


# Tax Strategies GRI 207-1

We ensure transparency regarding taxes, as well as compliance with the 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.

## Social issues

Kao believes that good tax administration and payment in accordance with the relevant laws and regulations in each country will contribute much to the growth of the local economy and society. 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, between related parties transfer pricing is determined under the arm's length principle according to their contribution and in accordance with OECD transfer pricing guidelines, calculated based on the functions, assets, and risks involved.

 [OECD: Corporate Tax Statistics Fourth Edition  
https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-fourth-edition.pdf](https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-fourth-edition.pdf)

## Policies

The Kao Group Tax Policy is outlined below and is based on Kao's core value of "walking the right path."

- Tax governance

We respond quickly to tax reform or changes in tax environment in each country by structuring its operations, organizations and systems for risk mitigation to maintain a low tax-risk profile.

- Tax compliance

We commit strongly to the compliance with tax laws and regulations. In addition, we disclose information in a

timely and proper manner and cooperate with the tax auditor on a good faith basis, when a tax audit is conducted.

- Actions for aligning with the international tax landscape

We commit securing and maintaining the transparent tax position through abiding by the tax laws of countries where we operate and structuring our tax governance framework in line with the spirit of the international measures.


- Tax planning

We only expand our business internationally and implements global business structures that align with our commercial purposes. We commit not to engage in any aggressive tax avoidance or abusive tax planning involving tax havens, harmful tax incentives or treaty shopping.

- Tax risk mitigation

When we identify any tax risk, we take institutionally available measures to mitigate the tax risk proactively.

Please see the Kao Group Tax Policy for more information.

 [Kao Group Tax Policy  
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/corporate-governance/policy/pdf/governance\\_004.pdf](https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/corporate-governance/policy/pdf/governance_004.pdf)

## Strategy

### Risks and opportunities

#### Risks

We believe that improper tax payment based on interpretation and application that deviates from the intent of laws and regulations, or undermining tax equity through excessive tax savings, will result in the loss of social trust in the company from consumers and customers.

#### Opportunities

We believe that sound tax management and tax payment in compliance with the relevant laws and regulations of each country, as well as appropriate disclosure and accountability to stakeholders, will foster a sense of trust in the company.

### Strategy

As a global company, we will develop transfer pricing policies and operational regulations, and establish a system that minimizes taxation risks in each country by propagating these policies to subsidiaries/affiliates and related departments.

Regarding digital taxation, which is becoming a global trend, our immediate commitment includes a proper handling of Pillar 2, the goal of which is to implement a minimum tax on multinational enterprises. We will also construct a framework in preparation for the future implementation of Pillar 1, which aims for a certain level of distribution of profit for the market economy.

# Tax Strategies GRI 3-3, 207-1, 207-2, 207-3, 404-2

## Social impact

With regard to income generated from business activities in emerging and developing countries, we will not infringe on local taxation rights and ensure fairness by implementing sound tax management in accordance with the relevant laws and regulations of each country and area, and pay taxes appropriately. 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.

## Business impact

We believe that acting in accordance with laws and ethics, paying taxes appropriately, and contributing to the creation of social value that enriches the lives of people through sincere and sound business activities, will result in the growth of brands and companies.

Inappropriate tax payment due to interpretation or implementation that deviates from the purposes of laws and regulations, etc., will not only have financial impacts such as additional taxation, but also impact the sustainability of corporate value.

## Governance

### Framework

The Senior Vice President of Accounting and Finance does business with 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 or discussed at regular Management Board and Board of Directors meetings. In addition, the Kao Group Tax Policy has been approved by the Directors.

**P18** Our ESG Vision and Strategy > Governance

### 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.

### 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.

### Collaboration 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. To minimize tax risks, we periodically consult with tax authorities and external tax advisors 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.

## Risk management

Kao's Tax Accounting Group works closely with related divisions and Group companies to collect information in a timely manner in order to detect and minimize tax risks at an early stage. If a tax risk is identified in the process, they will act quickly and seek advice from external experts as required. For significant tax risks, approval will be obtained based on the internal decision-making criteria of the company.

**P33** Our ESG Vision and Strategy > Risk Management

# Tax Strategies GRI 207-4

## Targets and metrics

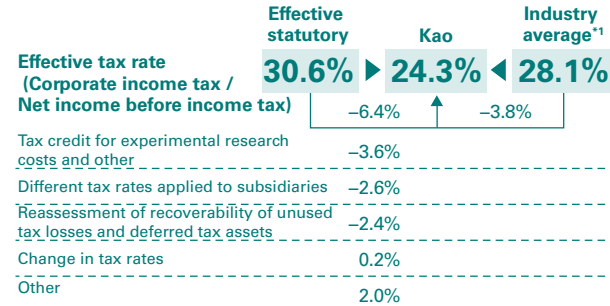
### Mid- to long-term targets and 2022 results

#### Performance report and tax payment record

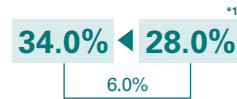
Our effective tax rate for FY2022 was 24.3%. The difference of -6.4% compared to the statutory rate is mainly due to the impact of a tax credit for experimental research costs in Japan, different tax rates applied to subsidiaries outside Japan, and a reassessment of the recoverability of unused tax losses and deferred tax assets. Similarly, the difference with the industry average effective tax rate published by S&P Global is -3.8%. Except for the impact of the tax credit for experimental research costs referred to above, we consider the tax payment to be in line with the industry level.

Also the cash tax rate, calculated as the amount of tax paid divided by net income before income tax, is +6.0% relative to the industry average, an appropriate level of tax payment despite the impact of timing and other factors.

#### 2022 effective tax rate difference analysis



#### Cash tax rates (Corporate income tax paid / Net income before income tax)

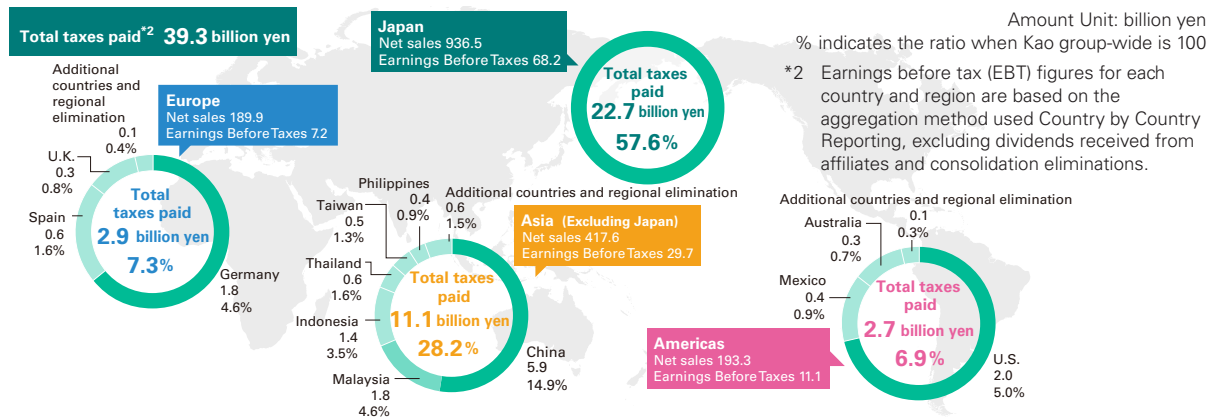


\*1 Household & Personal products

### Kao's performance report and tax payment record in 2022<sup>\*\*</sup>

(Unit: billion yen)

	Net sales	Earnings before taxes	Total taxes paid	Accrued corporate income tax	(No. of employees)
<b>Japan</b>	<b>936.5</b>	<b>68.2</b>	<b>22.7</b>	<b>6.7</b>	<b>(23,604)</b>
China	136.2	15.6	5.9	0.6	(1,432)
Indonesia	71.3	-0.1	1.4	0	(1,996)
Thailand	53.0	2.5	0.6	0.3	(1,324)
Malaysia	76.8	5.9	1.8	0.1	(475)
The Philippines	53.3	-0.5	0.4	0	(199)
Taiwan	39.5	2.8	0.5	0.4	(684)
Singapore	23.6	1.4	0.2	0.2	(169)
Hong Kong	16.1	2.1	0.4	0.2	(211)
Vietnam	7.9	0.1	0	0	(414)
Additional countries and regional elimination	-60.2	0	0	0	(24)
<b>Asia</b>	<b>417.6</b>	<b>29.7</b>	<b>11.1</b>	<b>1.7</b>	<b>(6,928)</b>
Germany	91.7	1.7	1.8	3	(1,085)
Spain	57.7	3.2	0.6	0	(578)
U.K.	25.7	1.5	0.3	0.6	(805)
Switzerland	8.0	0.3	-0	0.1	(113)
Netherlands	4.5	0.2	0	0	(151)
Italy	4.5	0.2	0	0	(43)
France	2.2	0	0	—	(17)
Austria	1.2	0.1	0	—	(31)
Additional countries and regional elimination	-5.7	0.1	0	0.1	(225)
<b>Europe</b>	<b>189.9</b>	<b>7.2</b>	<b>2.9</b>	<b>3.7</b>	<b>(3,048)</b>
U.S.	159.9	9.4	2.0	0.1	(1,380)
Mexico	21.2	1.4	0.4	0	(235)
Australia	7.8	-0.1	0.3	0	(92)
Canada	7.8	0.2	0.1	0	(105)
Brazil	2.0	0.3	0.1	0	(13)
Additional countries and regional elimination	-5.4	-0	0	0	(6)
<b>Americas</b>	<b>193.3</b>	<b>11.1</b>	<b>2.7</b>	<b>0.2</b>	<b>(1,831)</b>
Pan-regional elimination, etc.	-186.2	-0.5			
<b>Total</b>	<b>1,551.1</b>	<b>115.8</b>	<b>39.3</b>	<b>12.3</b>	<b>(35,411)</b>



# Tax Strategies

## 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
Indonesia	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
	PT Kao Indonesia	Health & beauty care and Hygiene & living care businesses
Australia	PT Kao Indonesia Distribution	Health & beauty care and Hygiene & living care businesses
	PT Kao Indonesia Chemicals	Chemical business
Singapore	Kao Australia Pty. Limited	Health & beauty care and Hygiene & living care businesses
	Kao Singapore Private Limited	Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses
Thailand	Crescent Insurance Pte. Ltd.	Reinsurance underwriting of the Kao Group
	Kao Industrial (Thailand) Co., Ltd.	Health & beauty care, Hygiene & living care and Chemical 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
Malaysia	Kao Vietnam Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kao (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
	Kao Trading (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
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 <i>Molton Brown</i> 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 Netherland 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
Czech	Kao Chemicals Europe, S.L.	Chemical business
	KAO Chimigraf, Sociedad Limitada	Chemical business
Denmark	Goldwell Cosmetics (CZ) s.r.o.	Health & beauty care business
	Kao Denmark A/S	Health & beauty care 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
Norway	Kanebo Cosmetics Deutschland GmbH	Cosmetics business
	Kao Norway A/S	Health & beauty care business
Finland	Kao Finland Oy	Health & beauty care business
	Kao France SARL	Health & beauty care business
Russia	KAO CHIMIGRAF FRANCE, S.A.S.	Chemical business
	N.V. Kao Belgium S.A.	Health & beauty care business
South Africa	Kanebo Cosmetics Rus LLC	Cosmetics business
	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
Brazil	Kao do Brasil Representacao Comercial Ltda.	Chemical business
	TBP	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

Note: Information as of the end of December 2022