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Conduct Fair, Honest and Appropriate Transactions



1. We shall carry out transactions and business activities that comply with the laws in each country/region, including those that relate to competition and the importation and exportation of products.

- We shall adhere to fair and free competition to ensure the continued trust of our consumers, customers and society. We shall therefore refuse to engage in activities that may endanger free and fair competition such as cartel activities with competitors.
- When engaging in the importation or exportation of products, technology, or services, we shall comply with all relevant domestic and international laws and follow all prescribed procedures, including the obtaining of necessary permissions and the filing of required notifications and reports.

2. We shall engage in responsible procurement and supply chain activities to prevent unfair or dishonest transactions in line with appropriate transaction policies.

- We shall strictly maintain the integrity of all transactions for the procurement of products, raw materials, indirect materials and services by conforming to the Guidelines for Sustainable Procurement of Raw Materials to ensure optimum procurement practices from the perspective of sustainability, human rights protection, regulations on mineral resources as well as quality, cost and delivery.
- At every step of the purchasing procedure, from quotation through ordering and confirmation of delivery to payment, the relevant in-house regulations shall be applied appropriately. When selecting a supplier, we shall compare quotations and conditions in order to make a rational judgment based on product quality, service quality and price.
- We shall provide fair transactional opportunities to our business partners and conduct regular competitive reviews of transaction terms and conditions. We shall also try to have two or more persons represent the company in a given negotiation so as to maintain fair and transparent relationships with business partners.



3. We shall strive to enforce effective management of our procurement and supply chain in order to evaluate and enhance our respective businesses.

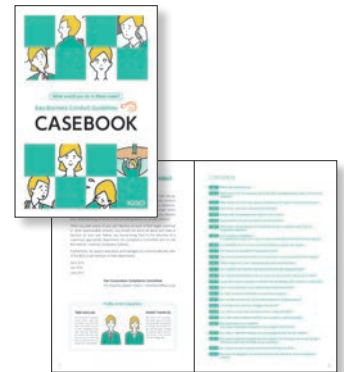
- We shall closely follow the activities of our business partners, including suppliers, subcontractors and related companies to enforce appropriate corporate behavior. In addition to assessing each other's business activities, we shall also mutually evaluate in good faith the quality and prices of the materials and services of our respective businesses.
- We shall provide our suppliers with the Kao Human Rights Policy and the Guidelines for Supplier's Assessment, which spell out supplier responsibilities towards society and the environment and ask for their cooperation in compliance. We shall also promote the implementation of transparent and objective monitoring through third parties and conduct regular assessments.



4. In accordance with the Kao Anti-Bribery Guidelines, we shall maintain a firm stance against bribery* by not offering or receiving any unlawful or inappropriate forms of entertainment, gifts, or kickbacks in relation to business transactions.

- We shall comply with internal rules regarding the offering and accepting of business gifts and entertainment, and anti-bribery, and we shall follow necessary procedures for obtaining prior internal approval and the submission of reports. Gifts and entertainment, given or received, should be legal and of moderate value.
- We shall also not make "facilitation payments," which are small payments to government officials to speed up routine non-discretionary government actions.

* Bribery is anything of value given to a person, either directly or through a third party, in order to obtain an improper business or personal advantage. It does not matter whether the person receiving the bribe is a government official, a private company or an individual. Bribery may consist of cash payments, gifts, entertainment or other benefit intended to nurture favorable business treatment.



5. We shall draw a distinct line between business and private matters, to this effect, we shall avoid conflicts of interest.

- We shall avoid any activity that impairs or would reasonably appear to impair our ability to objectively perform our duties and responsibilities for the company. To this effect, we shall follow the Kao Guidelines for Avoiding Conflicts of Interest and require employees to obtain the company's permission, report to the company or take other appropriate actions as necessary.

6. We shall maintain legitimate and lawful relationships with political and governmental entities.

- Although we respect each individual's political convictions, we shall not as a company, provide donations (political contributions) and general support to a particular political party or politician.
- We shall maintain a balanced and healthy relationship with governmental and public administrations, and shall not engage in any conduct that is regarded as collusive. We shall maintain conspicuous and transparent relationships with public officials with whom we make contact in relation to our duties, and when necessary we shall proactively express views publicly in support of the company.

