

Tax strategies 102-12, 102-15, 103-1, 103-2, 103-3, 207-1, 207-2 (Tax 2019), 404-2

We ensure transparency regarding taxes, as well as compliance with tax laws and regulations in every country and region. Furthermore, we also provide various types of education on proper tax management, with each and every employee working to raise tax compliance awareness.

Kao's creating value to address social issues

Social issues we are aware of

We understand that international efforts such as the OECD's Base Erosion and Profit Shifting project are important measures in maintaining tax transparency and preventing aggressive tax avoidance. For example, 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.

Kao's creating value

Based on the fundamental values of "walking the right path," which is our corporate philosophy of the Kao Way, we contribute to the creation of social value that enriches daily life with sincere and sound business practices, acting in accordance with ethics and the law, and making adequate tax payments.

Concerning income from business activity in emerging and developing countries, we believe that conducting sound tax affairs and paying taxes in accordance with tax laws of each country and region, without violating local tax rights, serves an important role in the economic and social development of each country and region in which we operate.

We also believe 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. We strive to prevent the use of aggressive tax avoidance and abusive tax planning involving, for example, tax havens. We only expand internationally or implement global business structures where this is aligned with our commercial purposes. Moreover, we do not take part in any tax structuring used for international tax avoidance.

As of the end of December 2021, there were no Kao Group companies located in countries that are classed as tax havens by the OECD.

Contributions to the SDGs



Policies

Aiming to improve corporate tax governance, we established tax policy to serve as a standard tax-related code of conduct.



Kao Group Tax Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/governance_004.pdf

Education and promotion

At Kao, we believe that it is important for both management and employees to promote tax compliance awareness in order for the tax compliance system to function properly.

We strive to reduce tax risks through awareness, education, information sharing and consultation, while ensuring thorough legal compliance.

Tax strategies 102-13, 102-43, 207-2, 207-3 (Tax 2019)

Collaboration and engagement with stakeholders

We provide 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. In order to minimize tax risks, we periodically consult with an external tax advisor in order to address tax filing accuracy.

Additionally, we work with the business community through industry groups in assisting with tax reform requests that contribute to enhancing the international competitiveness of Japanese companies.

Collaboration with the Japan Chemical Industry Association (JCIA)

Through JCIA, we are actively working on tax reform requests that contribute to improving tax practice efficiency and enhancing corporate competitiveness.

Framework

The Senior Vice President of our Accounting and Finance does business with Administration Tax Accounting Group and tax officers in each country or region. We share information with tax officers in each country or region on a quarterly basis for current and future tax risk comprehension and to resolve issues.

By regularly compiling tax issues in each country or region to understand the current situation, our system receives information in a timely manner on urgent tax issues. In addition, a system has been established to coordinate solutions in cooperation with external experts.

Furthermore, important tax issues and strategies are reported at regular Management Board and Board of Director meetings.

Global accounting and finance collaboration

We regularly hold meetings that bring together global leaders in the accounting and finance functions. In the meetings, leaders share company-wide policies, ensure their implementation and discuss new tax issues while communicating with tax officers at our overseas subsidiaries.

Tax strategies 207-4 (Tax 2019)

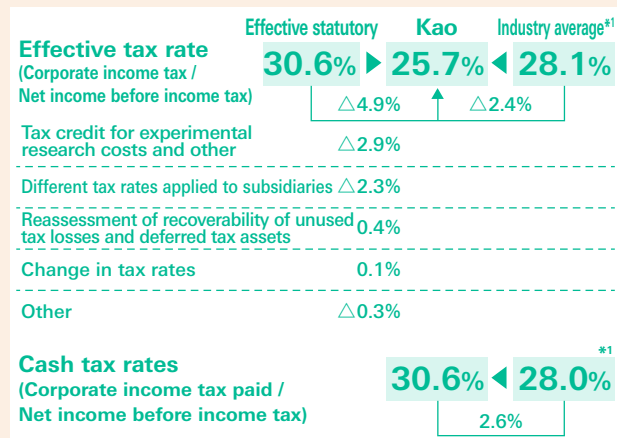
Performance in 2021

Performance report and tax payment record

Our effective tax rate for FY2021 was 25.7%. The -4.9% effective statutory tax rate difference is mainly due to the impact of a tax credit for experimental research costs in Japan as well as different tax rates applied to subsidiaries. Similarly, given that, when compared to the average effective tax rate in the industry calculated by S&P Global, our effective tax rate is 2.4 percentage points lower, we believe that, if the tax credit for experimental research costs in Japan referred to above is excluded, the amount of tax we pay is roughly the same as the industry average.

Regarding the cash tax rate, which is the amount of tax paid divided by net income before income tax, our company achieved an appropriate rate that was 2.6% higher than the industry average, despite the effect of payment timing issues, etc.

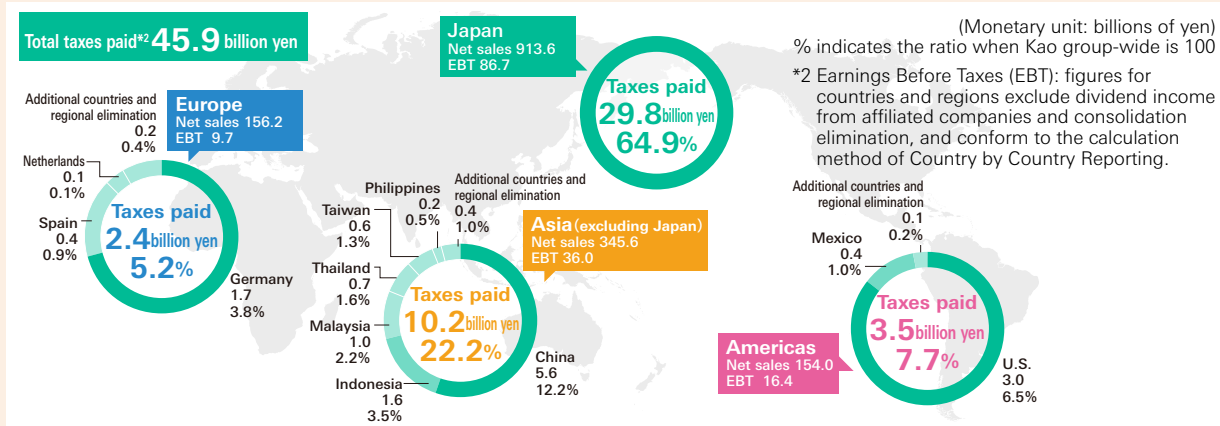
2021 effective tax rate difference analysis



*1 Household & Personal products

Kao's performance report and tax payment record in 2021^{*2}

(Unit: billions of yen)	Net sales	EBT	Total taxes paid	Accrued corporate income tax	(No. of employees)
Japan	913.6	86.7	29.8	17.6	(21,828)
China	130.0	19.7	5.6	1.0	(1,439)
Indonesia	57.2	1.5	1.6	0.1	(2,039)
Thailand	41.0	2.9	0.7	0.4	(1,390)
Malaysia	53.8	4.9	1.0	0.1	(474)
Philippines	36.8	0.9	0.2	0.1	(206)
Taiwan	33.8	2.8	0.6	0.4	(700)
Singapore	17.0	1.6	0.2	0.2	(156)
Hong Kong	13.6	1.7	0.2	0.1	(217)
Vietnam	5.7	0.1	0.1	0.0	(401)
Additional countries and regional elimination	-43.2	-0.0	-0.0	0.0	(23)
Asia	345.6	36.0	10.2	2.3	(7,045)
Germany	76.5	4.5	1.7	3.5	(1,051)
Spain	44.4	2.1	0.4	-	(577)
U.K.	23.0	1.9	-0.0	0.4	(737)
Switzerland	6.9	0.4	0.0	0.0	(104)
Netherlands	4.5	0.2	0.1	-	(152)
Italy	4.1	0.1	0.1	0.0	(41)
France	2.2	0.1	0.0	0.0	(17)
Sweden	1.1	0.0	-0.0	-	(40)
Additional countries and regional elimination	-6.5	0.4	0.1	0.0	(222)
Europe	156.2	9.7	2.4	4.0	(2,941)
U.S.	129.2	14.5	3.0	0.1	(1,303)
Mexico	14.8	1.3	0.4	0.0	(176)
Australia	6.4	0.3	-0.0	0.0	(101)
Canada	6.3	0.2	0.0	0.0	(92)
Brazil	1.0	0.1	0.1	0.0	(12)
Additional countries and regional elimination	-3.7	0.0	-0.0	0.0	(9)
Americas	154.0	16.4	3.5	0.1	(1,693)
Pan-regional elimination etc.	-150.7	1.2			
Total	1418.8	150.0	45.9	24.1	(33,507)



Tax strategies 207-4 (Tax 2019)

List of taxable entities*

Tax jurisdiction	Company name	Primary business
Japan	Kao Corporation	Brand owner of the Kao brand products (Health & beauty care, Hygiene & living care, Lifecare, 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 Field Marketing Co., Ltd.	Business services (e.g., store support services)
	Kao Beauty Brands Counseling Co., Ltd.	Cosmetics business
	Kao-Quaker Company Limited	Chemical business
	Kao Sanitary Products Ehime Co., Ltd.	Hygiene & living care business
	Inogami Co., Ltd.	Hygiene & living care business
	Kao Paper Manufacturing Fuji Co., Ltd.	Hygiene & living care business
	Kao System Logistics Company Limited	Proposed-based sales and operation planning
	Kao Professional Services Company, Limited	Lifecare 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 consumer products and 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
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
Australia	Kao Australia Pty. Limited	Health & beauty care and Hygiene & living care businesses
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
Thailand	Kao Industrial (Thailand) Co., Ltd.	Health & beauty care, Hygiene & living care and Chemical businesses
	Kao Commercial (Thailand) Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kao Holdings (Thailand) Co., Ltd.	Holding company
	Kao Consumer Products (Southeast Asia) Co., Ltd.	Health & beauty care and Hygiene & living care businesses
New Zealand	Kanebo Cosmetics (Thailand) Co., Ltd.	Cosmetics business
	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 and Hygiene & living care businesses
Malaysia	Kao (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
	Kao Trading (M) 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
Korea	Kanebo Cosmetics Malaysia Sdn. Bhd.	Cosmetics business
	Kanebo Cosmetics Korea Co., Ltd.	Cosmetics 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 (Hefei) Co., Ltd.	Hygiene & living care business
	Kao Huludao Casting Materials Co., Ltd.	Chemical business
	Kao (Shanghai) Chemical Industries Co., Ltd.	Chemical business
	Kao Shanghai Business Consulting Co., Ltd.	Cosmetics business

Tax jurisdiction	Company name	Primary 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	Lifecare business	
Italy	KPSS (UK) Ltd.	Health & beauty care business	
	Kanebo Cosmetics Italy S.p.A	Cosmetics business	
Austria	KAO CHIMIGRAF ITALY, S.R.L.	Chemical business	
	Kao Italy S.p.A	Health & beauty care business	
Netherlands	Kao Austria Handelsgesellschaft mbh	Health & beauty care business	
	Guhl Ikebana Cosmetics B.V.	Health & beauty care business	
Switzerland	Kao Business Service B.V.	Business services (e.g., accounting of the Kao Group)	
	Kao Netherlands B.V.	Health & beauty care business	
Sweden	Kanebo Cosmetics (Europe) Ltd.	Cosmetics business	
	Kao Switzerland AG	Health & beauty care business	
Spain	Kao Sweden AB	Health & beauty care business	
	Kao Corporation S.A.	Chemical business	
	Kao Chemicals Europe, S.L.	Chemical business	
Denmark	KAO CHIMIGRAF, SOCIEDAD LIMITADA	Chemical business	
	Goldwell Cosmetics (CZ) s.r.o.	Health & beauty care business	
Germany	Kao Denmark A/S	Health & beauty care business	
	Kao Germany GmbH	Brand owner of salon products (Health & beauty care business)	
	Guhl Ikebana GmbH	Health & beauty care business	
	Kao Chemicals GmbH	Chemical business	
Norway	Kao Manufacturing Germany GmbH	Health & beauty care business	
	Kanebo Cosmetics Deutschland GmbH	Cosmetics business	
Finland	Kao Norway A/S	Health & beauty care business	
	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	
U.S.	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	Lifecare business		
Santec Products, LLC	Lifecare business		
WSI Water, LLC	Lifecare business		
Custom Chemical Solutions, LLC	Lifecare business		
BioHygienix, LLC	Lifecare business		
Canada	Kao Canada Inc.	Health & beauty care business	
	Kao do Brasil Representacao Comercial Ltda.	Chemical business	
Brazil	TBP Importação e Comércio de Cosméticos LTDA	Health & beauty care business	
	Quimi-Kao S.A. de C.V.	Chemical business	
Mexico	Jergens Mexico, S. de R. L. de C. V.	Health & beauty care business	

* Data were correct as of the end of December 2021.