

Kao Group Tax Policy

● Core Principles

The Kao Group, based on our "Kao Way" corporate philosophy, aims to act in accordance with laws and appropriate corporate ethics, conducting its business in an honest and sincere manner, in addition to fulfilling our obligations to society.

The Kao Group believes that conducting its tax affairs and paying taxes in accordance with tax laws of each country and region serves an important role in the economic and societal development of each country and region in which we operate.

Moreover, the Kao Group believes that such actions will contribute to earning the respect and trust of all stakeholders.

As outlined below, the Kao Group aims to respond to tax reform in each country and region, as well as trends in the international tax landscape in a timely manner, and will continuously strive to develop an appropriate tax compliance framework.

● Mitigation of Tax Risk

The Kao Group aims to respond to tax reform in each country and region in a timely manner in order to maintain a low tax-risk profile and improve shareholder value.

● Managing Uncertain Tax Positions

Transactions with an unclear tax treatment may occur during the course of our business activities and implementing such transactions whilst the tax treatment is uncertain may have an impact on our group accounts.

In such cases, the Kao Group aims to manage the uncertain tax position a timely manner by seeking external expert advice or utilizing advance consultation procedures to ensure greater certainty.

● International Tax Landscape

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

To these ends, the Kao Group strives to maintain a transparent tax position through observing the tax laws of each country and region in which we operate and structure our tax governance framework in line with the spirit of these international measures.

- **Tax Planning**

The Kao Group believes that the use of tax havens or tax planning that is not aligned with either commercial purposes or business substance impedes the appropriate payment of taxes in each country and region in which we operate.

The Kao Group strives to prevent the use of aggressive tax avoidance and abusive tax planning involving, among others, tax havens.

The Kao Group only expands internationally or implement global business structures where this is aligned with our commercial purposes.

- **Transfer Pricing**

The pricing for transactions between related parties is determined under the arm's length principle and in accordance with OECD transfer pricing guidelines, calculated based on the functions, assets and risks involved.

- **Internal Tax Compliance Framework**

To enable its effective functioning, we believe in the importance of maintaining an awareness and knowledge of our tax compliance framework amongst management and all of our employees.

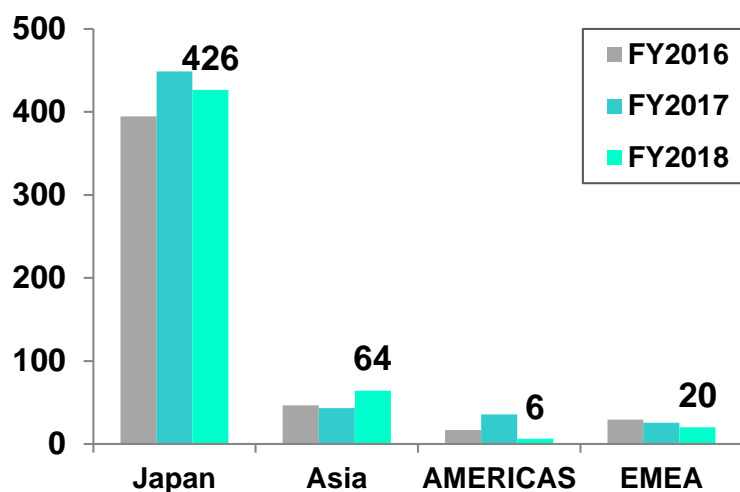
To these ends, the Kao Group strives to observe relevant laws and regulations and mitigate tax risks through internal consultations, knowledge sharing, and efforts to provide employees with awareness regarding appropriate tax treatment.

Further, the Kao Group considers social trends and input from all stakeholders in preparing disclosures, striving to develop necessary measures as appropriate.

- **Building Cooperative Relationships with Tax Authorities**

In order to minimize our tax risks, the Kao Group timely and appropriate information to the tax authorities and strive to build relationships of trust by responding to all enquiries expediently and in good faith.

Reference: Corporate Income Tax Paid by Geographic Region



100mill JPY	Corporate Income Tax Paid					
	FY16	(%)	FY17	(%)	FY18	(%)
Japan	395	81%	449	81%	426	82%
Asia	47	10%	43	8%	64	12%
AMERICAS	17	3%	36	6%	6	1%
EMEA	29	6%	26	5%	20	4%
Total	487	100%	553	100%	517	100%