

UK Companies Tax Strategy.

Context

Kao Corporation is a global organisation with headquarters based in Japan. Kao Corporation believes that in order to earn the respect and trust of all stakeholders, based on our 'Kao Way' corporate philosophy, we must act in accordance with laws, appropriate corporate ethics, integrity and honest and ethical business practices, in addition to fulfilling our obligations to society.

Within the Group there are four entities incorporated within the UK as set out in Appendix A.

This document, approved by the UK Management Committee (UK MC) on 7 December 2017, sets out the policy and approach to conducting tax affairs and tax risk of UK Companies who are part of the Kao Corporation (Group). The UK MC is made up of statutory directors of the UK Companies and heads of support functions. The document will be periodically reviewed and any amendments will be approved by the UK MC. It is effective for the year ending 31 December 2017 and will remain in effect until any amendments are approved by the UK MC.

The strategy applies, in respect of all UK Companies in the Group, to:

- Tax compliance of all in scope taxes
- Tax financial reporting

Compliance

Kao Companies operating in the UK are committed to paying the right amount of tax required under the laws and regulations of UK tax legislation and practice and other tax jurisdictions where the companies operate. The UK Companies take a conservative approach to tax planning, and do not pursue aggressive tax planning arrangements. The UK Companies use third party advisors to provide advice and guidance necessary to assess the tax risks and ensure its compliance with applicable laws, rules, regulations, and reporting and disclosure requirements.

Governance

The EMEA Vice President of Finance is responsible for leading the Tax Strategy. The strategy is approved by the UK MC.

The UK Companies are committed to conduct their tax affairs consistent with the following objectives, to:

- Comply with relevant laws, rules, regulations and reporting and disclosure requirements in the tax jurisdictions that the companies operate;

- Ensure that the tax strategy is consistent with Kao Corporation's overall strategy, its approach to risk and the Group Core Values.
- Apply professional diligence and care in the management of all risks associated with tax matters and ensure governance and assurance procedures are appropriate.
- Operate effective tax governance, understanding the tax risks in place and ensure that senior personnel with the appropriate skill and experience are involved in key tax decisions.

The UK Companies use third party advisors to provide advice and guidance necessary to assess tax risks and ensure its compliance to applicable laws, rules, regulations and reporting and disclosure requirements.

The UK Companies pay an appropriate amount of tax in relation to their commercial activities. They do not engage in aggressive tax planning arrangements, and take a conservative approach to tax planning, applying tax rules and regulation in a way that it considers is consistent with HMRC and other jurisdiction local tax authority expectations.

The EMEA Finance and Accounting group have created a Finance Shared Service Centre based in the Netherlands with clear roles and responsibilities of staff to ensure compliance with tax (and financial) requirements. Staff are suitably skilled, and training is offered as considered relevant. In cases of uncertainty, matters will be referred to the EMEA VP of Finance who may seek advice from external professional advisors, or seek advice from HMRC director for assistance in interpretation of application of tax rules.

The UK MC acknowledge that it has responsibility for fully complying with the tax laws in all relevant jurisdictions.

The UK MC is responsible for establishing the overall governance and approving the tax strategy. However, management authority for the day to day operation of the business is delegated to the EMEA VP of Finance.

To ensure that the Tax Strategy is delivered; diligent professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed.

Attitude to Planning

The Group and UK Companies take a conservative approach to tax planning and do not pursue aggressive tax planning arrangements. Where alternative routes exist to achieve the same commercial result, the most tax efficient approach in compliance with all relevant laws shall be considered. The Group and UK Companies seek to be efficient in our tax affairs but ensure that any planning is based on sound commercial principles. However, we will take advantage of the reliefs and incentives that exist but show respect for the intention of the law, as well as the letter, at all times. The Group and UK Companies will use incentives and reliefs to minimise the tax costs of conducting its business activities, but will only undertake arrangements which they reasonably believe do not contradict the spirit of the law. Where there is uncertainty or complexity in relation to a risk external advice is sought.

Level of UK Tax Risk

As a Group we aim to respond to tax reform in each country and region in a timely manner in order to maintain a low risk profile. Our objective is to minimise tax risk through processes operated throughout the organisation however there is a risk of error or omission which could result in incorrect interpretation of tax rules or calculations. In such cases we aim to manage the uncertain tax position in a timely manner by utilising advance consultation procedures to ensure greater certainty or seeking external expert advice.

Approach to engaging with HMRC

The UK Companies are committed to working in a collaborative, transparent and proactive way with HMRC at all times. We adopt the principles of openness and transparency in our approach to dealing with HMRC and believe in engaging in full, open and early dialogue with HMRC to discuss the tax affairs. The Group is committed to making fair, accurate and timely disclosure in correspondence and returns, and respond to queries raised by HMRC in a timely manner with the aim to resolve any issues in real-time where possible or to work together to resolve issues quickly and efficiently, with certainty wherever possible.

The UK Companies regard this publication as complying with the duty under para 16(2) and para 25(1), Sch 19 FA16.

