


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 2023**
<https://www.oecd-ilibrary.org/sites/f1f07219-en/index.html?itemId=/content/publication/f1f07219-en>

auditors on a good faith basis when tax audits are conducted.

- Actions for aligning with the international tax landscape


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

- Tax planning

We only expand our business internationally and implement 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

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 the 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 compliance with tax laws and regulations. In addition, we disclose information in a timely and proper manner and cooperate with tax

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 that undermines 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 BEPS2.0, which is becoming a global trend, our commitment includes the proper handling of Pillar 2, the goal of which is to implement a minimum tax on multinational enterprises. We will also construct a framework of Pillar 1, which aims for a certain level of profit distribution in market economies, while closely observing trends in each country.

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

Social impact

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

Contributions to the SDGs



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, regulations, and the like will not only result in financial impacts such as additional taxation, but may also compromise the sustainability of Kao's 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 to comprehend current and future tax risks and resolve issues. By regularly compiling tax issues in each country or region to understand the current situation, our system receives information on urgent tax issues in a timely manner. 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.

P25 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 proper tax processing. This is done through basic education courses for other divisions and publishing sample questions on daily business operations for Q&A sessions on the in-house portal, along with 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 inquiries 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 to assist 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.

Tax Strategies GRI 207-2, 207-4

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 company's internal decision-making criteria.

P40 Our ESG Vision and Strategy > Risk management

Metrics and targets

Mid- to long-term targets and 2023 results

Performance report and tax payment record

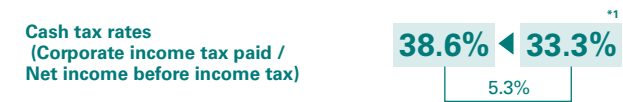
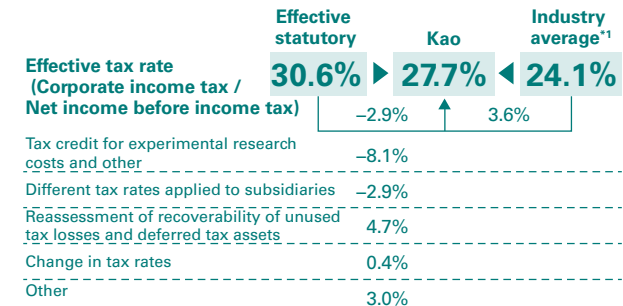
Our effective tax rate for FY2023 was 27.7%. The difference of -2.9% compared to the statutory rate is mainly due to the impact of a tax credit for experimental research costs in Japan, different tax rates applied to subsidiaries outside Japan, and a reassessment of the recoverability of unused tax losses and deferred tax assets. Similarly, the difference with the industry average effective tax rate published by S&P Global is 3.6%. We believe the company has paid the adequate tax amount.

Also the cash tax rate, calculated as the amount of tax paid divided by net income before income tax, is +5.3% relative to the industry average, an appropriate level of tax payment despite the impact of timing and other factors. The impact of the review of the recoverability of deferred tax assets and the difference

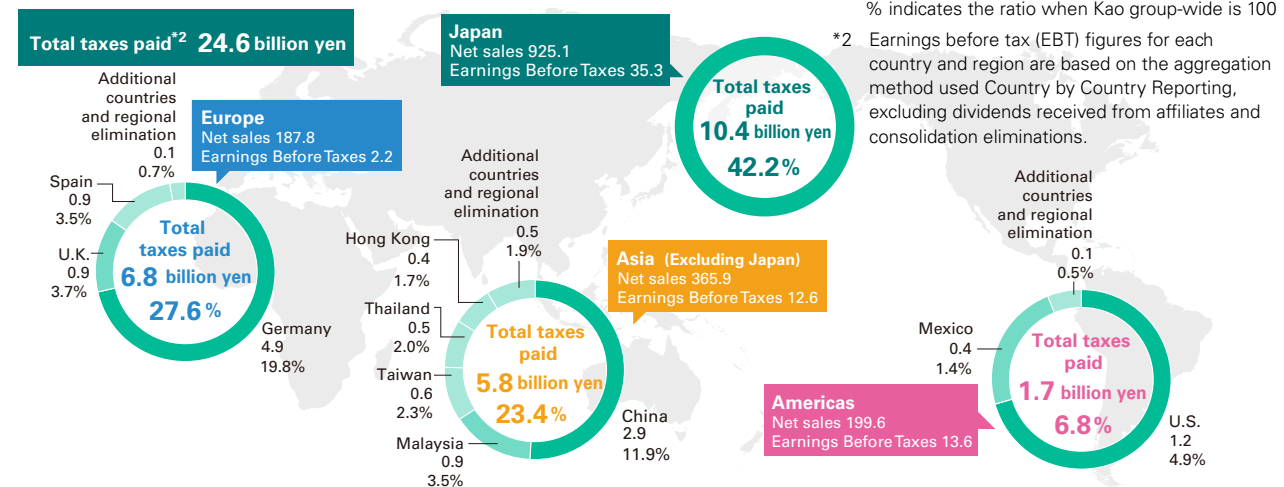
in cash tax rates between Kao and industry averages is mainly attributable to business restructuring and other factors.

Additionally, the amount of income tax expected to be affected by Pillar 2 is insignificant.

2023 effective tax rate difference analysis



*1 Household & Personal products



Tax Strategies

GRI 207-4

Kao's performance report and tax payment record in 2023*1

(Unit: billion yen)

	Net sales	Earnings before taxes	Total taxes paid	Accrued corporate income tax	(No. of employees)
Japan	925.1	35.3	10.4	11.9	(22,486)
China	114.7	-0.3	2.9	0.5	(1,344)
Indonesia	73.9	4.1	0.2	0.4	(1,974)
Thailand	53.4	2.7	0.5	0.4	(1,300)
Malaysia	54.6	2.9	0.9	0.1	(494)
The Philippines	37.1	-3.6	0	0	(201)
Taiwan	37.0	3.2	0.6	0.5	(694)
Singapore	21.6	1.4	0.2	0.2	(148)
Hong Kong	17.5	2.2	0.4	0.2	(198)
Vietnam	7.8	-0.2	0.1	0	(396)
Additional countries and regional elimination	-51.8	0	0	-	(27)
Asia	365.9	12.6	5.8	2.3	(6,776)
Germany	85.3	-2.9	4.9	0.2	(1,112)
Spain	55.4	2.5	0.9	0	(598)
U.K.	30.0	1.4	0.9	0.1	(851)
Switzerland	9.2	0.4	0	0.1	(111)
Netherlands	5.3	0.2	0	-	(152)
Italy	4.7	0.2	0	0.1	(50)
France	2.4	0.1	0	0	(18)
Austria	1.3	0.2	0	0	(33)
Additional countries and regional elimination	-5.8	0.2	0	0.1	(169)
Europe	187.8	2.2	6.8	0.6	(3,094)
U.S.	166.2	11.8	1.2	0.1	(1,377)
Mexico	19.9	1.1	0.4	0	(230)
Australia	9.5	0.1	0	0	(169)
Canada	8.6	0.3	0	0.2	(104)
Brazil	2.3	0.3	0.1	0	(16)
Additional countries and regional elimination	-6.8	0	0	-	(5)
Americas	199.6	13.6	1.7	0.3	(1,901)
Pan-regional elimination, etc.	-145.8	0.3			
Total	1,532.6	63.8	24.6	15.1	(34,257)

*1 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 Strategies

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, Lifecare, Cosmetics and Chemical businesses)
	Kanebo Cosmetics Inc.	Brand owner of the <i>KANEBO</i> 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 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	Kiralia Hygiene Co., Ltd.	Lifecare business
	PT Kao Indonesia	Health & beauty care and Hygiene & living care businesses
	PT Kao Indonesia Distribution	Health & beauty care and Hygiene & living care businesses
Australia	PT Kao Indonesia Chemicals	Chemical business
	Kao Australia Pty. Limited	Health & beauty care and Hygiene & living care businesses
	Bondi Sands Hold Co Pty Ltd	Holding company
Singapore	Bondi Sands Australia Pty Ltd	Health & beauty care business
	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 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
	Kao (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
Malaysia	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
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 <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
	Bondi Sands Europe Limited	Health & beauty care business
	Kanebo Cosmetics Italy S.p.A.	Cosmetics business
Austria	Kao Italy S.p.A	Health & beauty care business
	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)
Switzerland	Kao Netherlands B.V.	Health & beauty care business
	Kanebo Cosmetics (Europe) Ltd.	Cosmetics business
Sweden	Kao Switzerland AG	Health & beauty care business
	Kao Sweden AB	Health & beauty care business
Spain	Kao Corporation S.A.	Chemical business
	Kao Chemicals Europe, S.L.	Chemical business
Czech	KAO Chimigraf, Sociedad Limitada	Chemical business
	Goldwell Cosmetics (CZ) s.r.o.	Health & beauty care business
Denmark	Kao Denmark A/S	Health & beauty care business
	Kao Germany GmbH	Brand owner of salon products (Health & beauty care business)
Germany	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
France	KAO CHIMIGRAF FRANCE, S.A.S.	Chemical business
	N.V. Kao Belgium S.A.	Health & beauty care business
Belgium	Russia	Cosmetics business
	Kanebo Cosmetics Rus LLC	Cosmetics business
South Africa	Kao South Africa Pty. Ltd.	Health & beauty care business
	Kao USA Inc.	Brand owner of mass products (Health & beauty care and Cosmetics businesses)
U.S.	HPC Realty Inc.	Asset management
	Oak Brook Enterprises Inc.	Asset management
U.S.	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	Bondi Sands (USA) Inc.	Health & beauty care business
	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

*1 Information as of the end of December 2023