

Tax Strategies

GRI 207-1, 207-2, 207-3

Policy

The Kao Group acts in accordance with the principles of the “Kao Way,” its corporate philosophy, which is rooted in the core value of “Integrity.” Guided by these principles, the Kao Group conducts its business activities ethically, adhering to laws and regulations, and fulfilling its social responsibilities through honest and transparent operations. In its tax strategy, the Kao Group ensures sound tax management and proper tax payments in compliance with the relevant laws and regulations of each country. By doing so, it plays a vital role in supporting the economic and social development of the countries in which it operates. For more details, please refer to the Tax Policy.

 Tax Policy
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/corporate-governance/policy/pdf/governance_004.pdf

Governance

Structure

The Accounting & Finance division oversees the tax governance structure, with the Tax Accounting Group and tax officers in each country handling practical operations. Information is shared quarterly among tax officers in each country to monitor current and future tax risks and resolve any issues. By regularly collecting and assessing tax-related matters from various countries and areas, the system ensures that urgent tax issues are addressed promptly. Additionally, a framework is in place to collaborate with external experts, enabling effective solutions through joint efforts.

Important tax issues and strategies are regularly reported or discussed during the Management Board and subsequently reported to the Board of Directors. Additionally, the tax policy is approved by the Directors.

Global collaboration in accounting and financials

Regular meetings are held with global leaders in accounting and financials, including tax officers from subsidiaries outside Japan. These meetings facilitate communication, ensure the sharing and enforcement of company-wide policies, and provide a platform for discussing emerging tax-related issues.

Education and promotion

Kao believes that it is necessary to foster and embed a strong sense of tax compliance awareness among

both management and employees in order to ensure that its tax compliance system functions properly.

Regular education and awareness-raising activities are conducted for employees, providing opportunities for information sharing and consultation. These initiatives emphasize compliance with laws and regulations while working to mitigate tax risks.

Collaboration with stakeholders

Kao strives to build trust with tax authorities by providing timely and accurate tax information and responding with integrity. To mitigate tax risks, the Group consults with tax authorities and external tax advisors as needed to ensure the appropriateness of tax procedures.

Kao also works in collaboration with economic circles through industry associations to support tax reform requests that contribute to enhancing the international competitiveness of Japanese companies.

Collaboration with the Japan Chemical Industry Association (JCIA)

Through JCIA, Kao actively engages in tax reform requests aimed at improving tax practice efficiency and enhancing corporate competitiveness.

Addressing international taxation

As a global company, Kao has established transfer pricing policies and operational regulations, ensuring they are communicated and embedded across group companies and relevant divisions. This framework minimizes the tax risks in each country.

Kao is also responding appropriately to BEPS 2.0, a global initiative. Specifically, it is addressing Pillar Two, which seeks to introduce a global minimum tax rate for multinational corporations. For Pillar One, which aims to allocate a portion of profits to market countries, Kao is closely monitoring developments in each country and considering the necessary measures accordingly.

2025 results

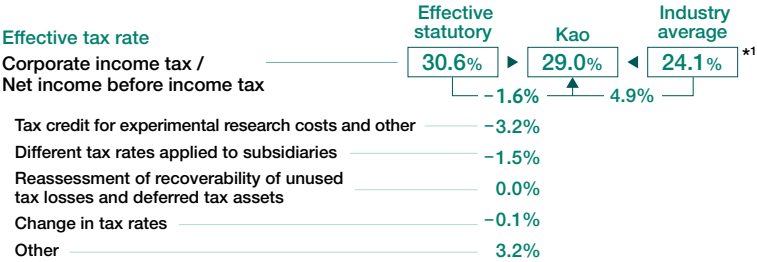
Performance report and tax payment record

Our effective tax rate for FY2025 was 29.0% marking a difference of –1.6% compared to the statutory rate. This difference is mainly due to the impact of a tax credit for experimental research costs in Japan serving as a factor that reduced the tax rate, but there were also other factors that raised the tax rate, such as tax accounting adjustments and momentary disparities. As such, this difference is the result of all of these impacting factors in aggregate. Additionally, the difference with the industry average effective tax rate published by S&P Global is +4.9%.

The cash tax rate, calculated as the amount of tax paid divided by net income before income tax, is 18.3%, which is –15.0% relative to the industry average. The main factor for this is a difference in timing, whereby tax on profit in one year is paid for in the subsequent year. More specifically, we will pay taxes this year (2025)

related to profit in the previous year (2024). This means that if the profit in this year (2025) is higher than in the previous year (2024), the denominator in the cash tax rate (net income before income tax in 2025) will increase while the numerator (amount of tax paid in 2025) will chiefly be the taxes for 2024, whereby the cash tax rate will appear relatively low. Additionally, the amount of income tax expected to be affected by Pillar 2 is insignificant.

2025 effective tax rate difference analysis

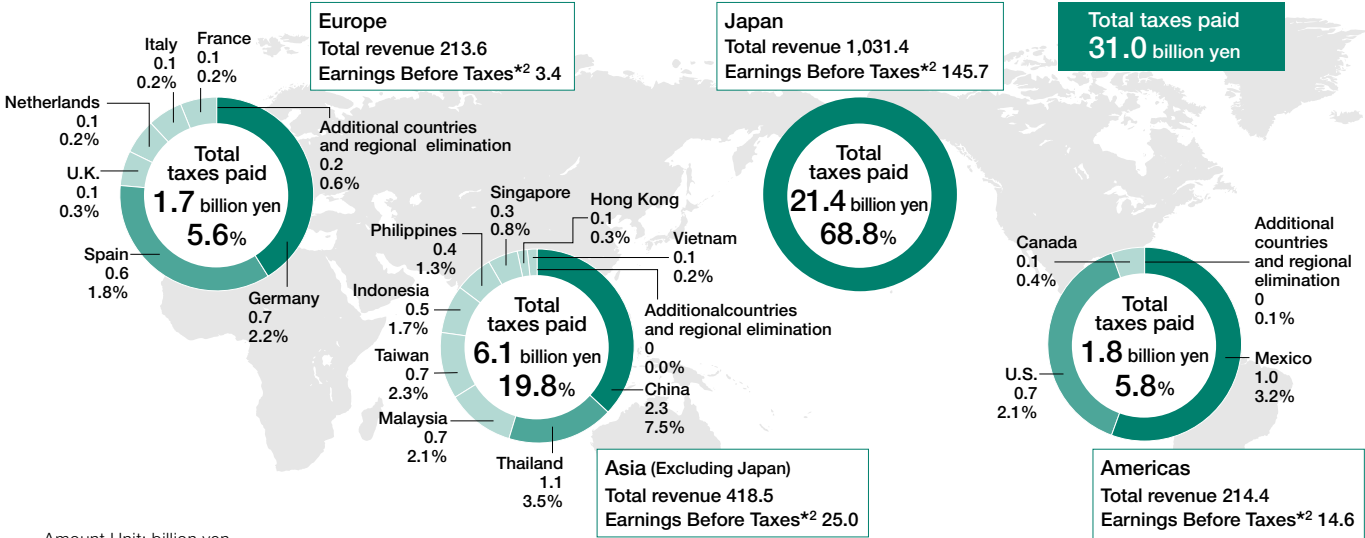


^{*1} Household & Personal products

Kao's performance report and tax payment record in 2025

(Unit: billion yen)

	Total revenue			Earnings before taxes ^{*3}	Total taxes paid	Income Tax Accrued -Current Year	Retained earnings	No. of employees
	Net sales	Other income						
Japan	1,005.5	25.9	1,031.4	145.7	21.4	32.7	616.7	20,067
China	112.8	1.1	114.0	9.4	2.3	1.9	27.6	1,176
Indonesia	69.0	0.3	69.3	0.4	0.5	0.2	17.7	1,906
Thailand	61.4	0.3	61.7	5.3	1.1	1.1	20.6	1,284
Malaysia	87.9	0.3	88.2	0.6	0.7	0.4	25.6	523
Philippines	59.5	0.0	59.5	2.4	0.4	0.4	12.8	197
Taiwan	39.0	0.1	39.1	2.4	0.7	0.5	6.9	706
Singapore	27.6	0.8	28.4	2.0	0.3	0.3	12.8	147
Hong Kong	17.8	0.1	17.9	1.5	0.1	0.3	7.7	191
Vietnam	10.5	0.0	10.5	0.6	0.1	0.1	-6.3	368
Additional countries and regional elimination	-70.1	-0.0	-70.1	0.1	0.0	0.0	0.1	34
Asia	415.3	3.1	418.5	25.0	6.1	5.3	125.5	6,532
Germany	104.5	0.5	105.0	0.5	0.7	0.6	20.3	1,068
Spain	58.5	0.3	58.8	1.9	0.6	0.4	26.6	602
U.K.	35.7	0.2	35.9	-0.1	0.1	0.2	14.8	810



Amount Unit: billion yen
% indicates the ratio when Kao group-wide is 100
^{*2} Earnings before tax (EBT) figures for each country and region are based on the aggregation method used Country by Country Reporting, excluding dividends received from affiliates and consolidation eliminations.

(Unit: billion yen)

	Total revenue			Earnings before taxes ^{*3}	Total taxes paid	Income Tax Accrued -Current Year	Retained earnings	No. of employees
	Net sales	Other income						
Switzerland	10.1	0.0	10.1	0.1	0.0	0.0	3.1	117
Netherlands	6.3	0.1	6.4	0.3	0.1	0.1	0.8	141
Italy	5.5	0.0	5.5	0.2	0.1	0.1	1.2	63
France	2.5	0.0	2.6	-0.1	0.1	0.0	0.1	16
Austria	1.3	0.0	1.3	0.1	0.0	0.0	0.2	31
Sweden	1.3	0.0	1.3	0.1	0.0	0.0	0.2	40
Finland	1.0	0.0	1.0	0.0	0.0	0.0	0.1	22
Czech	0.9	0.0	0.9	0.0	0.0	0.0	0.0	20
Ireland	0.5	—	0.5	0.1	0.0	0.0	0.0	0
Belgium	0.5	0.0	0.5	0.0	0.0	0.0	0.0	10
Denmark	0.5	0.0	0.5	0.0	0.0	0.0	0.1	29
Norway	0.9	0.0	0.9	0.0	0.0	0.0	0.1	14
Additional countries and regional elimination	-17.3	-0.3	-17.7	0.1	0.0	0.0	-0.3	1
Europe	212.8	0.8	213.6	3.4	1.7	1.5	67.4	2,984

^{*3} Pre-tax income figures for each country and region are based on the aggregation method used in the country reports, excluding dividends received from affiliates and consolidation and elimination.

Kao's performance report and tax payment record in 2025

(Unit: billion yen)

	Total revenue			Earnings before taxes*3	Total taxes paid	Income Tax Accrued -Current Year	Retained earnings	No. of employees
	Net sales	Other income						
U.S.	172.5	1.1	173.6	11.9	0.7	1.1	56.9	1,391
Mexico	21.7	0.4	22.1	1.9	1.0	0.6	13.6	242
Australia	13.1	0.0	13.1	0.6	-0.1	0.2	-1.1	161
Canada	10.3	0.0	10.4	0.3	0.1	0.1	1.8	101
Brazil	2.4	0.1	2.5	-0.0	0.1	0.0	0.6	33
Additional countries and regional elimination	-7.2	0.0	-7.2	0.0	-0.0	0.0	0.0	3
Americas	212.8	1.7	214.4	14.6	1.8	2.0	71.9	1,931

List of taxable entities *1

Tax jurisdiction	Company name	Primary business
Japan	Kao Corporation	Brand owner of the Kao brand products (Health Beauty Care, Hygiene Living Care, Business Connected, Cosmetics and Chemical businesses)
	Kanebo Cosmetics Inc.	Brand owner of the Kanebo brand products (Cosmetics business)
	Kao Salon Japan CO., LTD.	Health Beauty Care business
	Kao Beauty Brands Counseling Co., Ltd.	Cosmetics business
	Kao-Quaker Company Limited	Chemical business
	Kao Sanitary Products Ehime Co., Ltd	Hygiene Living Care businesses
	Inogami Co., Ltd.	Hygiene Living Care businesses
	Kao Paper Manufacturing Fuji Co., Ltd	Hygiene Living Care businesses
	Kao System Logistics Company Limited	Proposed-based sales and operation planning
	Kao Professional Services Company, Limited	Business Connected business
	Molton Brown Japan Ltd.	Cosmetics business
	e'quipe Ltd.	Cosmetics business
	Kao Business Associe Co., Ltd.	Business services (e.g., services including HR, general administration, accounting, etc.)
	Kao Peony Co., Ltd	Contract services (e.g., manufacturing of sample products)
	Kao Cosmetic Products Odawara Co.Ltd	Cosmetics business
	SENSAI COSMETICS INC.	Cosmetics business
	Kao Group Customer Marketing Co., Ltd.	Health Beauty Care and Hygiene Living Care businesses
	Kao Transport and Logistics Company Limited	Inventory management and delivery of the Kao brand products
	Kiralia Hygiene Co.,Ltd.	Business Connected business
Indonesia	PT Kao Indonesia	Health Beauty Care and Hygiene Living Care businesses
	PT Kao Indonesia Distribution	Health Beauty Care and Hygiene Living Care businesses
	PT Kao Indonesia Chemicals	Chemical business

(Unit: billion yen)

	Total revenue			Earnings before taxes*3	Total taxes paid	Income Tax Accrued -Current Year	Retained earnings	No. of employees
	Net sales	Other income						
Pan-regional elimination, etc.	-157.8	-3.0	-160.8	-18.8	0.0		-164.8	0
Total	1,688.6	28.5	1,717.1	169.8	31.0	41.4	716.6	31,514

*3 Pre-tax income figures for each country and region are based on the aggregation method used in the country reports, excluding dividends received from affiliates and consolidation and elimination.

Tax jurisdiction	Company name	Primary business
Australia	Kao Australia Pty. Limited	Health Beauty Care and Hygiene Living Care businesses
	Bondi Sands Hold Co Pty Ltd	Holding company
	Bondi Sands Australia Pty Ltd	Health Beauty Care business
Singapore	Kao Singapore Private Limited	Health Beauty Care, Hygiene Living Care, Cosmetics and Chemical businesses
	Crescent Insurance Pte. Ltd.	Reinsurance underwriting of the Kao group companies
Thailand	Kao Industrial (Thailand) Co.,Ltd.	Health Beauty Care, Hygiene Living Care and Chemical businesses
	Kao Commercial (Thailand) Co.,Ltd	Health Beauty Care business
	Kao Holdings (Thailand) Co.,Ltd	Holding company
	Kao Consumer Products (Southeast Asia) Co.,Ltd.	Health Beauty Care and Hygiene Living Care businesses
	Kanebo Cosmetics (Thailand) Co., Ltd.	Cosmetics business
New Zealand	Kao New Zealand Limited	Health Beauty Care business
Philippines	Pilipinas Kao, Inc.	Chemical business
	PKI COMMERCIAL,INC.	Chemical business
Vietnam	Kao Vietnam Co., Ltd.	Health Beauty Care, Hygiene Living Care and Chemical businesses
Malaysia	Kao (Malaysia) Sdn. Bhd.	Health Beauty Care and Hygiene Living Care businesses
	Fatty Chemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Soap (Malaysia) Sdn. Bhd.	Health Beauty Care business
	Kao Oleochemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Plasticizer (Malaysia) Sdn. Bhd.	Chemical business
	Kanebo Cosmetics Malaysia Sdn. Bhd.	Cosmetics business
Korea	Kanebo Cosmetics Korea Co., Ltd.	Cosmetics business
	KASUS Co., Ltd.	Chemical business

*1 Information as of the end of December 2025

List of taxable entities *1

Tax jurisdiction	Company name	Primary business
Hong Kong	Kao (Hong Kong) Limited	Health Beauty Care, Hygiene Living Care and Cosmetics businesses
	KPSS Hong Kong Ltd.	Health Beauty Care business
Taiwan	Kao (Taiwan) Corporation	Health Beauty Care, Hygiene Living Care, Cosmetics and Chemical businesses
	Taiwan Kanebo Cosmetics, Co., Ltd.	Cosmetics business
	KPSS Taiwan Ltd.	Health Beauty Care business
China	Kao Corporation Shanghai	Health Beauty Care and Hygiene Living Care businesses
	Kao Chemical Corporation Shanghai	Chemical business
	Kao Commercial (Shanghai) Co., Ltd.	Health Beauty Care, Hygiene Living Care and Cosmetics businesses
	Kao Trading Corporation Shanghai	Chemical business
	Kao (China) Holding Co., Ltd.	Management of affiliates in China (Health Beauty Care, Hygiene Living Care, Cosmetics and Chemical businesses)
	Kao (China) Research and Development Center Co., Ltd.	Health Beauty Care and Hygiene Living Care businesses
	Kanebo Cosmetics (China) Co., Ltd.	Cosmetics business
	Kao Huludao Casting Materials Co., Ltd.	Chemical business
	Kao (Shanghai) Chemical Industries Co., Ltd.	Chemical business
U.K.	Molton Brown Limited	Brand owner of the Molton Brown brand products (Cosmetics business)
	Kao (UK) Limited	Health Beauty Care business
	Washing Systems Limited	Chemical business
	KPSS (UK) Ltd., Great Britain	Health Beauty Care business
	Bondi Sands Europe Limited	Health Beauty Care business
Italy	Kanebo Cosmetics Italy S.p.A	Cosmetics business
	Kao Italy S.p.A	Health Beauty Care business
Austria	Kao Austria Handelsgesellschaft mbh	Health Beauty Care business
Netherlands	Guhl Ikebana Cosmetics B.V.	Health Beauty Care business
	Kao Business Service B.V.	Business services (e.g., accounting of the Kao group)
	Kao Netherlands B.V.	Health Beauty Care business
Switzerland	Kanebo Cosmetics (Europe) Ltd.	Cosmetics business
	Kao Switzerland AG	Health Beauty Care business
Sweden	Kao Sweden AB	Health Beauty Care business
Spain	Kao Corporation S.A.	Chemical business
	Kao Chemicals Europe, S.L.	Chemical business
	KAO CHIMIGRAF, SOCIEDAD LIMITADA	Chemical business
Czech	Goldwell Cosmetics (CZ) s.r.o.	Health Beauty Care business
Denmark	Kao Denmark A/S	Health Beauty Care business

Tax jurisdiction	Company name	Primary business
Germany	Kao Germany GmbH	Brand owner of salon products (Health Beauty Care business)
	Guhl Ikebana GmbH	Health Beauty Care business
	Kao Chemicals GmbH	Chemical business
	Kao Manufacturing Germany GmbH	Health Beauty Care business
	Kanebo Cosmetics Deutschland GmbH	Cosmetics business
Norway	Kao Norway A/S	Health Beauty Care business
Finland	Kao Finland Oy	Health Beauty Care business
France	Kao France SARL	Health Beauty Care business
	KAO CHIMIGRAF FRANCE, S.A.S.	Chemical business
Belgium	N.V. Kao Belgium S.A.	Health Beauty Care business
Russia	Kanebo Cosmetics Rus LLC	Cosmetics business
South Africa	Kao South Africa Pty. Ltd.	Health Beauty Care business
U.S.	Kao USA Inc.	Brand owner of mass products (Health Beauty Care and Cosmetics businesses)
	HPC Realty Inc.	Asset management
	Oak Brook Enterprises Inc.	Asset management
	Kao America Inc.	Corporate services for affiliates and holding company for Chemical business in the U.S.
	Kao Chemicals Americas Corporation	Chemical business
	High Point Textile Auxiliaries LLC	Chemical business
	Kao Specialties Americas LLC	Chemical business
	Molton Brown USA LLC	Cosmetics business
	Kao Collins Inc.	Chemical business
	SAMGAM, LLC	Asset management
	Oribe Hair Care, LLC	Health Beauty Care business
	STAR (Delaware) Realty LLC	Asset management
	Washing Systems Intermediate Holdings, Inc.	Holding company
	Washing Systems, LLC	Chemical business
	Santec Products, LLC	Chemical business
Canada	WSI Water, LLC	Chemical business
	Custom Chemical Solutions, LLC	Chemical business
	BioHygienix, LLC	Chemical business
	Kao Canada Inc.	Health Beauty Care business
Brazil	Kao do Brasil Representacao Comercial Ltda.	Chemical business
	TBP Importação e Comércio de Cosméticos LTDA	Health Beauty Care business
Mexico	Quimi-Kao S.A. de C.V.	Chemical business
	Jergens Mexico, S. de R. L. de C. V.	Health Beauty Care business

*1 Information as of the end of December 2025