Kao Group - Tax Policy

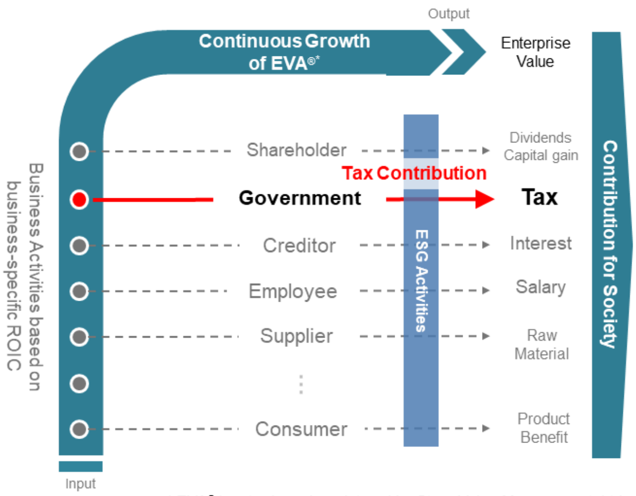
June 2025 updated

Kao Group's Approach to Taxation

Kao's ***EVA® (Economic Value Added) Management***[1] focuses on enhancing true profitability by taking into account the cost of capital and aims to sustainably increase EVA®. To strengthen this approach, the company introduced business ROIC (Return on Invested Capital) in FY2023. Through these efforts, we strive to ensure that not only shareholders but also all stakeholders involved in our business activities can benefit in the long term.

Guided by our vision of "Sustainability as the only path," we integrate ESG perspectives into our business strategy to lead the way in building a sustainable society. We recognize that these initiatives are essential for creating long-term corporate value.

We believe ***continuous and appropriate tax payments***[2] are a critical social responsibility. It contributes to the economic and social development of the countries in which we operate and helps us gain and maintain the trust of all our stakeholders.



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

Kao Group's Tax Policy

The Kao Group's tax policy is centered around our ***"Core Principle"***, which is supported by five ***"Taxation Principles"***. As shown in the diagram on page 1, these five principles are closely interconnected. When new tax-related issues arise, we conduct a comprehensive review across all five aspects to clarify our tax management approach and ensure the core principle is upheld.

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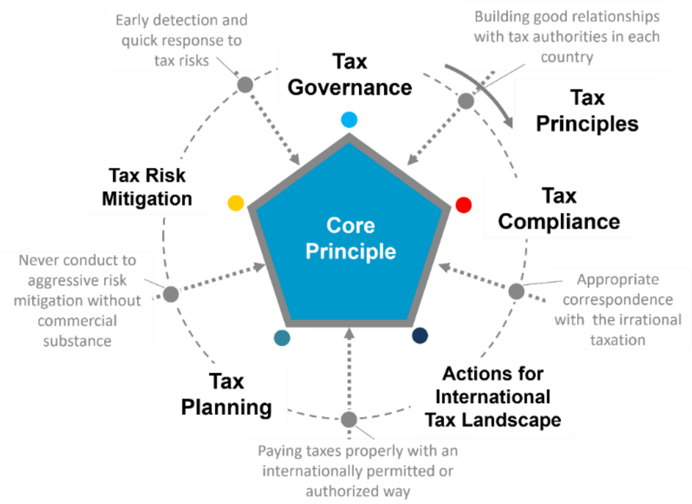
[1] For more details about "EVA Management", please refer to the link below.
[EVA Management]

[2] For detailed information on effective tax rates, country-specific tax amounts, and more, please refer to the 'Tax Strategy' section within Our Foundations.



Core Principle

In line with our corporate philosophy, The ***Kao Way***[3], and its core value of ***"Integrity as the Only Choice",*** we act in compliance with both the letter and spirit of the law and uphold ethical standards in all our operations. We conduct fair and transparent business activities and fulfill our social responsibilities by ensuring sound tax practices and proper tax payments in accordance with local laws and regulations. In doing so, we contribute to the economic and social development of each country where we operate.

Taxation Principles

● Tax Governance

We proactively respond to tax law changes and administrative practices in each country, building a management structure that allows for early identification and mitigation of tax risks. We enhance ***risk management*** to increase corporate value and conduct ***internal education*** across the organization—not limited to tax departments—to raise tax awareness and reduce risk.

● Tax Compliance

We are strongly committed to ***complying with tax laws*** and regulations.
This includes staying up-to-date with legal reforms and precedents, consulting with experts on ambiguous matters, and, where necessary, seeking pre-confirmation or formal clarification from tax authorities to reduce uncertainty. We cooperate transparently and sincerely with ***tax audits***, disclosing information appropriately. However, we will respond appropriately to unjustified claims through proper legal channels.
Furthermore, we will not engage in any bribery or corruption involving public officials, business

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[3] For more details about "Kao Way", please refer to the link below.
[The Kao Way]

partners, or any other related parties.

● Actions for International Tax Landscape

We support global initiatives such as the OECD’s ***BEPS (Base Erosion and Profit Shifting)*** project, recognizing their importance in promoting tax transparency and preventing tax avoidance. We comply with local tax laws and align our tax practices with the intent of international frameworks. 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***.
We closely monitor developments such as BEPS 2.0 (Pillar 1 and Pillar 2) and will comply with the tax rules and make appropriate tax payments in each country.
We strictly prohibit treaty abuse and practices leading to deliberate double non-taxation.

● Tax Planning

We commit not to use tax structures lacking commercial purpose or substance. We believe 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 implement global business structures that align with our commercial purposes. We do not engage in any aggressive tax avoidance or abusive tax planning involving tax havens, harmful tax incentives or treaty shopping.
Regarding any investment-promotion 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 now, there are no companies within the Kao Group that utilize tax havens or similar practices.

● Tax Risk Mitigation

We proactively reduce foreseeable tax risks using appropriate legal measures. For instance, we seek ***Advance Pricing Agreement (APA)*** to manage transfer pricing risks and establish ***group policies*** for intercompany transactions. We also incorporate the expertise of external advisors, auditors, and peer companies through industry associations to ensure responsive and agile risk management.

M. Negoro

Masakazu Negoro
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