

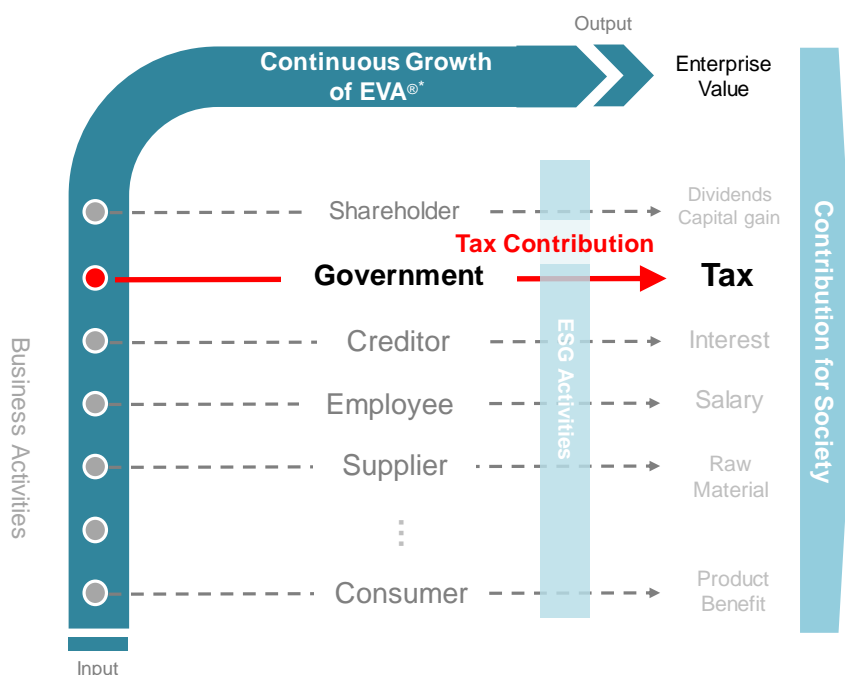
Kao Group - Tax Policy

April 2021 updated

■ Our Viewpoint on Tax Payment

Kao Group commits to increase the EVA[®] as the “True Profit” that takes into account the Cost of Capital through our **EVA[®](Economic Value Added) Management²**. While the EVA increasing continuously, we believe not only the shareholders, but also other stakeholders involved in our business activities can benefit in the long run.

The **ESG activities** that Kao Group, promote are extremely important factors for a going concern to continue creating the Sustainable Enterprise Value into the future. Particularly, with respect to the tax payment, we understand the **Continuous and Appropriate Tax Payment** plays a significant role and substantially contributes to a sustainable development of economy and society in countries where we operate, resulting in further support and trust from all the stakeholders of our business.

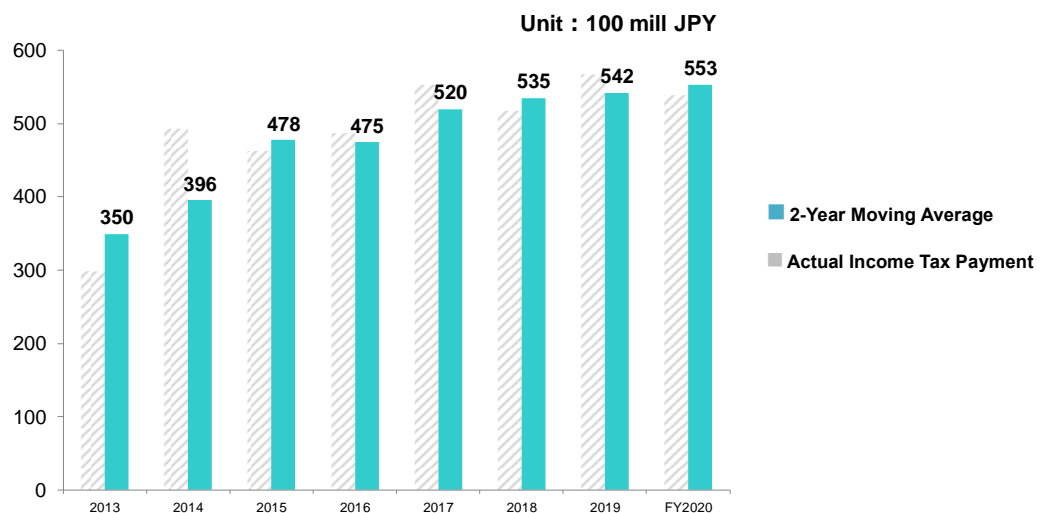


* EVA[®] is a trademark registered by Stern Value Management, Ltd.

The following chart presents the historical trend of our corporate income tax paid globally from FY2013 to FY2020. To smooth out any timing impact of tax payment, the green bars indicate a two-year moving average of the global corporate income tax paid, which show that our tax payment has increased as our business expands globally.

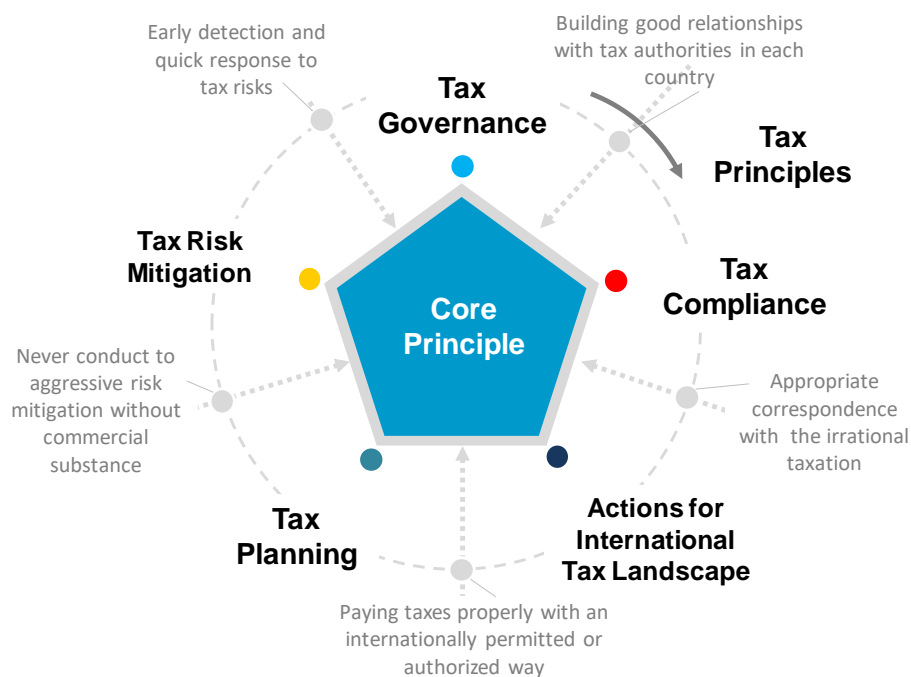
² For more details about “EVA Management”, please refer to the link below.
<https://www.kao.com/global/en/investor-relations/management-information/economic-value-add/>

Historical Trend of Income Tax Paid



Our Tax Policy

Our Tax Policy is operated with the five “**Tax Principles**” supporting the “**Core Principle**”. The diagram below describes the overview of our Tax Policy. Each Tax Principle has a strong linkage with other Tax Principles. This framework helps our tax management to clarify how we should approach to the new tax issues by verifying through five each perspective in combinational way.



Core Principle

Based on our corporate philosophy, “**Kao Way**”, we conduct corporate activities as honest, clean and virtuous corporate citizens based on ethical principles and mere compliance with the law

³ For more details about “Kao Way”, please refer to the link below.
<https://www.kao.com/global/en/about/policies/kaoway/>

while seeking the support of society at large. Specifically, we commit to fulfil an important role to the economic and social development with the "**Integrity**" in our tax management and by complying with the local rules and regulations through paying taxes appropriately in countries where we operate.

The following five Tax Principles support the implementation of the Core Principle as stated above.

Tax Principles

● Tax Governance

Kao Group responds quickly to tax reform or changes in tax environment in each country by structuring its operations, organizations and systems for **Risk Mitigation** to maintain a low tax-risk profile. We further mitigate the tax risks through the Internal Education Program, which shares the tax knowledge not only within the Finance Department but with the broader audience within the Kao Group.

● Tax Compliance

Kao Group commits strongly to the **compliance with tax laws** and regulations. In particular, from tax law perspective, we deepen our understanding of the latest tax reform, the global taxation trend and the law case knowledge internally. We consult with external tax professionals to identify any appropriate course of action, when we face any uncertainty about our business or transaction with respect to any tax laws. In some cases, we obtain prior confirmation on the transaction from a relevant tax authority(ies) to secure certainty and mitigate any compliance risks surrounding the transaction.

We disclose information in a timely and proper manner and cooperate with the tax auditor on a good faith basis, when a **Tax Audit** is conducted. We take an appropriate measure in accordance with the Tax Law Principle to handle any disagreement with the tax auditor, and we do not bribe the tax them.

● Actions for International Tax Landscape

Kao Group understands that international efforts such as OECD's **Base Erosion and Profit Shifting (BEPS)** project are important measures in maintaining tax transparency and preventing aggressive tax avoidance.

For this reason, Kao Group commits securing and maintaining the transparent tax position through abiding by the tax laws of countries where we operate and structuring our tax governance framework in line with the spirit of the international measures.

We determine the cross-border transactions between the group companies based on the contribution of the involved parties, as well as their functions, assets and risks in accordance with

the arm's-length principle and the **OECD transfer pricing guidelines**.

Regarding any taxation for new economic activities, such as Digital Taxation, we follow any development and address them in our operations properly and promptly.

We will never conduct any treaty shopping and never abuse tax treaties to obtain intentional double non-taxation.

● Tax Planning

Kao Group believes the use of tax havens, harmful tax incentives or tax planning that is not aligned with either commercial purposes or business substance impedes an appropriate payment of taxes. We only expand our business internationally and implements global business structures that align with our commercial purposes. We commits not to engage in any aggressive tax avoidance or abusive tax planning involving tax havens, harmful tax incentives or treaty shopping.

Regarding any industrial invitation and tax incentive programs provided for our investment in various countries, we make business decisions based on our contribution to the development of local economy and society.

As of March 2021, there are no group companies located in a country or jurisdiction that is internationally recognized as Tax havens.

● Tax Risk Mitigation

When we identify any tax risk, we take institutionally available measures to mitigate the tax risk proactively. We proactively apply for an **Advance Pricing Agreement (APA)** for risks such as transfer pricing to mitigate the risks. We also reduce the risks by establishing **Internal Policies** for transactions between group companies. Furthermore, we actively seek opinions from external advisors, auditors, and other corporations affiliated with industry associations, and engage in risk mitigating activities in a proactive manner.

Kao Corporation, Executive Officer
Senior Vice President, Accounting and Finance, Global

Kenichi Yamauchi 