal of revitalizing the Japanese economy, since 2015.

IV. Matters Related to the Internal Control System

Basic Views on Internal Control System and the Progress of System Development

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

1. Systems to Assure Appropriate Business Operations of the Company

The Board of Directors made the following resolution with respect to the "Policy regarding the Development of the Internal Control System" on January 13, 2022.

Basic Policy Regarding the Internal Control System

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

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

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

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

Information (minutes, decision records and their relevant materials, account books and records, and other information and the like) related to the Directors' execution of their duties is properly retained and managed according to the document retention and management policies and other

related policies. The Directors, Audit & Supervisory Board Members and employees designated by them may access such information at any time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit & Supervisory Board Members may attend meetings of the Management Board, the Internal Control Committee and related committees, and may access the minutes, decision records and other documents of important meetings at any time. They may also receive activity reports from the head of each division and subsidiary regularly or as necessary, and have periodic exchanges of views with Representative Directors of the Company and major subsidiaries and exchanges of views with Representative Directors of the Company's subsidiaries when conducting an audit. In addition, Directors, Executive Officers and employees of the Company and Directors, Auditors and employees of subsidiaries, etc. should promptly report to Audit & Supervisory Board Members when any fact that may potentially cause significant harm to the Company or to its group companies 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 group companies. In addition, Audit & Supervisory Board Members are entitled to hold meetings with Outside Directors to exchange information and opinions and independently receive support from outside specialists such as lawyers and certified public accountants when necessary.

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

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

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

Based on the above policies, the Company has established an Internal Control Committee chaired by the Representative Director, President and CEO to set up and properly operate its internal control system. Principal efforts made during this fiscal year, which are considered to be important in terms of internal control, include the following:

Based on the above policies, the Company has established an Internal Control Committee chaired by the Representative Director, President and CEO to set up and properly operate its internal control system. Principal efforts made during this fiscal year, which are considered to be important in terms of internal control, include the following:

Efforts Concerning Compliance

Under the initiative of the Compliance Committee chaired by the 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 relevant regulations, including the Kao Business Conduct Guidelines (BCG), which is the code of conduct for implementing the Kao Way, as well as by carrying out educational and awareness activities and setting up and properly operating the Compliance Hotline.

The following efforts are made in order to reduce material compliance risks:

- In the event of a compliance violation, we have implemented a thorough first reporting system to immediately report to senior management and Audit & Supervisory Board Members. For cases that require special attention, we conduct a root cause analysis and implement measures in the relevant department to prevent a recurrence. We enlist the services of an outside attorney, who attends the monthly Compliance Committee Secretariat Meeting as an advisor, to provide evaluations and recommendations from a third party perspective. Furthermore, we identify which cases have the potential to become material compliance violations. The Compliance Committee, which is convened quarterly, confirms the status of measures by the departments in which incidents occurred and departments that are principally in charge of the matters involved, and strives to reduce risk so that similar incidents do not occur outside the department concerned.
- The internal and external (counselors and lawyers) hotline system is generally established and implemented throughout the Company and its domestic and overseas group companies and 424 reports and consultations were received during this fiscal year. Of all the reported and consulted cases, we conducted fact-finding investigations on all cases where investigations were requested and resolved each issue one by one. We also worked to foster an "open climate" that would make it easier for internal and external people to raise their voices in order to prevent the spread and prolongation of compliance violations.
- In an effort to prevent compliance violations, we worked to maintain and enhance the compliance awareness of each employee by sharing examples of past violations on annual reports and compliance case studies via the intranet of Kao Group and conducted BCG refresher tests and compliance awareness surveys for all employees in Japan (excluding temporary and part-time employees). The Company also arranged a lecture by the Chairperson of the Compliance Committee on the importance of compliance, displayed posters, and distributed compliance messages from the head of each organization.
- Tasks were identified based on the analysis of evaluation items obtained from the principal external evaluation organizations. The improvement measures for these tasks were added to future activity plans.
- Practical examples for 2021 include: (1) establishing a new training program to consider how supervisors and members should engage in dialogue that incorporates new evaluation formats, and to consider compliance risks in the event that such dialogue is not practiced; (2) communicating top management's message in a way that makes it more personal throughout the year; and (3) promoting human rights activities in cooperation with contractors, taking into

account European laws and regulations.

Efforts Concerning Risk and Crisis Management

This fiscal year, in response to the prolonged global COVID-19 pandemic, the Emergency Response Headquarters (headed by the President and CEO) was held 11 times to decide on Company-wide policies, and we put into practice the work systems and work styles appropriate to the pandemic situation, and inoculated employees and their families at work. We also implemented reinforcement measures aimed at preventing infections and business continuity activities in countries and regions where infections were spreading.

In addition to the pandemic, we have also implemented measures to deal with other "corporate risks" (risks that have a particularly large impact on management and require enhanced responses), such as reputation risk, cyber-attacks and leakage of personal information, major earthquakes and natural disasters, and serious quality issues. Measures include prediction and prevention during normal times, establishment of a response system for emergencies, information sharing of case studies, reinforcement through the use of external organizations, development and reinforcement of monitoring systems, and education, awareness-raising, and training. We also identified risks that are relevant to the Mid-term Plan "K25" and confirmed our level of preparedness under the management of the Risk & Crisis Management Committee.

Efforts Concerning Subsidiary Management

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

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

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

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

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

Efforts Concerning Auditing by Audit & Supervisory Board Members

Audit & Supervisory Board Members conduct their duties from an independent position with the aim of establishing governance that meets the trust of stakeholders and enables the Company and the Kao Group to achieve sound and sustainable growth. The Audit & Supervisory Board comprises three Outside Audit & Supervisory Board Members and two Full-Time Audit & Supervisory Board Members. It decides on audit policies and plans, and Audit & Supervisory Board Members engage in frank exchanges of opinions, consider, deliberate and resolve on issues (the meetings were held 10 times this fiscal year).

All of the Audit & Supervisory Board Members attended the meetings of the Board of Directors (the meetings were held 15 times this fiscal year), checked the status of deliberations and resolutions, and provided input as necessary. Full-time Audit & Supervisory Board Members also

attended important meetings including meetings of the Management Board, Committees and the Internal Control Committee (the meetings were held 139 times this fiscal year), confirmed decision-making processes, requested explanations as necessary, and provided appropriate advice.

For worksites and departments of the Company and Group companies both within and outside Japan, we have confirmed how business was executed and the internal control system was established and operated. For the second-line of internal control, which are legal and compliance departments, risk and crisis management departments, and other departments, we have confirmed monitoring conditions as well. Online meetings and other remote auditing measures have been used to conduct roughly the same number of site audits and interviews as are performed in an ordinary year (site audits and interviews were conducted 115 times this fiscal year). Roughly 70% of these involved at least one Outside Audit & Supervisory Board Member.

We have engaged in opinion-sharing with the Department of Internal Audit, both on a regular and as-needed basis. We also worked closely with the auditors of Group companies to improve the effectiveness of audits by holding regular meetings to exchange opinions and requesting their attendance at hearings at Group companies.

Based on the findings of these auditing activities, we have held meetings for exchanging opinions, conducted by all of the Audit & Supervisory Board Members, with Representative Directors of the Company and key subsidiaries (the meetings were held 6 times this fiscal year) and opinion-sharing meetings with Outside Directors (the meetings were held 3 times this fiscal year).

We have received and exchanged opinions on the annual audit plan, accounting audit results (quarterly reviews and annual audit results), and key audit matters (KAM) from the Accounting Auditor, while monitoring the independence and appropriateness of the audit.

Status of Revisions to Policy Regarding the Development of the Internal Control Systems
At the Meeting of the Board of Directors held in January 2022, it was resolved to revise the wording in order to align it with the current conditions of our operations.

2. Basic Views on Eliminating Anti-Social Forces

The Company has made the following declaration in Kao's Business Conduct Guidelines, as well as stating establishment of system in above Basic Policy Regarding the Internal Control System. The Company has familiarized all employees of Kao Group companies with this policy and posted Kao's Business Conduct Guidelines on the Company's website.

We shall not engage in any activities which are detrimental to society. Furthermore, we shall resolutely resist pressure by any individual, group or organization to support such activities.

- We shall maintain a resolute attitude against activities which are unlawful or contrary to the public welfare.
- We shall not participate in any activities that are illegal or contrary to the public welfare regardless of any competing pressure to do so.
- We shall reject any relationship with groups that act contrary to the public welfare, and shall not yield to any attempt of blackmail or threat. We shall not involve ourselves in any activities or conduct which offends social norms or morality, such as money laundering, offers of illegal interest, etc.

On the basis of provision above, the Company promotes cooperation with governmental agencies etc. and collection and management of information regarding anti-social forces and establishes and maintains its internal system under normal circumstances.

Please see the reference material “Status of Corporate Governance System” in the “Appendices” at the end of this policy.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

The Company has not submitted a proposal for anti-hostile takeover measures to the Annual General Meeting of Shareholders. However, the Company considers the adoption of anti-hostile takeover measures to be a crucial management issue and is giving ongoing consideration to preparations for a hostile takeover with a close attention to the legal system, public trends and other matters.

The Company wants its shareholders to hold its stock for the long term, and therefore believes that it should provide profit to long-term shareholders by raising its corporate value over the long term through vigorous business activities that increase EVA as well as by enhancing shareholder returns through dividends and other measures. The Company believes that by increasing corporate value and enhancing shareholder returns, it will raise its stock price and market capitalization, thus making it difficult to conduct a hostile takeover that is counter to shareholder profit.

The Company believes that concurrently increasing trust in its Management by gaining understanding from all stakeholders of its contributions to society through activities for sustainability and other measures is a major deterrent to hostile takeovers.

In addition, in the event of a tender offer for the Company's stock, the Company will request an explanation of measures for improving the corporate value of the Kao Group from the tender offer or and disclose its own stance to shareholders.

2. Other Matters Concerning to Corporate Governance System

■Outline of Organization for Timely Disclosure

Internal policies regarding timely disclosure of the Company's information is as follows:

1. Basic Position of Timely Disclosure

To earn the trust and support of society, the Company is committed to timely, accurate and fair disclosure of information to its shareholders, investors and all other stakeholders. The Company strictly adheres to the Japanese Companies Act and the Financial Instruments and Exchange Law and other regulations, as well as the regulations set down by Tokyo Stock Exchange(TSE), Inc., and promptly discloses information in accordance with the Securities Listing Regulations. In addition, the Company proactively discloses information of social relevance pertaining to the Kao Group.

2, Internal System of Timely Disclosure

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

In principle, Representative Director or its assignees discloses information by TDnet, and press conference and posting of news release if necessary, in accordance with the decision by the Committee. The information registered at TDnet will also be promptly posted on the Kao website. The Public Relations manages the disclosed information.

The system for the secretariat of Disclosure Committee to collect material corporate information is as follows:

(1) Decisions by the Company

The secretariat shall be informed of all proposals and reports at the meetings of Management Board and Board of Directors of the Company. All decisions that are required to be disclosed shall always be made at the meetings of Management Board and Board of Directors of the Company. Therefore, the secretariat is aware of all the decisions.

(2) Occurrence of Material Fact

Immediately after any of the officers and employees of the Company has the knowledge of occurrence of a material fact or the possibility thereof, he or she is required to inform the secretariat of such information.

(3) Earnings Information

Accounting and Finance Division prepares earnings information of the Company, which is concurrently audited by the Accounting Auditor of the Company. Management Board and Board

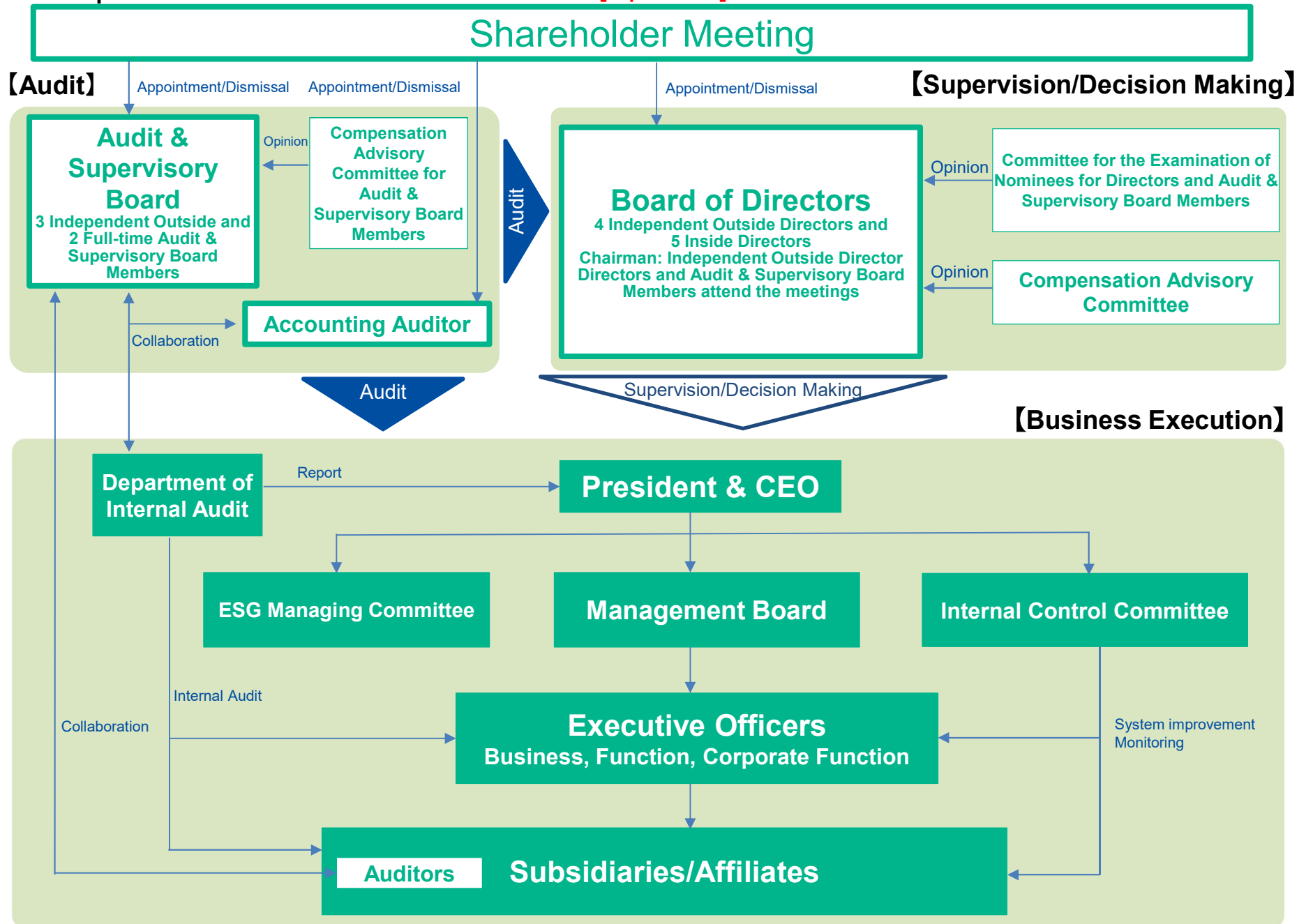
of Directors of the Company deliberate earnings information and its main items with analytic data before disclosure thereof.

Burden of the end of term audit by Accounting Auditor is reduced by conducting interim audit, which enables the Company to accurately and timely disclose earnings information.

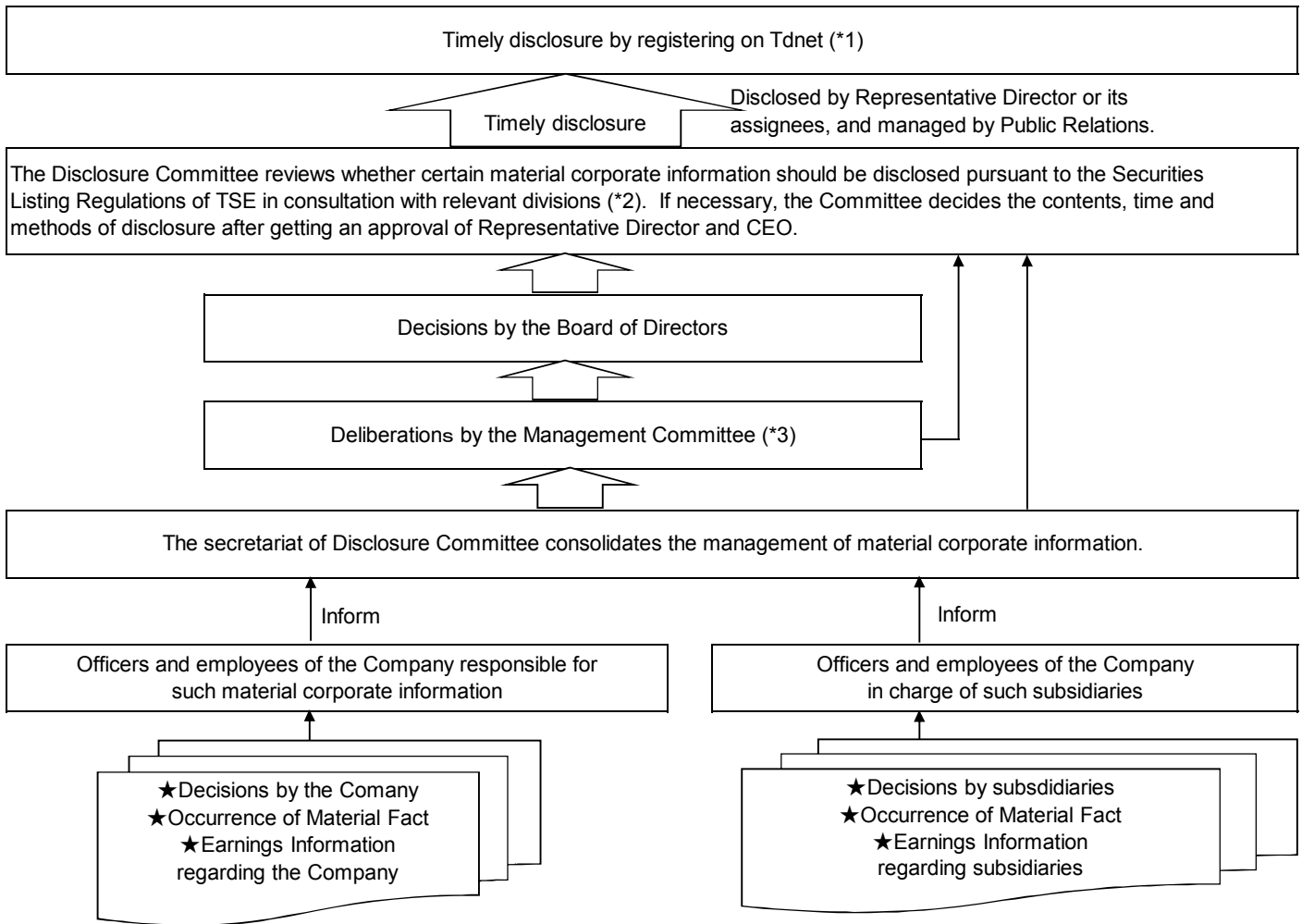
(4) Information regarding Subsidiaries

Immediately after any of the officers and employees of the Company in charge of subsidiaries has the knowledge of occurrence of a material fact or the possibility thereof regarding subsidiaries for which he or she is responsible, he or she is required to inform the secretariat of such information.

Corporate Governance Structure [Updated]



Timely Disclosure System



*1 Disclosure by press conference and posting of news release, if necessary, in addition to registering at TDnet and posting on the Kao website.

*2 Relevant divisions consulted by Disclosure Committee are Accounting & Finance, Legal, Public Relations, R&D and Production etc.

*3 The Management Committee is a board which deliberates the most important issues other than the Board of Directors.

Initiatives for each principle of the Corporate Governance Code

1. Corporate Philosophy (Principle 3.1(i))

The “Kao Way” has been prescribed as a corporate philosophy which constitutes the foundation of the business activities of the Kao Group.

(1) Mission

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

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

The Japanese word kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.

(2) Vision

To be closest to the individual and beyond their expectation

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

(3) Values

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

(4) Principles

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

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

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

Long-term Targets

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

K30 Objectives:

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

K30 Financials (as a result):

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

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

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

Thus far, the Kao Group has developed its business for nearly 130 years, mainly in the areas of cleanliness, beauty, and health, according to the changes of the times. Today, faced with compelling social issues such as the global pandemic and global environmental issues, the responsibilities and roles of companies are undergoing significant changes. For the future, the Kao Group will begin a new challenge with the aim of establishing an economy where all of the following are realized: the wholehearted satisfaction and enrichment of the lives of people globally and the sustainability of the world.

As part of this effort, we will aim to create a new business that is not an extension of a conventional business, but instead is in the new area of “Save lives, protect people”. This challenge involves starting an “Another Kao” business that contributes to solving people’s urgent problems by making the most of our core technology that we have not to date been able to use fully. By contributing to an “enriched sustainable world” and growing the businesses of the company through proactive engagement in ESG activities and investment, the Kao Group will aim to be an essential company in a future world.

Outline of Kao Group Mid-term Plan K25

■ Vision

Sustainability as the only path

■ Concept

Kirei—Making Life Beautiful

■ Policy of the K25

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

Goal

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

Key Results

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

Objective (2) Transform to build robust business through investment

Goal

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

Key Results

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

Objective (3) Maximize the power and potential of employees

Goal

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

Key Results

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

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

(For further details regarding K25, please see

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/presentations_fy2020_k25_01.pdf)

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

(1) Basic Position on Corporate Governance

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

(2) Roles and Duties of the Board of Directors, etc. (Effective Utilization of the Diversity of Directors, Audit & Supervisory Board Members and Executive Officers)

In order to properly carry out the formulation of the business strategies including the improvement of profitability and capital efficiency, their execution, and the supervision and audit of execution, it is extremely important to place persons with the diverse experience and knowledge, high level of expertise and insight necessary for these purposes in a well-balanced fashion as the Directors and Audit & Supervisory Board Members who attend the Board of Directors meetings and as the Management that lead execution. By doing so, the Company believes it can raise the

level of management by enabling each to properly fulfill their respective roles and duties as follows:

- 1) The members of Management, who have diverse experience and knowledge regarding the operation of each of the Kao Group's businesses and divisions, conduct discussions based on their understanding of the business environment in which the Company operates and the strengths and issues of the Kao Group to create proposals for the business strategies. In the event that consideration from more diverse perspectives, including evaluation of risks, is appropriate when planning and otherwise dealing with business strategies, the members of Management strive to utilize external experts.
- 2) Inside Directors and Full-time Audit & Supervisory Board Members who are familiar with the status of the Kao Group's management and businesses, its strengths and issues, and other matters, and Outside Directors and Outside Audit & Supervisory Board Members with diverse experience and knowledge of business and other areas, a high level of expertise and insight, and a neutral, objective perspective deliberate from their diverse perspectives, including evaluating risks, at Board of Directors meetings and make decisions on proposed business strategies submitted by the Management.
- 3) The members of Management quickly and properly execute the business strategies utilizing their respective diverse experience and knowledge.
- 4) Each year, the members of Management ascertain changes in the business environment that forms the premises of the business strategies, consider the status of progress of the strategies, issues in their achievement and response to such issues, the necessity of changes to the strategies and other matters and report to the Board of Directors.
- 5) In response to the above report from the members of Management, the Outside Directors and Outside Audit & Supervisory Board Members through their diverse perspectives supervise and audit whether the business strategies and other matters have been executed properly and makes decisions on the necessity of changing the business strategies and other matters at the Board of Directors meetings.

(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc. (Principle 4.10.1)

The Company uses a structure with the appropriate number of independent Outside Directors and Outside Audit & Supervisory Board Members who satisfy the "Standards for Independence of Outside Directors/Corporate Auditors of Kao Corporation" (hereafter, the "Standards for Independence") to provide a check on the status of deliberations of the Board of Directors from an objective perspective independent of the Company's Management so that the Company's management judgment is not biased toward the logic of persons inside the Company. To conduct examinations from an objective perspective independent from the Management, the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, which examines appropriateness of candidates (including election or re-election) for Director (including Representative Directors, Chair and President & CEO) and Audit & Supervisory Board Member and the Compensation Advisory Committee, which examines the compensation system and remuneration levels of Directors and Executive Officers, both include all independent Directors and independent Audit & Supervisory Board Members, Outside Directors and Outside Audit & Supervisory Board Members (hereafter, the "Independent Directors and Audit & Supervisory Board Members, etc.").

(For further details regarding the Standards for Independence, please see

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

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

(4) Non-executive Director as Chairperson of the Board of Directors (Principle 4.6)

To more thoroughly separate execution and supervision, the Company uses a structure in which a non-executive Director serves as Chairperson of the Board of Directors.

(5) Company with an Audit & Supervisory Board

The Company has chosen to be a company with an Audit & Supervisory Board for the following reasons.

- 1) In addition to Outside Directors that include people with management experience, Outside Audit & Supervisory Board Members that include lawyers, certified public accountants and people with academic experience further increase the diversity of the Board of Directors by expressing opinions with a high level of expertise and insight and are useful for proper deliberation and supervision and audit of execution.

(For the Company's stance on nomination of Outside Directors and Outside Audit & Supervisory Board Members, please see "6. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and

Size of the Board of Directors” below.)

- 2) Unlike in companies with a nominating committee and other committees or an audit committee, Audit & Supervisory Board Members with an independent perspective who do not concurrently serve as Directors enable objective audits of the execution of duties because they do not have the right to vote* at Board of Directors meetings. In particular, independent Outside Audit & Supervisory Board Members enable audits from a perspective that is more independent from the Management.
- 3) Ability of Full-time Audit & Supervisory Board Members to Collect Necessary Information for Audits
The Company ensures cooperation on information collected by the Audit & Supervisory Board Members so that it is reported to the Outside Directors as necessary, in addition to audit reports to the Board of Directors.

* Audit & Supervisory Board Members do not have the right to vote, however the Companies Act guarantees their attendance at Board of Directors meetings and certain resolutions require their approval. Further, Audit & Supervisory Board Members are legally guaranteed the right to provide their opinion in their Audit Report and/or at the Annual General Meeting of Shareholders.

(6) Promoting Communications with Shareholders

In order to enhance its corporate value, the Company considers it important to communicate with shareholders and other stakeholders, thereby having better understanding of mutual views and positions, and taking appropriate measures based on the same. The Company has developed a structure to promote constructive communications with shareholders, and create opportunities to communicate with institutional investors and individual shareholders. In communication with shareholders, the members of Management participate to the extent possible in order to reflect the opinions of the shareholders in management properly. Also, the Company communicates with shareholders through its various publications, which communication includes messages not only from the CEO and other members of Management, but also from the Outside Directors, in their words. Pertaining to information of the Kao Group which is the basis for communication with stakeholders, the Company established Disclosure Guidelines that took into account fair disclosure, and is committed to timely, accurate and fair disclosure of information and proactively discloses information of social relevance as well as information which it is obligated to release publicly.

(For further details regarding IR Related Activities, etc., please see “14. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders” and “2. IR Activities” in “III Implementation of Measures for Shareholders and Other Stakeholders”.)

(For further details regarding Disclosure Guidelines, please see www.kao.com/global/en/investor-relations/management-information/disclosure/)

(7) Basic Strategy for Capital Policy

The Company’s capital policy follows a basic strategy of securing a sound financial structure to make investments for sustainable growth and tolerate the related risks, and to make stable, continuous returns to shareholders. To realize this policy, the Company uses Economic Value Added (hereinafter “EVA**”), a management indicator that takes capital cost into account, as its main indicator and works to enhance its corporate value by improving EVA. Guided by EVA management which places importance on both continuous enhancements in corporate value and long-term profits for all stakeholders, the Company develops its business strategy and business plan.

The Company manages all equity and interest-bearing liabilities as subject of capital cost and intends to optimize capital cost from the viewpoint of safety and capital efficiency. For equity, the Kao Group aims for a streamlined and sound structure from a medium- to long-term perspective with efficiency in mind and, while maintaining interest-bearing liabilities at a moderate level, aims to maintain high credit ratings which will allow it to procure capital for large-scale investments. The Company is not subject to significant capital regulations except for general requirements under the Companies Act and others.

Although the Company emphasizes shareholder returns, it realizes that investment for growth will meet the expectations of its stakeholders, and therefore prioritizes such investment. In addition to providing stable dividends, the Company uses surplus funds to flexibly conduct share repurchases while the Kao Group aims to continuously increase dividends to reflect improvement in business results.

In addition to making returns to shareholders and improving EVA, the Company retains the capital necessary to conduct investments for growth in a timely fashion and to ensure sufficient soundness to deal with situations that exceed assumptions.

The Company was selected as the Grand Prix recipient of the “Corporate Value Improvement Award*” (FY2016) due to the positive evaluation of its management, which has continued, aimed at corporate value

improvement incorporating EVA, a concept used to measure true profit by factoring in the cost of invested capital. Continuous growth in EVA is linked to increase corporate value, which means long-term profit not only for shareholders, but for all Kao Group stakeholders as well.

*Corporate Value Improvement Award: The Corporate Value Improvement Award was founded in 2012 to spread and promote management aimed at enhancing corporate value which is deemed desirable by TSE from the perspective of a market provider. All listed domestic companies on the TSE market are eligible for the award. The award is to honor listed companies with high corporate value and management practices deemed to contribute to the appeal of the TSE market, such as by improving corporate value through initiatives which consider capital cost and other investor concerns.

**EVA is a monetary metric defined as NOPAT less capital cost. EVA is a registered trademark of Stern Stewart & Co.

5. Scope of Matters Delegated to the Management (Principle 4.1.1)

The Company has established the regulations of the Board of Directors and deliberation and reporting standards for the Board of Directors and the Management Board to clearly set forth the matters to be deliberated on and reported at Board of Directors meetings and the matters to be delegated to the Management Board, which makes decisions on execution.

As set forth in 4-(2) above, the purpose of these regulations and standards is to realize the separation of supervision and execution by mainly having the Board of Directors conduct deliberations from various perspectives, including evaluation of risks, and deciding on the medium-to-long-term direction of management in the business strategies and, regarding the execution of the business strategies, delegate wide-ranging authority to the Management Board, which is mainly composed of members with the position of Managing Executive Officer or higher who have abundant experience in business execution as persons responsible for core businesses or divisions, to accelerate decision-making and management. The Management Board, in turn, is expected to conduct proper supervision by making clear the matters to be reported to the Board of Directors.

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

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

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

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

Furthermore, to support these activities, the Company has built a framework that enables us to supervise the Company from multifaceted and objective viewpoints, and which can be verified from specialized perspectives such as accounting, finance, and laws and regulations for constant improvement.

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

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

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

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

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

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

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

Senior Management are nominated with emphasis on their understanding of the business environment and of the status of the Kao Group’s businesses and management in order to deal with such environment necessary to plan the business strategies, and on their experience and ability to display strong leadership in quickly and properly executing the business strategies set by the Board of Directors.

8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management (Principle 3.1(iv), Principle 4.3.2, Principle 4.3.3)

To objectively confirm that all Director candidates, including candidates for President and CEO, conform with the stance in paragraph 6 above, the Company has a Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, composed exclusively of all Outside Directors and Outside Audit & Supervisory Board Members. Usually, this Committee holds three to four times a year but can be held at any time as needed, and to keep its high level of objectivity it is chaired by the independent Director and all of its members are independent Directors and Audit & Supervisory Board Members. Prior to the election or re-election of Directors and Audit & Supervisory Board Members, first the Committee deliberates about validity of above policies and other related matters. Then, it deliberates on each candidate’s eligibility and submits its opinions of the nominees’ appropriateness to a meeting of the Board of Directors. The Company has shortened the term of office for Directors to one year; therefore, all candidates including candidates for re-election are strictly examined by the Committee every year.

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

With regard to nominees for Audit & Supervisory Board Members, the Audit & Supervisory Board, which includes three (3) independent Outside Audit & Supervisory Board Members as its members, examines the appropriateness and qualifications, etc. of each nominee, based on its independent and objective perspective and in accordance with the above-described policy and the policy of nominating nominees for Audit & Supervisory Board Members established by the Audit & Supervisory Board. Eventually, with the consent of the Audit & Supervisory Board, the Board of Directors determines such nominees as the nominees for Audit & Supervisory Board Members to be presented in a proposal for the General Meeting of Shareholders based on the opinions of the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members.

Further, the procedure for determining the dismissal of Directors and Audit & Supervisory Board Members is in accordance with the Companies Act. In case that the CEO, Directors and Audit & Supervisory Board Members should be dismissed, the Committee would be convened timely and conduct deliberations. Then, it would report to the Board of Directors for further deliberations and resolutions.

With regard to Senior Management, the titles and responsibilities of all nominees of Executive Officers are reported to the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members and decisions are subsequently made by the Board of Directors. In case that Senior Management should be dismissed, the Board of Directors conducts deliberations in a timely manner.

(For further information concerning the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members, please see, in “Supplementary Explanation” in “Directors” in “1. Organizational Composition and Operation” in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” .)

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

In line with the above “6 Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors”, the Company has nominated and appointed its current Directors, Audit & Supervisory Board Members and Senior Management. The Company states the reasons for the election of candidates for all candidates for Directors and Audit & Supervisory Board Members in the Notice of Convocation of the annual general meeting of shareholders. The following are the reasons for the election of nine (9) Directors and one (1) Audit & Supervisory Board Member elected at the 116th Annual General Meeting of Shareholders held on March 25, 2022. In addition, the reasons for the appointment of other four (4) Audit & Supervisory Board Members are described below.

As of March 25, 2022

Position	Name	Age	Gender	The reasons for the election of candidates
Directors	Michitaka Sawada	66	M	Ever since assuming office as Representative Director, President and Chief Executive Officer in 2012, Mr. Sawada has made a significant contribution in enhancing corporate value, by promoting the <i>Yoki-Monozukuri</i> philosophy which emphasizes R&D and being at the forefront in aiming to “Make Kao a company with a global presence” through the best use of the Kao Group’s assets. In January 2021, he assumed the position of Director, Chair and continues to enhance corporate value by supervising management and promoting external activities based on his many years of experience and expertise as Representative Director, President and Chief Executive Officer. Among such external activities, he has served as Chairman of the Japan Clean Ocean Material Alliance (CLOMA), which carries out initiatives to address the problem of marine plastic waste. Having determined that Mr. Sawada will utilize the aforementioned experience and knowledge, to ensure sustainable growth of the Kao Group.
	Yoshihiro Hasebe	61	M	Over many years, Mr. Hasebe has been involved in R&D activities, which is the driving force behind <i>Yoki-Monozukuri</i> , the provision of innovative products that contribute to creating a world where all life can coexist and flourish. He has also taken leadership in carrying out strategic digital transformation in his role as Senior Vice President, Strategic Innovative Technology, Global. In 2020, he led the development of the new Kao Group Mid-Term Plan “K25,” and in January 2021, he was appointed as Representative Director, President and Chief Executive Officer. In line with Kao’s aim to be a company that “saves future lives,” he is strongly promoting the building of businesses that go beyond extensions of conventional businesses and the enhancement of operational productivity

				using digital technology. The Company has determined that Mr. Hasebe will be able to contribute to further enhancing the corporate value of the Kao Group by using his leadership as well as his experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution.
	Toshiaki Takeuchi	63	M	Over many years, Mr. Takeuchi has been involved in sales operations for delivering to consumers the products produced based on the <i>Yoki-Monozukuri</i> 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 takes charge of management as Representative Director and President of Kao Group Customer Marketing Co., Ltd. which controls the sales and other related matters, while responding to changes in the distribution environment such as the emergence of e-commerce. He is familiar with the global competitive environment, changes of consumers and business partners, the expectations from stakeholders surrounding the Kao Group, and the strengths of and tasks facing the Kao Group concerning the same, and has been actively giving opinions and making 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.
	Tomoharu Matsuda	62	M	Over many years, Mr. Matsuda has been involved in product development, namely, the core function of <i>Yoki-Monozukuri</i> , and also in the marketing activities for communicating the essential value of such products to consumers. He also has experience in management of the Company's overseas subsidiaries. He carries out his duties as President, Consumer Products, Global, based on his high level of expertise in such business both in Japan and overseas, and is familiar with matters such as global competitive environment, changes in consumers and business partners, expectations from stakeholders surrounding the Kao Group, and the strengths and tasks for the Kao Group. In March 2021, he has assumed the position of Representative Director of the Company, and he has been more active in presenting opinions and proposals in deliberations 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.
	David J. Muenz	61	M	Mr. Muenz has contributed to the global implementation of <i>Yoki-Monozukuri</i> at our US subsidiary, through his involvement in R&D and marketing in the fields of skin care and hair care outside Japan. In July 2018, he was appointed

				as Senior Vice President, ESG, Global of the Company, and in January 2019 he was appointed as Executive Officer. He led the development of the ESG strategy “Kirei Lifestyle Plan” announced in 2019, and he has played a central role in promoting this strategy since its development. The Company has determined that Mr. Muenz will be able to contribute to further enhancing the corporate value of the Kao Group by using his ESG-related insight and global experience and expertise in the planning and deliberation of management strategies, etc. at the Board of Directors and supervision of execution.
	Osamu Shinobe (Outside and Independent)	69	M	Mr. Shinobe has considerable experience and expertise in relation to global corporate management and risk management, gleaned principally from his time in the maintenance sections of an international airline which carries both cargo and passengers where safety and security took top priority. 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 expects Mr. Shinobe to continue to supervise the management of the Kao Group as an Independent Outside Director.
	Chiaki Mukai (Outside and Independent)	69	F	Ms. Mukai has an extensive and high level of expertise in the scientific field. She has a wealth of experience and track record in various fields from her achievements as a medical doctor, astronaut and Specially Appointed Vice President of a university. Based on such experience and expertise, 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. The Company expects Ms. Mukai to continue to supervise the management of the Kao Group as an Independent Outside Director.
	Nobuhide Hayashi (Outside and Independent)	64	M	Over many years, Mr. Hayashi has played an active role on an international basis in the fields of finance and financial affairs, such as by experiencing an extensive range of duties in sales, international business planning, etc. at leading financial institutions. He has an abundance of experience and a high level of expertise in company management, such as having served as a corporate manager amidst global changes in the business environment surrounding the financial industry. He has been actively giving opinions and making 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 expects Mr. Hayashi to continue to supervise the management of the Kao Group as an Independent Outside Director.
	Eriko Sakurai (Outside and Independent)	61	F	Ms. Sakurai has a wealth of experience in global companies, including many years of corporate management at the Japanese subsidiary of a US chemical manufacturer with global business operations, as well as supervision of management as an Outside Director at a major manufacturer and a financial institution. Based on her experience in the chemical industry, she also has a high level of expertise in chemical business, which comprises the two key pillars of the Kao Group together with the Consumer Products

				Business. The Company expects Ms. Sakurai to supervise the management of the Kao Group as an Independent Outside Director by leveraging her wealth of experience and high level of insight.
Audit & Supervisory Board Members	Hideko Aoki	67	F	Ms. Aoki has an abundance of experience in quality assurance, such as having held a number of senior management positions at departments in charge of consumer relations and quality assurance, where she has pursued the highest level of product safety, while focusing on a consumer/customer perspective to the fullest extent, and has made constant efforts to improve product quality. She has a high level of expertise concerning the Kao Group's business, gleaned through such career. The Company has determined that Ms. Aoki will be able to make full use of her experience and expertise in the auditing of the Kao Group. (113 th Annual General Meeting of Shareholders)
	Sadanao Kawashima	62	M	Mr. Kawashima has considerable expertise in finance and accounting, having worked in accounting and finance for many years and held key positions in Investor Relations and Internal Audit. In addition, he has a wealth of experience in group management, including being stationed at overseas subsidiaries and serving as an Auditor of affiliated company. Furthermore, he has contributed to enhancing the effectiveness of audits by Audit & Supervisory Board Member as an Audit & Supervisory Board staff member since March 2019. The Company has determined that Mr. Kawashima will be able to make full use of his experience and expertise in the auditing of the Kao Group. (115 th Annual General Meeting of Shareholders)
	Hideki Amano (Outside and Independent)	68	M	Mr. Amano has a high level of professional expertise as a certified public accountant. Based on his experience and insight gained from working globally at major auditing firm as a member of management, he has served as an Audit & Supervisory Board Member of the Company since March 2017, effectively auditing the Kao Group, which operates globally, from a professional perspective. In view of these facts, the Company has determined that it would be most suitable if Mr. Amano were to continue to audit the Kao Group as an Independent Outside Audit & Supervisory Board Member. Although he has never been directly involved in company management, the Company considers, based on the above reasons, that Mr. Amano will properly perform his duties as an Outside Audit & Supervisory Board Member. (115 th Annual General Meeting of Shareholders)
	Nobuhiro Oka (Outside and Independent)	58	M	Mr. Oka, in his career as an attorney and a university professor, has obtained considerable professional expertise and experience in relation to corporate legal affairs and corporate governance. Having served as an audit & supervisory board member of principal subsidiary of the Company since 2014, Mr. Oka also has expertise in relation to the business of the Kao Group. He has served as an Audit & Supervisory Board Member of the Company since March 2018, conducting effective audits from a professional perspective including group governance. In view of these facts, the Company has determined that it would be most suitable if Mr. Oka were to continue auditing as an

				Independent Outside Audit & Supervisory Board Member.
	Takahiro Nakazawa (Outside and Independent)	63	M	Mr. Nakazawa has a high level of professional expertise as a certified public accountant. During his service with major auditing firms, Mr. Nakazawa has been involved in providing auditing services for leading companies and has also engaged in various advisory services such as those relating to the introduction of U.S. accounting standards and the International Financial Reporting Standards (IFRS), thereby gleaned 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. (114 th Annual General Meeting of Shareholders)

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

The status of important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members is stated in the Convocation Notice of the 116th Annual General Meeting of Shareholders. (Please see www.kao.com/global/en/investor-relations/stock-information/shareholders/)

11. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc. (Principle 4.8) Updated

- (1) Status of Appointment of Independent Directors and Audit & Supervisory Board Members, etc.
Four (4) of the nine (9) Directors are Outside Directors, all of whom satisfy the Standards for Independence. Three (3) of the five (5) Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, all of whom satisfy the Standards for Independence.
- (2) Chairperson of the Board of Directors (Principle 4.6)
In the current structure, independent Outside Director acts as Chairperson of the Board of Directors as a measure to further increase the neutrality and independence of the Board of Directors.
- (3) Communication and Cooperation among Independent Directors, Audit & Supervisory Board Members and Management (Principle 4.8.2)
The Chairman of the Board of Directors takes the role of promoting communication and cooperation with members of Management and Audit & Supervisory Board Members. All the Audit & Supervisory Board Members, including the independent Outside Audit & Supervisory Board Members, and the Representative Directors hold meetings to exchange opinions multiple times during the year and from July 2018 all Outside Directors and all the Audit & Supervisory Board Members (including full-time) have started to hold periodic meetings to exchange information and opinions.

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

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

For the FY2021 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held in January 2022, a survey of the eight (8) Directors and the five (5) Audit & Supervisory Board

Members was conducted on the topics below. Feedback on the results was then provided before the meeting, during which the discussions and exchange of opinions were conducted. The following is a summary.

1. Efforts to address issues pointed out in the previous fiscal year's evaluation of effectiveness of the Board of Directors

(1) Kao Group Mid-term Plan "K25"

The principal themes of K25 were frequently raised by the Board of Directors, with active discussions conducted in a timely manner. Going forward, necessary measures will include deepening discussions of issues that impede the achievement of K25, measures to resolve those issues, and actions to be prioritized, as well as conducting regular verification with greater awareness of PDCA for the realization of K25.

(2) Human capital strategy

Measures that emphasize the furtherance of K25 are being conducted, including promotion of global-minded personnel and young employees, and active utilization of external human capital. There have also been reports on the status of the introduction of the new Objectives and Key Results (OKR) employee empowerment system. Human capital strategy is a management issue for ongoing consideration, and it is necessary to deepen discussions of issues including the promotion of human capital needed for realizing K25, assignment and training of human capital for that purpose, and the evaluation of executive staff.

(3) Internal control system development and status of operation

Negative information and information on risks are being reported in a timely and appropriate manner. In addition, the system now enables rapid response when a problem occurs. Going forward, it will be necessary to continuously verify and discuss whether potential internal control issues are latent in the organization, and ongoing supervision is also necessary because problems may arise that were not apparent due to the COVID-19 pandemic.

2. Understanding and monitoring the status of ESG activities

- A system that enables appropriate monitoring has been established and is in operation. The person in charge of the ESG Division reports on its activities, and there are reports on other agenda items that touch on their relevance to ESG.
- The above-mentioned reports also confirm that the governance system is properly established and operated, as various discussions and efforts are being made to integrate the K25 and Kao's ESG strategy, the Kirei Lifestyle Plan mainly by the ESG Committee, and that the ESG Advisory Board, which consists of external members, is making constructive proposals on Kao's ESG strategy.
- Going forward, it would be desirable to further enhance reports on the status of specific activities in each country and division, sharing of information on comparisons between Kao's ESG activities and social trends and other matters, and discussions on ways of disseminating information outside the Company and on collaboration with other companies.

3. Board of Directors' status of operation, status of deliberations, and support from the Company

- Status of operation: Materials are distributed before meetings of the Board of Directors to promote understanding of the content of the various agenda items. In addition, the Chairperson of the Board of Directors (an Outside Director), who attends Management Board, provides supplementary information as appropriate to improve the effectiveness and efficiency of discussions. The frequency of meetings is also set appropriately.
- Status of deliberations: Discussions and exchanges of opinion are free, open, constructive and active. In addition, important matters are proactively incorporated, and agenda items are set appropriately. In order to ensure adequate time for discussions on priority issues, meetings consisting of all Outside Directors and the President and Chief Executive Officer and meetings of only Outside Directors are held separately from the meeting of the Board of Director. Further improvements are expected to be made to ensure substantial discussions, including using effective presentation methods at meetings of the Board of Directors.
- Support from the Company: In addition to the information provided at meetings of the Board of Directors, information is also properly provided and appropriate support is given through measures including visits to business sites and attendance at internal research forums. On the other hand, it is necessary to increase opportunities for exchanging opinions with employees during site visits to further deepen understanding of the site.

4. Operation of the Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members and the Compensation Advisory Committee

- Both committees have been conducting discussions appropriately and the results have generally been shared appropriately with the Board of Directors.
- The Committee for Examination of Nominees for Directors and Audit & Supervisory Board Members has been able to conduct some discussions about the composition of the Board of Directors required for accomplishing K25 and the ESG strategy, but it is necessary to further enhance discussions for structural reinforcement. It is also necessary to conduct ongoing discussions of the succession plan for senior management.
- The Compensation Advisory Committee has generally been able to conduct appropriate discussions. Going forward, it should continue to proactively discuss compensation for Directors, Audit & Supervisory Board Members and Executive Officers overall, including performance-based compensation, with objectivity and transparency.

5. Issues to be addressed by the Board of Directors

- Continuation of in-depth discussions of issues and measures toward the realization of K25
- Continuation of discussions focused on human capital strategy
- Supervision of development and operation of an internal control system capable of responding to potential issues and those that have newly arisen

Evaluation of the effectiveness of the activities of the Audit & Supervisory Board

Audit & Supervisory Board Members are tasked with auditing the execution of duties by Directors from an independent standpoint in order for the Company and the Group to achieve sound and sustainable growth and establish governance that engenders the trust of stakeholders. The Audit & Supervisory Board consists of three Outside and two Full-time Audit & Supervisory Board Members. The Audit & Supervisory Board sets audit policies and plans, etc., and members frankly exchange opinions, deliberates and makes resolutions on issues.

The Audit & Supervisory Board conducts an annual evaluation of the effectiveness of the activities of the Audit & Supervisory Board members and the Audit & Supervisory Board. It determines evaluation items mainly focused on main audit items, each member makes evaluation by him/herself and they discuss the result of the evaluation and identify issues at the Audit & Supervisory Board.

The Audit & Supervisory Board reflects the results in its next plan and strive to continuously improve effectiveness.

The Audit & Supervisory Board deliberated on the results of the evaluation of the effectiveness of audit activities for FY2021 and concluded that it was functioning effectively.

The results of the evaluation for FY2021 under review is as follows:

Main evaluation items	Key assessments and issues
Effectiveness of the composition and operation of the Audit & Supervisory Board	<ul style="list-style-type: none"> ✓ The experience and expertise of Outside and Full-time Audit & Supervisory Board Members are balanced. ✓ The issues were shared, and the focus of the deliberations was clarified in advance for more active discussions. ✓ The Audit & Supervisory Board Members' Office, newly established in January 2022, will serve as the secretariat to promote more effective and efficient operation.
Effectiveness of the system for supervising Directors	<ul style="list-style-type: none"> ✓ Attended meetings of the Board of Directors and important meetings, spoke without restrictions, and confirmed the status of deliberations. ✓ In the first year of the Kao Group Mid-term Plan "K25", Audit & Supervisory Board Members frankly shared awareness of issues at meetings with Representative Directors, confirmed the degree of penetration of "K25" through interviews focusing on dialogue with each division and group company, and worked to improve the effectiveness of supervision. ✓ Although facing new challenges, the conventional approach will continue, and in the next fiscal year the Audit & Supervisory Board will focus on the effects of structural reforms and the speeding up of implementation.
Verification of the status of	<ul style="list-style-type: none"> ✓ The "system to supervise Directors" was generally appropriate, as it simultaneously checked the status of the development and operation of the internal control system.

development and operation of internal control system	<p>FY2021 was focused on the speed of self-inspection and improvement in the first line of internal control, and the monitoring status in the second line, confirming the improvement against the issues in the previous fiscal year.</p> <ul style="list-style-type: none"> ✓ On-site visits and interviews were conducted almost as usual, using remote auditing methods such as timely online meetings, of which about 70% of them were attended by one or more Outside Audit & Supervisory Board members. The effectiveness of the interview method has been improved by reconfirming the previously identified issues at the start, arranging the Audit & Supervisory Board members' comments into requests and advice at the end, and extracting and sharing best practices. ✓ Going forward, the Audit & Supervisory Board will focus on steady operation and consideration of diversity such as monitoring methods for overseas Group companies and cooperation with business partners.
Group governance	<ul style="list-style-type: none"> ✓ The Audit & Supervisory Board is promoting cooperation such as exchanging opinions with the Department of Internal Audit, confirming the status of responses to issues identified by them, exchanging opinions with all auditors of group companies, and requesting to attend Audit & Supervisory Board Members' hearings as necessary. ✓ On the other hand, there are many auditors at group companies who have concurrent positions. As issues are being identified through fact-finding surveys, the system is being reviewed, and some members of the newly established Office of the Audit & Supervisory Board Members in January 2022 will be appointed as auditors of some group companies, which will promote cooperation and result in improved effectiveness of the audit function in the future. ✓ The Audit & Supervisory Board works closely with the Accounting Auditor while monitoring the independence and appropriateness of audits.

13. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties (Principle 4.14.2 “Training Policy for Directors and Audit & Supervisory Board Members”)

The Company provides Directors and Audit & Supervisory Board Members with opportunities to improve their understanding of the Company’s business and business environment and knowledge about corporate governance, etc. and pays expenses which are required to fulfill their respective roles and duties. In particular, the Company provides Inside Directors and Full-time Audit & Supervisory Board Members with basic training as top management and auditors, knowledge regarding the Companies Act, corporate governance and related issues, useful information for observance of laws and regulations and for management, and other matters. Also, to deepen the understanding of Outside Directors and Outside Audit & Supervisory Board Members of the details and current status and other matters regarding the Kao Group’s business strategies and businesses, the Company explains these matters at the time of inauguration and thereafter conducts tours of factories and business sites, explanations by the relevant officer and other measures as necessary.

<Details of Current Efforts >

- As future candidates for Director or Audit & Supervisory Board Member, participation by Executive Officers in training programs held by external institutions to acquire the skills and knowledge and attain the deep discernment required of top management
- Explanation of the Companies Act, corporate governance and related issues upon inauguration
- Explanation of the business strategies, details of businesses, operating structure and other matters upon inauguration
- Visits to main factories and major business sites, etc.
- Lectures to foster well-rounded character and insight as a top management
- Lectures on the Companies Act, corporate governance and other matters by experts and lectures on useful information regarding management by top management of other companies and knowledgeable persons
- Briefings on compliance, including prevention of insider trading

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

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

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

The Company has a Compensation Advisory Committee composed of all Outside Directors, Outside Audit & Supervisory Board Members, all the Representative Directors and Director, Chair to examine and evaluate whether the compensation system and remuneration levels for Directors and Executive Officers adequately match the abovementioned basic stance. The Company also deliberates as necessary on the abovementioned basic stance.

In addition, the Company will consider the appropriate global remuneration system for officer, managers and employees to promote global business expansion.

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

(For further information, please see “Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration” in “Remuneration for Directors” in “II. Business Administration Organization for Managerial Decision-Making, Execution and Supervision, and Other Corporate Governance Structure”.)

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

(1) Initiatives on Sustainability

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

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

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

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

Sustainability: www.kao.com/global/en/sustainability/

Kao Sustainability Data Book: www.kao.com/global/en/sustainability/pdf/

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

GRI / ISO 26000 table / TCFD Index:

www.kao.com/global/en/sustainability/research-index/

(2) Information on Investments in Human Capital

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

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

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

The Company implements training programs, career design training and leadership development programs that promote “growth through self-learning, and collaboration and co-creation.” In fiscal 2021, the cost of education and training per employee was 29.9 thousand yen (107% year-on-year) and 9.9 hours (108% year-on-year).

(3) Information on Investments in Intellectual Properties

The Company has been creating innovations that change lives by combining discoveries and inventions obtained through Essential Research that identifies phenomena and objects with the eyes of science with the needs of consumers, and converting them into product design and value information. The expectations and trust of

consumers cultivated through this is the foundation of our strong brand power, which is widely recognized in the world. In addition, to “make a company with a global presence, valuable to society”, the Company is keeping an eye on issues that arise not only in Japan but also on a global scale, and established management strategies to meet the expectations of consumers around the world. To promote research and development in line with this management strategies, the Company believes that it is essential to invest in human resources and activity costs in the Research and Development Department and intellectual property acquisition, which is the result of research and development activities, and the Company is actively implementing such investment. Specifically, the Company secures intellectual property rights, such as patent rights, design rights, and trademark rights, for inventions arising from research and development and for names and symbols created to identify brands, as well as to promote the Company’s own business activities and to promote the spread of technology by opening it up to the public interest.

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

Kao by the Numbers: www.kao.com/global/en/who-we-are/data/

The Brand Legal Department collaborates closely with business divisions when submitting applications, acquiring rights and exercising rights relating to design-based designs and trademarks, taking into consideration cost-effectiveness. As of December 31, 2021, the Company has approximately 22,000 trademarks in 165 countries and regions. Recently, the Company has been pursuing measures against counterfeit products in Asia and other regions.

16. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders (Principle 5.1)

The Company considers its shareholders and investors to be important stakeholders. It emphasizes constructive dialogue to raise corporate value, and considers it important to deepen mutual understanding of stances and standpoints and to adopt proper responses based on such understanding.

To contribute to realizing constructive dialogue with shareholders and investors to raise corporate value, the Company proactively discloses socially useful information about the Kao Group in addition to disclosures required by law. The Company established rules on information disclosure and the prevention of insider trading, conducts information disclosures fairly without selective disclosure to specified persons, clarified the obligation to maintain confidentiality of insider information, as well as regularly conducts education for their thorough implementation.

An investor relations division is in charge of measures for dialogue with institutional investors, and in addition to routine meetings with institutional investors inside and outside Japan, it conducts briefings and other presentations on summaries and the progress of the business strategies, the status of operating results and businesses, shareholder returns and other matters. Directors, Audit & Supervisory Board Members, Executive Officers, including the President and CEO, participate to the extent possible in order to have opportunities for direct conversations with institutional investors that enable dialogue for increasing corporate value from a long-term perspective, and to make it easier to reflect the results of the dialogues in management and management supervision and audit.

The content of questions and opinions received from institutional investors and other matters from the abovementioned briefings and other presentations are reported as required at meetings of the Board of Directors, the Executive Officers’ meeting and meeting of Audit & Supervisory Board for utilization in the future management and management supervision and audit.

A shareholder relations division is primarily in charge of measures for dialogue with individual shareholders, and conducts tours of factories and facilities that introduce details of the Company’s businesses so that individual investors understand such details and hold the Company’s stock with a longer-term perspective. Moreover, when conducting these initiatives, the members of Management participate to the extent possible in order to have opportunities for dialogue with shareholders. In addition, the Company regards the operation of the General Meeting of Shareholders as a valuable and important opportunity for dialogue with shareholders, and secures sufficient time for questions, among other measures.

In the future, in addition to explaining financial information, the Company intends to further enhance its explanation of non-financial information including its stance on corporate governance and sustainability. To promote constructive dialogue with shareholders, relevant divisions including the investor relations, accounting and finance, legal and compliance, and corporate strategy will cooperate to consider and implement methods for explaining non-financial information such as publication on the Company’s website and holding presentations, an organizational structure for dealing with dialogue with shareholders and other matters. Executive officers in charge

of the corporate strategy, legal and governance, and ESG, will work together to integrate and promote these activities.

(For further details regarding IR Related Activities, etc., please see, in “III. Status of Measures Taken in Respect to Shareholders and Other Stakeholders” below, the section entitled “2. Status of IR Related Activities.”)

17. Policies for Cross-Shareholdings* and Standards for Exercise of Voting Rights (Principle 1.4)

The Company holds the shares of other listed companies only in cases where it considers such shareholdings, including the number of shares held, to be reasonable in consideration of their necessity in terms of business activities such as maintaining and strengthening business alliances and transactions and other matters. These cross-shareholdings are subject to the impact of trends in stock markets and the business environment in which the Company operates. However, each year the Board of Directors ascertains the reasonableness of cross-shareholdings and reviews their continuance and the number of shares held for each stock, by considering the following criteria: purpose of retention, unrealized gains and losses, EVA, trading volume and others. As a result, the number of issues of cross-shareholdings the Company holds as of December 31, 2021 increased to 43 from 42 as of December 31, 2020 (the total amount on the balance sheet decreased from ¥4,184 million to ¥3,303 million). Of these, for listed stocks, two were partially sold in 2021. Prior to the corporate governance code became effective in 2015, the Company held 83 issues (¥9,384 million) as of December 31, 2014.

The Company exercises the voting rights of cross-shareholdings after comprehensively determining whether the proposals contribute to the establishment of a proper corporate governance system and to increasing the medium-to-long-term corporate value of the issuing company, as well as their impact on the Company. The Company engages in dialogue with the issuing company on the details of the proposals and other matters as necessary. All voting rights at annual general meetings of shareholders held during 2021 by companies in which the Company holds shares were used to approve proposals, because there were no proposals that raised concerns of damage to the corporate value of the relevant company.

The above details were reported at the meeting of the Board of Directors.

*Cross-Shareholdings: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

18. Roles of Corporate Pension Funds as Asset Owners (Principle 2-6)

Kao Group Corporate Pension Funds manages a reserve for corporate pension funds for the Company and its group companies in Japan. The Company assigns personnel with necessary experience and qualifications for the Kao Group Corporate Pension Funds considering the impact that corporate pension funds have on the ability of employees to maintain stable asset management not only but also the potential impact on the Company’s financial stability. Also, the Company established an Asset Management Board. Kao Group Corporate Pension Funds maintains healthy pension fund management, and sets composition of assets, if necessary, incorporating the opinions of third parties.

Regarding stewardship initiatives, the Company monitors the stewardship activities of each asset management institution through quarterly reporting sessions.

All assets are invested through passive portfolio management to assure that there would be no conflict of interest between beneficiaries of corporate pension funds and the Company.

19. Procedures for Approval of Related Party Transactions (Principle 1.7)

To obligate Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Kao Group to act with priority on the interests of the Kao Group, the Company has established the “Kao Guidelines on Preventing Conflicts of Interest” after their approval by the Board of Directors. In cases where Directors and Officers, managers and employees of the Kao Group engage in transactions with the Kao Group on behalf of themselves or of a third party, these guidelines provide that a notification be submitted to the Compliance Committee Secretariat and that, depending on the details of the notification, the Compliance Committee Secretariat shall require notification of or approval from the Board of Directors, the Management Board or the Compliance Committee Secretariat Meeting.

In addition to these guidelines, Directors obtain the approval of the Board of Directors in cases of self-dealing or transactions involving conflicts of interest pursuant to the Companies Act.

Because the Company has no major shareholders who hold 10% or more of its stock, the Kao Group has not established procedures for approval of transactions with major shareholders.

Skill Matrix of the Board of Directors

(As of March 25, 2022)

		Attributes			Experience / Knowledge / Expertise								Main reasons for marking “√”
		Term of office	Gender	Nationality	ESG	Management	Global	Development / Manufacturing	Business / Sales	Business innovation	Risk / legal regulations	Finance / accounting	
Directors	Michitaka Sawada	13 years and 9 months	Male	Japan	✓	✓		✓		✓			- Experience in the Company’s Research and Development - Experience as the Company’s Representative Director, President and CEO - Chairman of Japan Clean Ocean Material Alliance (CLOMA)
	Yoshihiro Hasebe	6 years	Male	Japan	✓	✓		✓		✓			- Experience in the Company’s Research and Development (including knowledge of ESG) - Experience in the Company’s Strategic Innovative Technology
	Toshiaki Takeuchi	8 years	Male	Japan		✓			✓				- Representative Director, President of Kao Group Customer Marketing Co., Ltd.
	Tomoharu Matsuda	3 years	Male	Japan		✓	✓	✓	✓				- President of Consumer Products, Global; - Experience in management of the Company’s overseas subsidiaries
	David J. Muenz	-	Male	United States	✓		✓	✓	✓				- Experience as the head of research and chief of business at the Company’s overseas subsidiary - Senior Vice President of ESG, Global
	Osamu Shinobe	4 years	Male	Japan		✓	✓	✓	✓	✓	✓		- Experience as the top executive of a major international airline
	Chiaki Mukai	3 years	Female	Japan	✓		✓			✓			- Medical Doctor, astronaut - Experience in taking on challenges in new fields, such as serving as an astronaut and in academic research
	Nobuhide Hayashi	3 years	Male	Japan		✓	✓			✓		✓	- Experience as the top executive of a major international financial institution
	Eriko Sakurai	-	Female	Japan		✓	✓	✓	✓	✓			- Experience as the regional head of a major international chemical company - Experience as an outside director of major corporations
Audit & Supervisory Board Members	Hideko Aoki	3 years	Female	Japan	✓			✓			✓		- Experience as the Company’s Managing Executive Officer - Experience in the Company’s Product Quality Management - Commissioner of the consumer-related commissions of the government
	Sadanao Kawashima	1 year	Male	Japan			✓					✓	- Experience in the Company’s Finance Department (including overseas experience) - Experience in the Company’s Department of Internal Audit
	Hideki Amano	5 years	Male	Japan	✓		✓					✓	- Certified Public Accountant (including experience serving overseas)
	Nobuhiro Oka	4 years	Male	Japan	✓						✓		- Attorney-at Law - Professor at Keio University Law School
	Takahiro Nakazawa	2 years	Male	Japan	✓							✓	- Certified Public Accountant

- The areas of experience, knowledge, and expertise of each Director and Audit & Supervisory Board Member that are particularly expected of them are marked with a “√.”

List of the state of implementation of Corporate Governance Code

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

Corporate Governance Code			Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
Section 1: Securing the Rights and Equal Treatment of Shareholders	1.1	Securing the Rights of Shareholders	-	●	The Company respects and complies the code.
			1.1.1	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.1.2	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.1.3	●	The Company respects and complies the code.
	1.2	Exercise of Shareholder Rights at General Shareholder Meetings	-	●	"1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.1	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.2	●	"Early Notification of General Shareholder Meeting" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.3	●	"Other" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.4	●	"Allowing Electronic Exercise of Voting Rights", "Participation in Electronic Voting Platform" and "Providing Convocation Notice in English" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report
			1.2.5	●	The Company respects and complies the code.
	1.3	Basic Strategy for Capital Policy	-	●	"(7) Basic Strategy for Capital Policy" in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	1.4	Cross-Shareholdings	-	●	"17. Policies for Cross-Shareholdings and Standards for Exercise of Voting Rights" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			1.4.1	●	"17. Policies for Cross-Shareholdings and Standards for Exercise of Voting Rights" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			1.4.2	●	"17. Policies for Cross-Shareholdings and Standards for Exercise of Voting Rights" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	1.5	Anti-Takeover Measures	-	●	"1. Adoption of Anti-takeover Measures" in "V. Other" in the report
			1.5.1	●	"1. Adoption of Anti-takeover Measures" in "V. Other" in the report
	1.6	Capital Policy that May Harm Shareholder Interests	-	●	The Company respects and complies the code.
1.7	Related Party Transactions	-	●	"19. Procedures for Approval of Related Party Transactions" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	
Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders	2.1	Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term	-	●	"1. Corporate philosophy" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report - "The Kao Way" on the company's website: www.kao.com/global/en/about/policies/kaoway/
	2.2	Code of Conduct	-	●	"Kao Business Conduct Guidelines" on the Company's website: www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf
			2.2.1	●	"Kao Business Conduct Guidelines" on the Company's website: www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/compliance_all.pdf
	2.3	Sustainability Issues, Including Social and Environmental Matters	-	●	"Kao Sustainability on the Company's website: www.kao.com/global/en/sustainability/
			2.3.1	●	"Kao Sustainability on the Company's website: www.kao.com/global/en/sustainability/

Corporate Governance Code			Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
	2.4	Ensuring Diversity, Including Active Participation of Women	-	●	<ul style="list-style-type: none"> "6. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors" in [Disclosure Based on the Principles of the Corporate Governance Code] in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report "Other" in "3. Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report "Respect & Teamwork" in "Principles" in "Kao Way" on the Company's website: www.kao.com/global/en/about/policies/kaoway.html
			2.4.1	●	<ul style="list-style-type: none"> "Other" in "3. Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report "Kirei Lifestyle Plan Progress Report: www.kao.com/global/en/sustainability/pdf/ "Kao Integrated Report" on the Company's website: www.kao.com/global/en/investor-relations/library/reports/
	2.5	Whistleblowing	-	●	"Compliance Hotlines" on the Company's website: www.kao.com/global/en/about/policies/compliance/compliance-contact.html
			2.5.1	●	"Compliance Hotlines" on the Company's website: www.kao.com/global/en/about/policies/compliance/compliance-contact.html
	2.6	Roles of Corporate Pension Funds as Asset Owners	2.6	●	"18. Roles of Corporate Pension Funds as Asset Owners" in Disclosure Based on the Principles of the Corporate Governance Code
	Section 3: Ensuring Appropriate Information Disclosure and Transparency	3.1	Full Disclosure	-	●
(i)				●	"2. Long-term Business Strategy" and "3. Mid-term business plan" in [Disclosure Based on the Principles of the Corporate Governance Code] in "1. Basic View" in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
(ii)				●	"4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
(iii)				●	"15. Policy and Procedures for Determining Remuneration for Members of the Board of Directors and Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
(iv)				●	"7. Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management" and "8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
(v)				●	"9. Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management, and Status of Concurrent Duties of Outside Directors and Outside Audit & Supervisory Board Members" in [Disclosure Based on the Principles of the Corporate Governance Code] in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
3.1.1				●	The Company respects and complies the code.
3.1.2				●	The Company's website : www.kao.com/global/en/
3.1.3				●	<ul style="list-style-type: none"> "15. Initiatives on Sustainability, and Information on Investments in Human Capital and Intellectual Properties" in [Disclosure Based on the Principles of the Corporate Governance Code] in " I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report "Kao Sustainability" on the Company's website: www.kao.com/global/en/sustainability/ "Kao Sustainability Data Book" on the Company's website: www.kao.com/global/en/sustainability/pdf/ "GRI / ISO 26000 table / TCFD Index" on the Company's website: www.kao.com/global/en/sustainability/research-index/

Corporate Governance Code			Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
	3.2	External Auditors	-	●	"Activity for strengthening the auditing function of the Audit & Supervisory Board Members" in "Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
			3.2.1	●	"Activity for strengthening the auditing function of the Audit & Supervisory Board Members" in "Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
			3.2.2	●	●
	4.1	Roles and Responsibilities of the Board (1)	-	●	"(2) Roles and Duties of the Board of Directors, etc." in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.1.1	●	"5. Scope of Matters Delegated to the Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.1.2	●	"3. Mid-term business plan" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.1.3	●	"Supplementary Explanation" in "Committee's Name, Composition, and Attributes of Chairperson" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
	4-2.	Roles and Responsibilities of the Board (2)	-	●	·"(2) Roles and Duties of the Board of Directors, etc." in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"14. Policy and Procedures for Determining Remuneration for Members of the Board of Directors and Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.2.1	●	"14. Policy and Procedures for Determining Remuneration for Members of the Board of Directors and Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.2.2	●	·"Policies for ESG Activities" on the Company's website: www.kao.com/global/en/sustainability/policy/ ·"Activities of the Board of Directors in FY2020" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in the report
	4.3	Roles and Responsibilities of the Board (3)	-	●	·"8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"Kao Integrated Report" on the Company's website: www.kao.com/global/en/investor-relations/library/reports/
			4.3.1	●	"8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.3.2	●	"8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.3.3	●	"8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.3.4	●	·"Activities of the Board of Directors in FY2020" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in the report ·"Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System" ·"Kao Integrated Report" on the Company's website: www.kao.com/global/en/investor-relations/library/reports/

Corporate Governance Code			Implementation Status		Corresponding articles in the report or on the Company's website
General Principle	Principle	Supplementary Principles	Comply	Explain	
Section 4: Responsibilities of the Board	4.4	Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board	-	●	The Company respects and complies the code.
		4.4.1	●	"Activity for strengthening the auditing function of the Audit & Supervisory Board Members" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"	
	4.5	Fiduciary Responsibilities of Directors and Audit & Supervisory Board Members	-	●	The Company respects and complies the code.
	4.6	Business Execution and Oversight of the Management	-	●	·"(4) Non-executive Director as Chairperson of the Board of Directors" in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"11. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.7	Roles and Responsibilities of Independent Directors	-	●	"(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc." in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
	4.8	Effective Use of Independent Directors	-	●	"11. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.8.1	●	[Reasons for Non-compliance with the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.8.2	●	"10. Details of Current Efforts to Effectively Use Independent Directors and Audit & Supervisory Board Members, etc." in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
			4.8.3	-	-
	4.9	Independence Standards and Qualification for Independent Directors	-	●	·"4.(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc." in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"Standards for Independence of Outside Directors/Audit & Supervisory Board Members of Kao Corporation" on the Company's website: www.kao.com/content/dam/sites/kao/www-cao-com/global/en/about/pdf/governance_002.pdf
	4.10	Use of Optional Approach	-	●	"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
			4.10.1	●	·"(3) Effective Utilization of Independent Directors and Audit & Supervisory Board Members, etc." in "4. Basic position and policy on corporate governance" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"7. Policy on Nomination of Director and Audit & Supervisory Board Member Candidates and Senior Management" and "8. Procedures for the Nomination and Dismissal of Director and Audit & Supervisory Board Member and the Appointment and Dismissal of Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"
	4.11	Preconditions for Board and Audit & Supervisory Board Effectiveness	-	●	·"6. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"12. Analysis and evaluation of effectiveness of the Board of Directors taken as a whole and summary of the results thereof" in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
4.11.1			●	·"6. Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report ·"9. Explanations with Respect to Individual Nominations and Appointments of Directors, Audit & Supervisory Board Members and Senior Management, and Status of Concurrent Duties of Outside Directors and Outside Audit & Supervisory Board Members" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	

Corporate Governance Code			Implementation Status		Corresponding articles in the report or on the Company's website	
General Principle	Principle	Supplementary Principles	Comply	Explain		
			4.11.2	●	"8. Procedures for the Nomination of Director and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	
			4.11.3	●	"12. Analysis and evaluation of effectiveness of the Board of Directors taken as a whole and summary of the results thereof" in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	
	4.12	Active Board Deliberations	-	●	The Company respects and complies the code.	
			4.12.1	●	"Supporting System for Outside Directors and Outside Audit & Supervisory Board Members" in 1. Organizational Composition and Operation" in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"	
	4.13	Information Gathering and Support Structure	-	●	(10), (11) and (12) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.1	●	(10) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.2	●	(12) and (13) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System"	
			4.13.3	●	- "Activities of the Board of Directors in FY2020" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in the report - (13) in "Basic Views on Internal Control System and the Progress of System Development" in "IV. Matters Related to the Internal Control System" - "Kao Integrated Report" on the Company's website: www.kao.com/global/en/investor-relations/library/reports/	
	4.14	Director and Audit & Supervisory Board Members Training	-	●	"13. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	
			4.14.1	●	"13. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	
			4.14.2	●	"13. Measures for Directors and Audit & Supervisory Board Members to improve understanding and knowledge required to fulfill their roles and duties" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	
	Section 5: Dialogue with Shareholders	5.1	Policy for Constructive Dialogue with Shareholders	-	●	"16. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
				5.1.1	●	"16. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
				5.1.2	●	"16. Policy Concerning Measures and Organizational Structures to Promote Constructive Dialogue with Shareholders" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report
5.1.3				●	"Participation in Electronic Voting Platform" in "1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in the report	
5.2		Establishing and Disclosing Business Strategy and Business Plan	-	●	"2. Long-term Business Strategy" and "3. Mid-term business plan" in [Disclosure Based on the Principles of the Corporate Governance Code] in "I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" in the report	
			5.2.1	●	- "Kao Integrated Report" on the Company's website: www.kao.com/global/en/investor-relations/library/reports/	