

September 17, 2026
– Research & Development Strategy Briefing

Management of Technology to Establish an Unrivaled Position

Becoming an Essential Presence for Consumers
and Society

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Hello. I am Hamada from Research and Development.

Today I will explain where Kao's R&D is heading and how it will enhance corporate value. The key phrase is "Management of Technology to Establish an Unrivaled Position." By "unrivaled," I do not mean defeating competitors or being stronger than anyone else.

I mean becoming essential to consumers and society. We do not simply refine our technologies. We implement them in markets with strong social demand, where the technologies create the most value.

Today I will present this approach and some examples.

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Agenda

- **Corporate Strategy and Research & Development (R&D) Strategy**
- Kao's Management of Technology / *Sharp Top* Strategy
- Evolution of the Value Creation Process
- Direction of Research & Development (R&D)
- Summary

This is today's agenda.

I will start with the alignment of corporate and R&D strategies, and then cover Kao's Management of Technology, the evolution of our value creation process, and the direction of our R&D.

Finally, I will summarize how R&D investment helps drive corporate value.

Kao's Management Strategy

Kao Group Mid-term Plan 2027 "K27"

Vision

Saving future lives

[K27 Basic Policy]

1. Become an essential company in a sustainable world
2. Transform to build robust business through investment
3. Maximize the power and potential of employees

**K27
Target**

ROIC
EVA
Operating Income
Sales outside Japan*

11.0% or more
70.0 billion yen or more
Record-high operating income (FY2019 211.7 billion yen)
800.0 billion yen or more (Sales CAGR + 4.3%)

*Sales outside Japan are based on the location where the sales were recognized.

Strategies for achieving K27

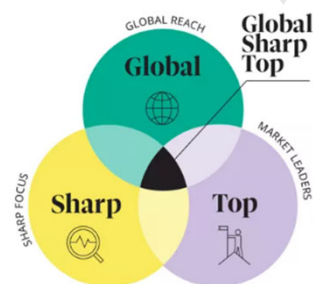


Global Sharp Top Standard

Sales ratio outside Japan: 50% or more

Operating margin : 15% or more

Market share : Category-leading level



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This is an overview of K27, Kao's Mid-term Plan.

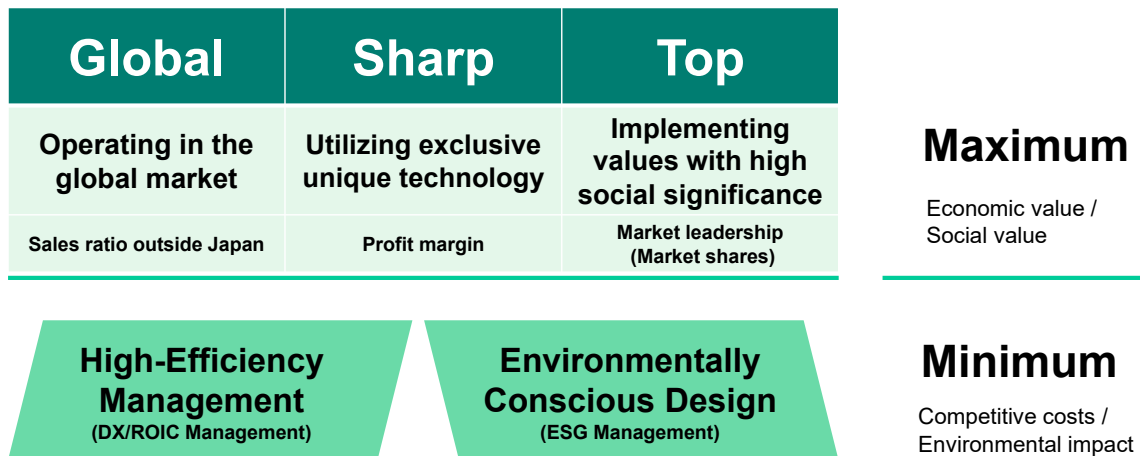
The strategic framework has four pillars:

1. building Global Sharp Top businesses,
2. human capital and organizational management,
3. improving capital efficiency and profitability, and
4. building businesses through co-creation with partners.

All four are crucial to how we operate R&D, but we play an especially important role in building Global Sharp Top businesses. I will explain how these are aligned on the next page.

Global Sharp Top businesses are those that achieve a high sales ratio outside Japan, a high operating margin, and a high market share, all at the same time. Our strategy is to build a portfolio of such businesses.

Corporate Strategy and Research & Development Strategy



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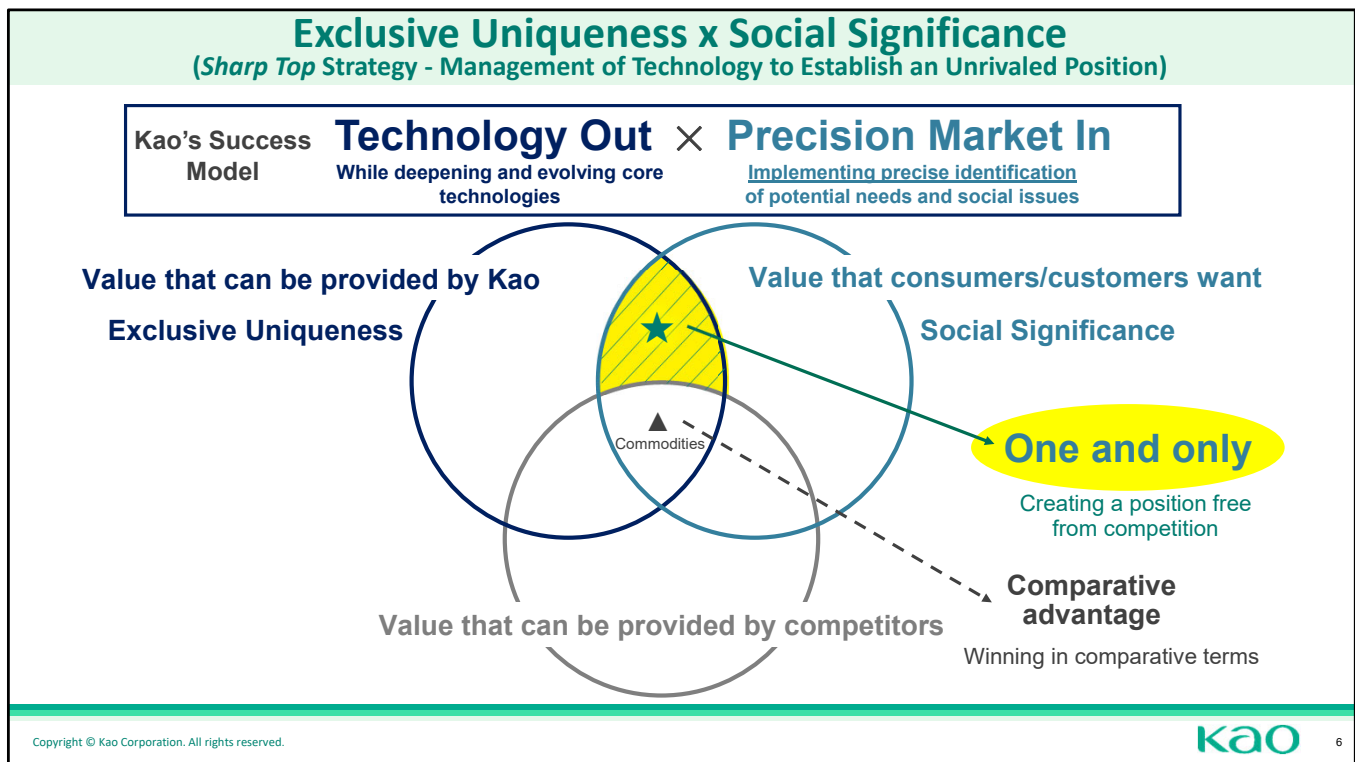
In the context of R&D, the Global Sharp Top strategy translates into implementing social significance in global markets through Kao's exclusive uniqueness.

This means contributing to our key KPIs: the sales ratio outside Japan, margin, and market share.

Important premises for achieving this also include highly efficient operations with a focus on DX and ROIC, and environmentally conscious design that takes ESG into account.

In other words, we minimize the competitive costs and our environmental impact while maximizing economic and social value.

This is the basic principle behind the Global Sharp Top strategy in the context of R&D.



I will now delve a little deeper into the Sharp Top strategy.

In R&D, we'd like to focus on becoming one and only rather than gaining comparative advantage.

That is, we aim not only to outperform competitors in the market, but also to build unique value that keeps us out of competition altogether. This is what we mean by "aiming to become unrivaled."

To that end, it is important to combine Kao's exclusive uniqueness with the social significance that consumers and customers seek, achieving both at a high level. To realize this, we place emphasis on balancing Technology Out and Precision Market In.

While evolving the core technologies that are Kao's strength, we also aim to capture potential needs and social issues precisely and translate them into value in the real world. This is Kao's success model.

Exclusive Uniqueness x Social Significance (Sharp Top Case Studies)

Technology Out - Exclusive Uniqueness -	×	Precision Market In - Social Significance -
High water content lamellar: Stratum corneum intercellular lipid ceramides 	×	High moisture and low irritancy for dry and sensitive skin 
Agar hydrogel: Capsules providing protection from UV exposure 	×	Thorough UV protection with comfortable application 
Lamellar platform: Retention of lipid ingredients 	×	High-concentration actives for remarkable hair care 
Control of malodor-causing bacteria / Anti-bacterial detergent design 	×	Exceptional cleaning and odor removal performance 
Processing technologies for composite sheets (Fe ₂ O ₃ , superabsorbent polymer) 	×	Soothing steam heat 
Processed non-woven sheets / Coarse and dense structure 	×	Reliable absorption that is gentle on the skin 
Management of technology that goes beyond accumulating proprietary technologies to identify changes in consumer needs and social issues and deliver value to growth markets		

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These are examples of Technology Out and Precision Market In.

For example, the exclusive uniqueness of high water content lamellar and stratum corneum intercellular lipid ceramides creates consumer value: high moisture and low irritancy for dry, sensitive skin. We have implemented this in the real world as *Curél*, our dermacosmetic brand.

Agar hydrogel capsule technology provides the value of thorough UV protection with a comfortable application, implemented in the real world as *Bioré UV*, our sunscreen brand.

I believe these examples show that we have balanced Technology Out and Precision Market In, that is, achieved both exclusive uniqueness and social significance at a high level.

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*Sharp Top Strategy***
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Next, I will talk about Kao's Management of Technology.

Five Interfaces and Kao's Precision Interface Control Technology



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The key to understanding Kao's Management of Technology is its precision interface control technology. This planet consists of five types of interfaces.

So what is an interface, anyway?

An interface is the boundary where two things meet without mixing with each other: gas and solid, liquid and solid, solid and solid, gas and liquid, and liquid and liquid. (No other interfaces exist.)

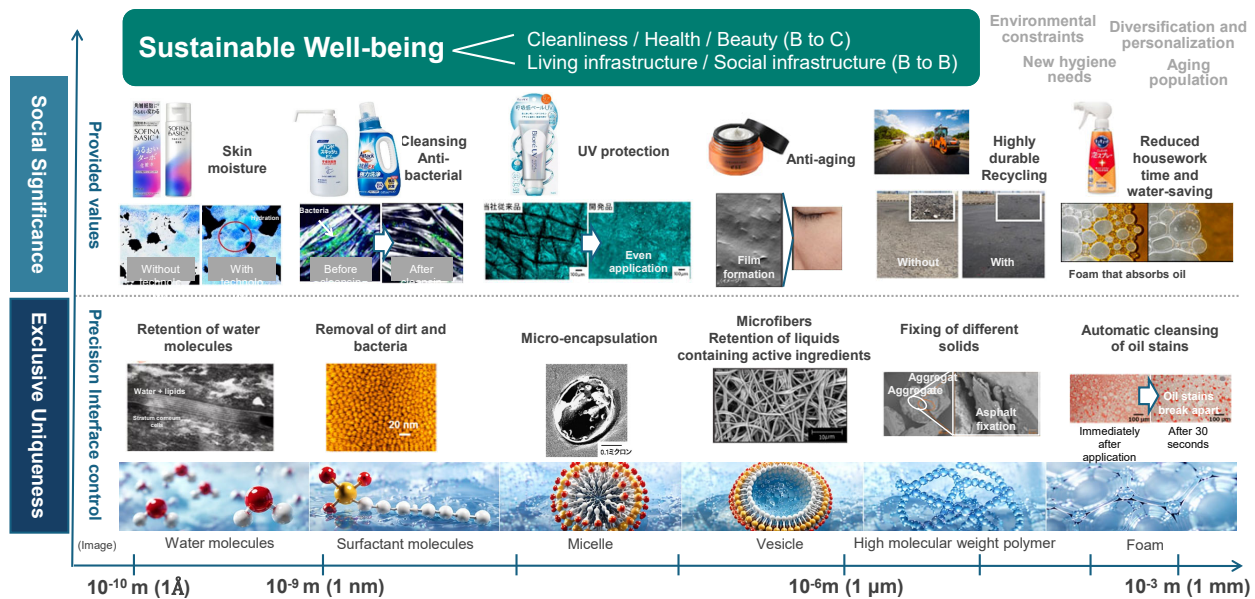
In fact, the areas where things do not mix are crucial because they determine product performance.

By controlling these interfaces with extreme precision, Kao has created unique value.

In other words, by controlling micro interfaces, Kao has helped solve macro social issues and worked to grow its businesses.

I will explain this in a little more detail on the next slide.

Solving Macro Social Issues Through Micro Interface Control



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The value of precision interface control does not lie simply in observing things at a small scale.

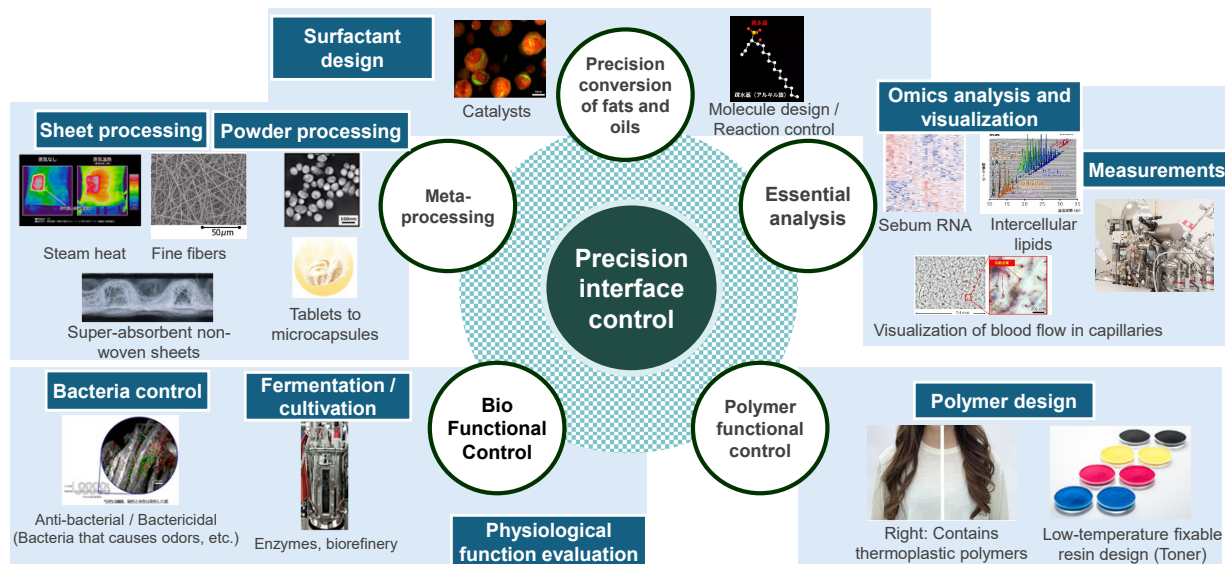
We develop technologies that control interfaces at different scales, from nanometers to millimeters, including water molecules, surfactants, micelles, vesicles, polymers, and more. We translate them into high social value such as skin moisture, cleansing, anti-bacterial performance, UV protection, anti-aging, reduced housework time, water-saving, high durability, and recycling.

For example, *SOFINA BASIC+*, our skin care brand, uses technology that works at the interface between skin and air. It nurtures a skin surface that absorbs and locks in water molecules, which makes it a skin moisturization technology. The value created by precision interface control technology extends not only to our B-to-C businesses in cleanliness, health, and beauty, but also to our B-to-B businesses in living and social infrastructure.

Through this, we work to solve Kao's material issues—environmental constraints, diversification and personalization, new hygiene needs, and an aging population—and contribute to Sustainable Well-being.

Evolving and Deepening Core Technologies Through Fundamental Technology Research

Advancement and new integration of core technologies accumulated through product development



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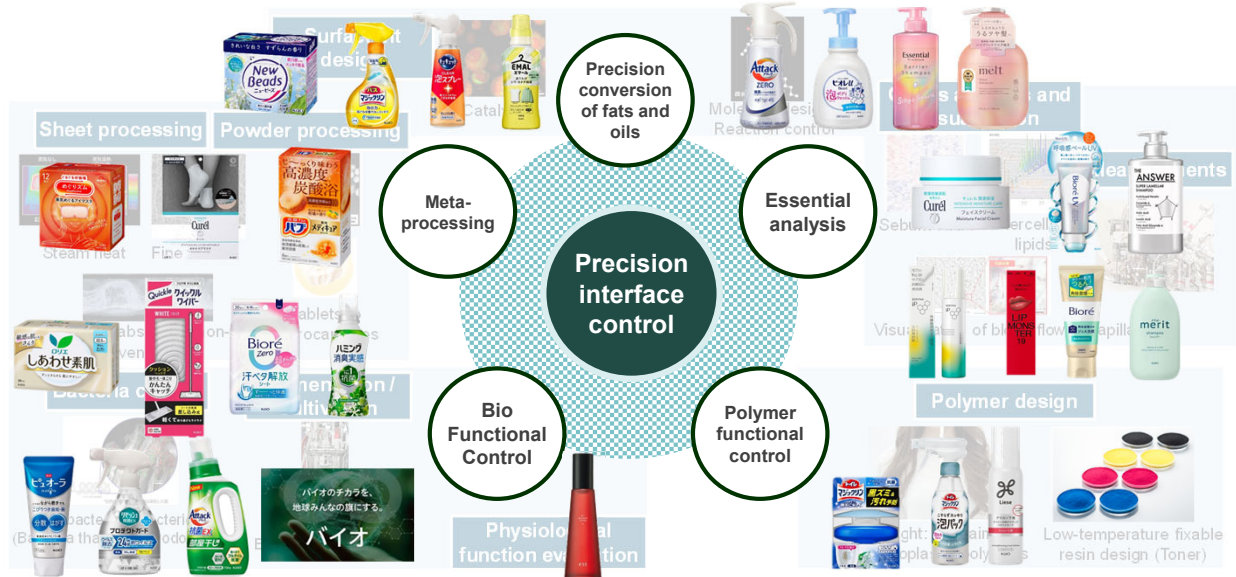
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In Kao's fundamental technology research, we place our precision interface control technology at the center, with five other core technologies around it: precision conversion of fats and oils, essential analysis, polymer function control, bio functional control, and meta-processing.

We combine and evolve these five technologies to produce a wide range of elemental technologies.

Transformation of Technology into Value Through Product Development Research

Advancement and new integration of core technologies accumulated through product development



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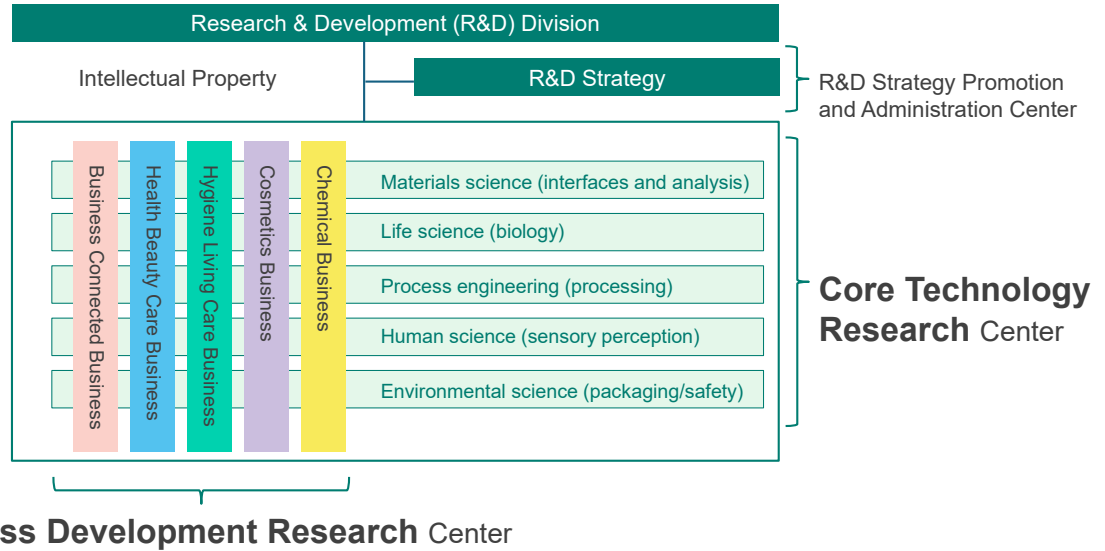
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In product development research, we then translate those technologies into new value, shape them into products, and implement them in the real world.

By going back and forth between fundamental technology research and product development research, we refine technologies, develop new ones, and create new consumer and social value.

Kao's Research & Development Framework

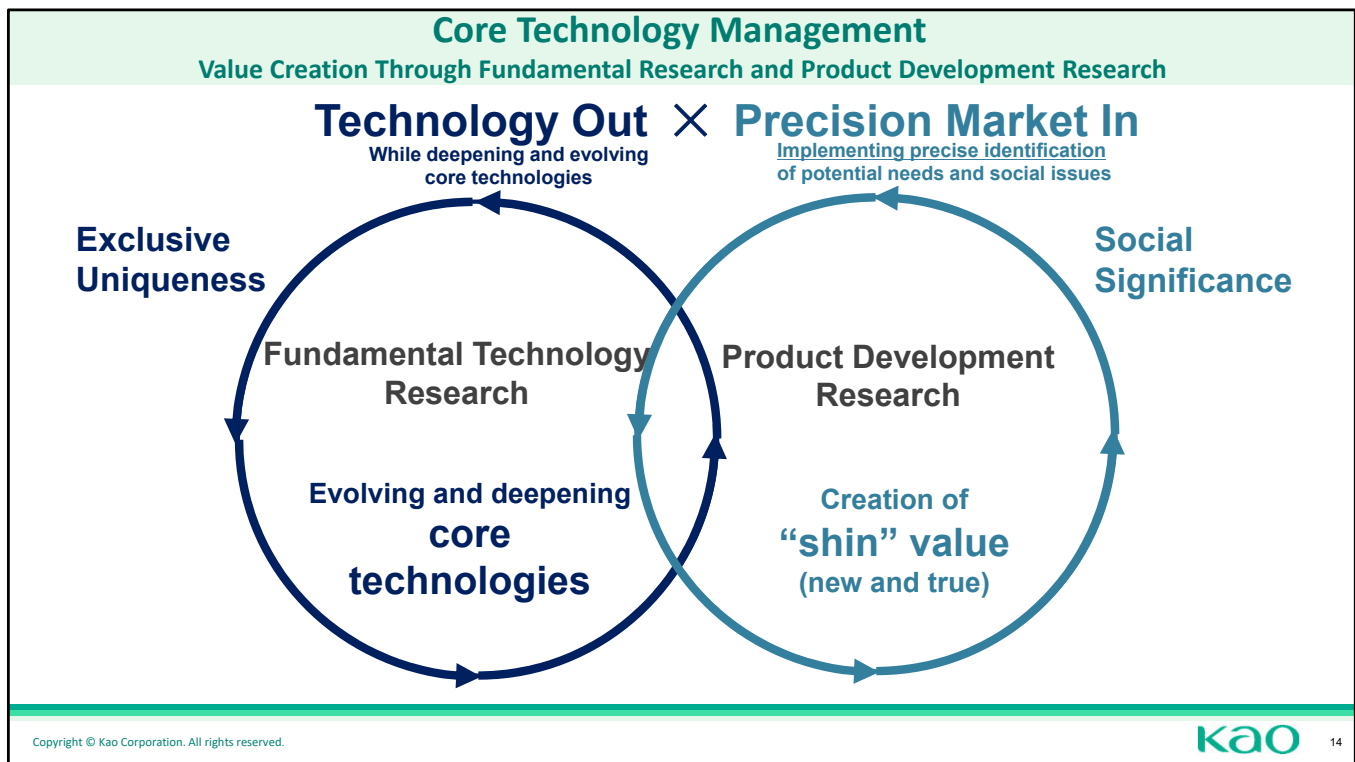


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This is the organizational structure for operating it.

Our research organization creates value where two axes intersect: fundamental technology research that cuts across divisions and product development research dedicated to each business.



In other words, the fundamental technology research team evolves and deepens core technologies to create exclusive uniqueness. It is responsible for Technology Out.

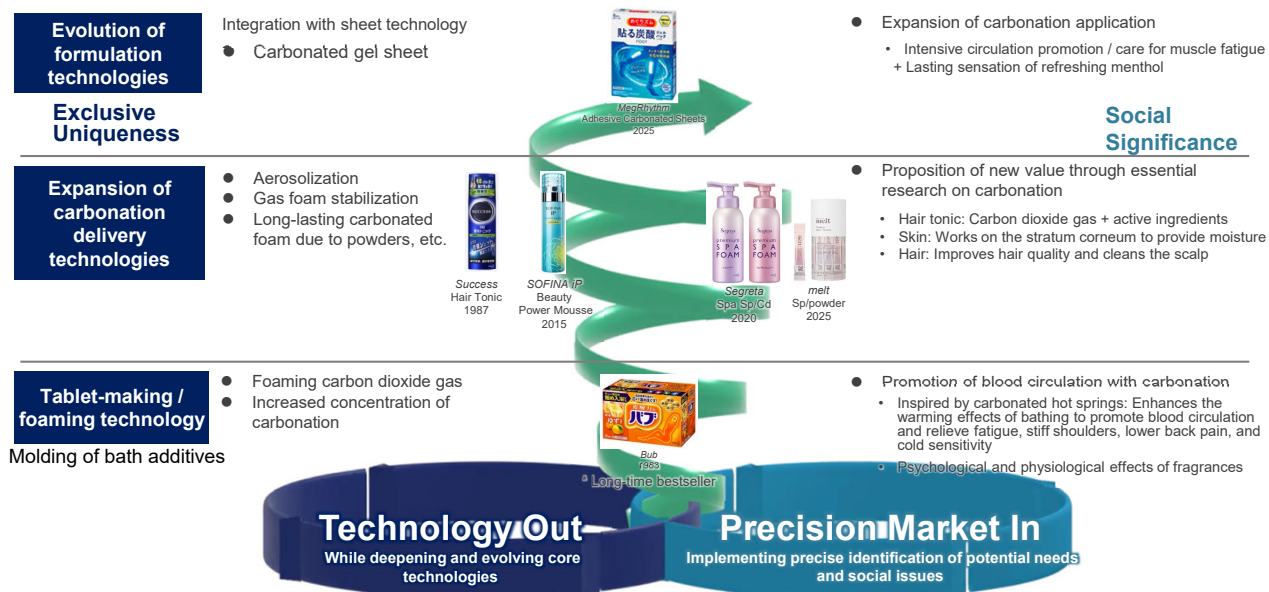
The product development research team applies it to create “shin” (new and true) value; that is, the team handles Precision Market In.

It is crucial that fundamental technology research and product development research integrate without losing their independence.

With fundamental technology research alone, implementing technology in the real world would take time. With product development research alone, it would be difficult to accumulate exclusive uniqueness.

This makes “core technology management” important. It involves appropriately combining the two types of research while balancing the evolution of core technologies with the creation of “shin” value.

Fundamental Technology Research x Product Development Research Example of Carbonation



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The key to core technology management is the collaboration and circulation between Technology Out and Precision Market In.

Our carbonation research is the clearest example of this circulation. It began with the *Bub* carbonated bath additive in the 1980s. In fundamental technology research, we worked on higher carbonation concentrations, foaming and aerosolization, and research on fragrance and biological action. On the other hand, in product development research, we expanded the application from bath additives to hair tonic, skincare, haircare, and adhesive carbonated sheets.

We refine one core technology over the long term and continue expanding its value across domains.

A virtuous cycle of technology and products—this is the core technology management in which Kao excels.

What is important here is that we are not preserving a single product. We are growing carbonation as a technological asset and redeploying it to different markets and different consumer problems.

Fundamental Technology Research x Product Development Research Example of Non-Woven Sheets

Integration with cleansing technologies

Retention of cleansing ingredients and functioning ingredients

- High water content / mild cleansing
- Silky smooth powder, cooling agent



- Cleansing wipes for effortless care
- Easy make-up remover
- Cleanliness and comfort, even when water is unavailable

Expansion and application of sheet processing technology

- Dust and hair capture performance
- Slim-type heat-generating sheets



- Proposal of new lifestyles through sheets
- Easy floor cleaning: Widespread hardwood flooring
- Steam heating: Comfortable eye area, improved blood circulation

Processing technology for non- woven sheets

Sheets created by intertwined fibers

- Softness and breathability
- Coarse and dense three-dimensional dome structure



- Providing reliable absorption + being "gentle on skin"
- Reduced rewet: Absorbent polymers + non-woven sheets
- Gentleness: Decreased dampness, stuffiness, and chafing by reducing surface contact with the skin

Fundamental
Technology
Research



Product
Development
Research

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Another example is non-woven sheets.

In the late 1970s, Kao launched diapers and feminine care products made with non-woven sheets.

Since then, we have evolved our sheet processing technology and integrated it with our cleansing technology, and we continue to expand these technologies across various products, including the *Quickle Wiper* floor cleaning tool, make-up removers, *MegRhythm* steam heat sheets, and wipe sheets.

One characteristic of Kao's Management of Technology is that we make technologies outlive the products they are built into.

Fundamental Technology Research x Product Development Research Example of Naturally Derived Hydro-Capsules

Technology to achieve the lowest possible cost

Particle size < 100 μm

- Even finer particles

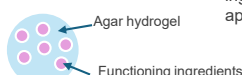
Technology for continuous production
Generation of fine droplets

Particle size < 300 μm

- Highly concentrated formulation of functioning ingredients with smaller particle sizes

Capsule technology

Particle size up to 2,000 μm



- Protection of functioning ingredients
- Functions activated by ingredient breakdown upon application



Aqua Rich Essence 2019

Contains UV protection agents



Airy Hold Cream (UV protection with a breathable veil) 2025

- Improved UV protection
- + **Technology for even and lasting coating film**
 - An adhering oil gel with a new pack sensation
- + Skin humidity control
 - No stickiness or dryness in various environments



Clean Clean Change 2009

With catechin

With aroma ingredients

Deep Clean

2010

- Improved agent delivery
 - Reaches deep into periodontal pockets
- Expansion of functional materials application



Bioré Mildly Acidic Water Cream In 2002

With Vitamin E

With ceramides

Sofina Night

Waterpack Gel

2002

- Watery sensation due to surface hydrophilicity
 - Addition of value through O/W formulation
- Improved skin penetration
- Creating a perception of efficacy through visual appeal

Fundamental Technology Research

Technology Out

While deepening and evolving core technologies

Precision Market In

Implementing precise identification of potential needs and social issues

Product Development Research

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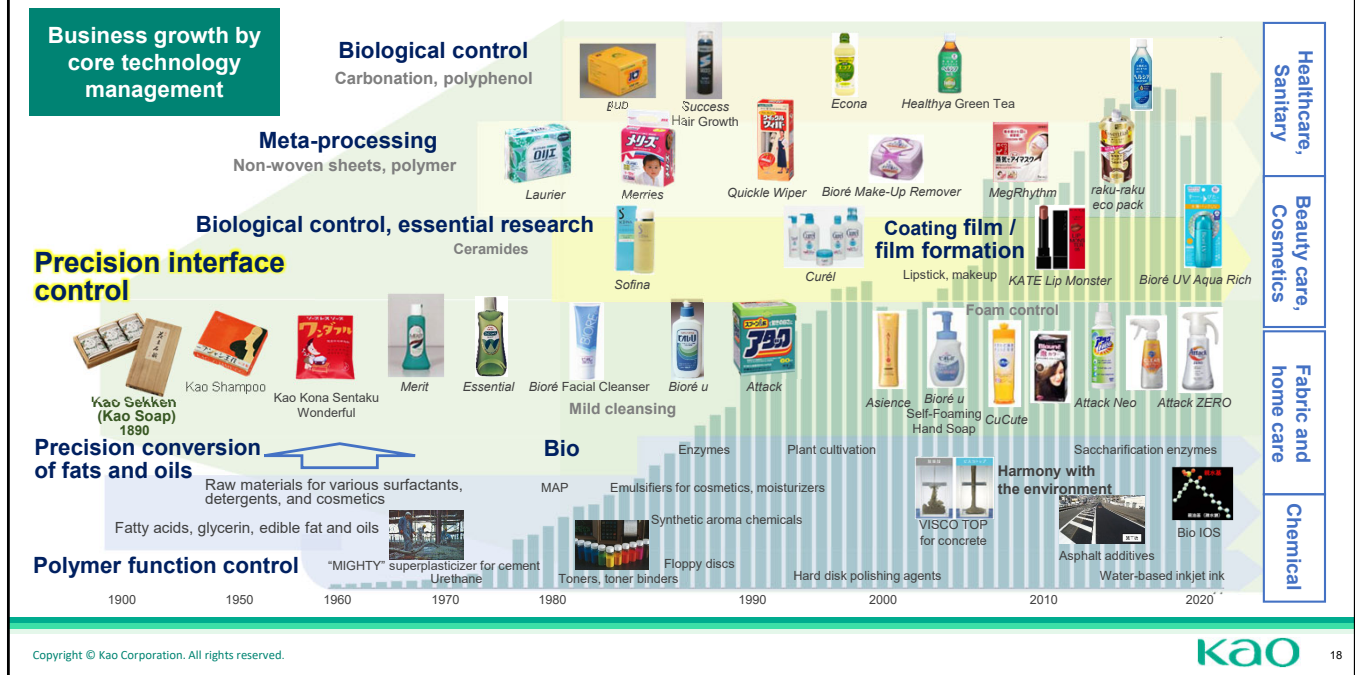
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Naturally derived agar hydro-capsules were developed 25 years ago.

They started out as millimeter-scale agar capsules, but through repeated exchange with product development research, they became smaller and more functional, finding their way into skincare, toothpaste, and now *Bioré UV*.

This technology was not complete from the beginning. In this case, the interplay between fundamental technology research and product development research created a technological virtuous cycle, thereby establishing the exclusive uniqueness to Kao.

Kao's Management of Technology (MOT)



Kao has a history of growing its businesses by continuing core technology management without interruption. Since Kao first began making and selling soap, the precision interface control technology honed through our work on cleansing has become a pillar of Kao.

Material development based on precision conversion of fats and oils and polymer function control expanded into the Chemical Business, biological control and essential analysis support cosmetics and skincare, and meta-processing has become the core technology that underpins healthcare and sanitary.

We accumulate the insights gained from each product as functional technologies and feed them back into our businesses. This circulation is not a short-term trend; it is the essence of Kao's Management of Technology.

Agenda

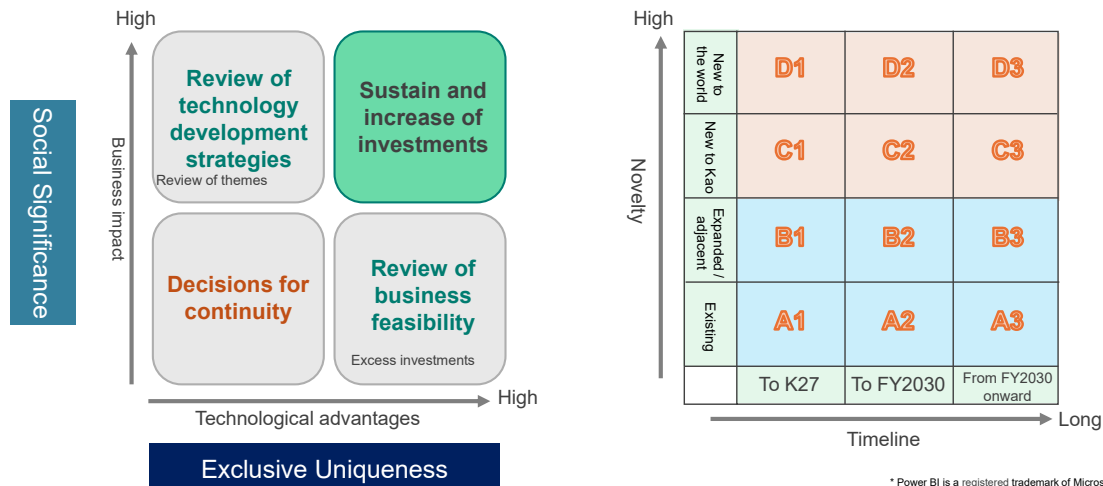
- Corporate Strategy and Research & Development (R&D) Strategy
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So far I have focused on the history of Kao's Management of Technology. Next I will talk about how we will evolve it.

R&D Management Improving the Value Creation Process

Research Theme Portfolio Management

Visualization of all research themes (> 1,000) using Power BI*



* Power BI is a registered trademark of Microsoft Corporation.

Achieving both near-term social implementation and technology accumulation for the future

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First, I will discuss improving our value creation process.

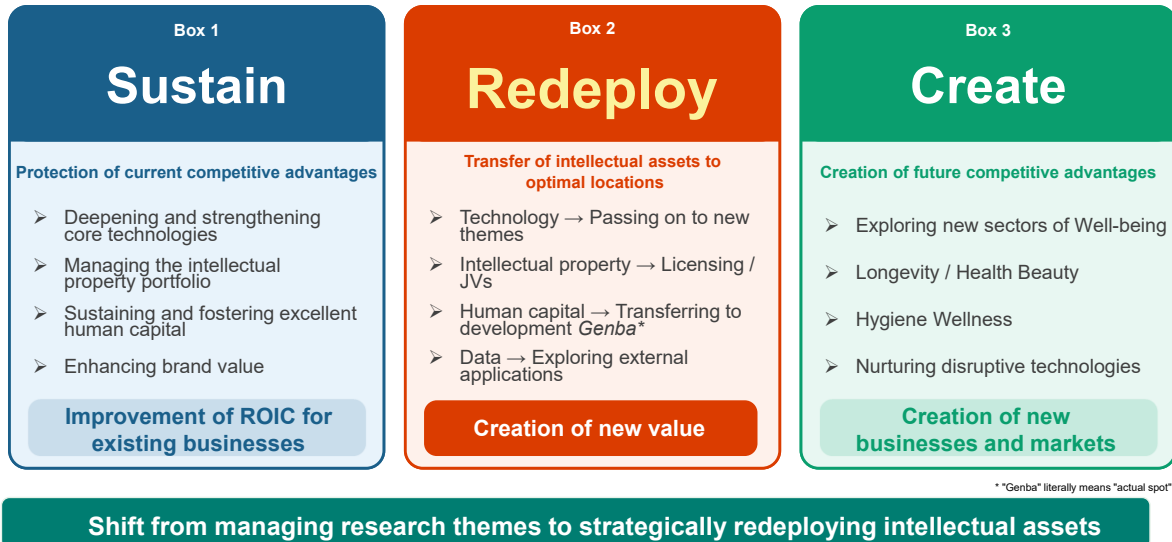
We do not live in an era where everything is treated equally, and R&D is no exception.

We visualize more than 1,000 research themes using Power BI and have implemented portfolio management.

We regularly review each theme for technological advantage, business impact, novelty, and timeline, and dynamically sustain or increase investments, review strategies and business feasibility, and make decisions on continuity.

The purpose is to balance both social implementation for tomorrow and technology accumulation for the future.

Kao's Intellectual Asset Portfolio Management



Going one step further, we will also advance intellectual asset portfolio management.

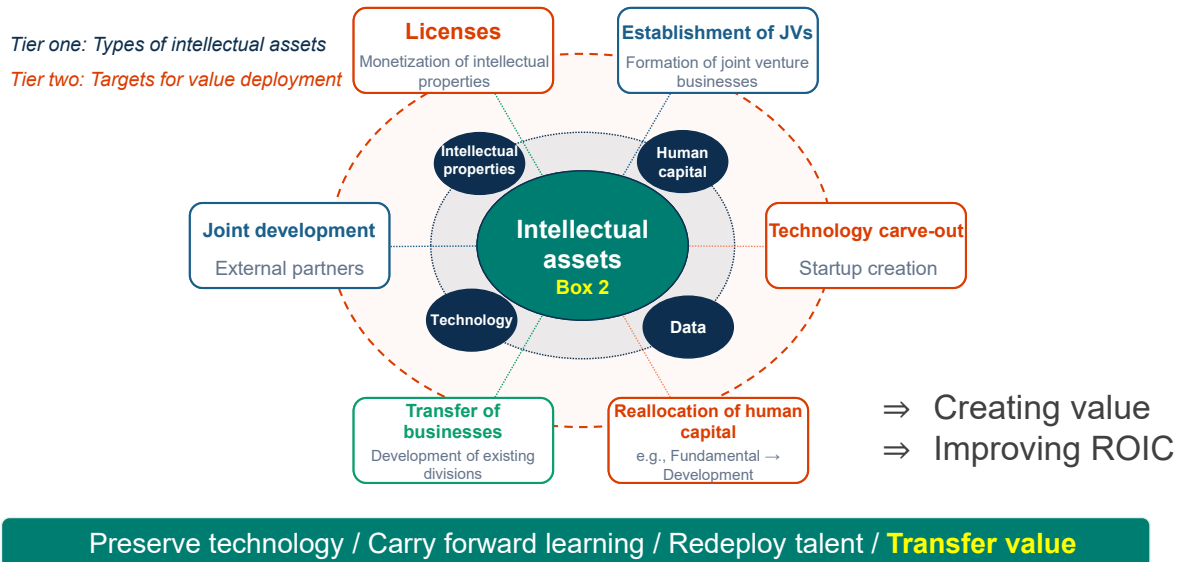
As with the portfolio management for research themes I explained earlier, we begin forming our portfolio in three categories: sustain, redeploy, and create. By sustaining, we protect our current competitive advantages; by creating, we create them for the future.

This is what is called ambidextrous management. By adding “redeploy,” we balance these two.

By redeploying, we transfer technology, intellectual property, human capital, and data to optimal places.

The purpose of this framework is not to manage research themes, but to strategically shift where our intellectual assets are placed.

Approach to Intellectual Asset Redeployment



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Let me explain the principle behind our intellectual asset redeployment model.

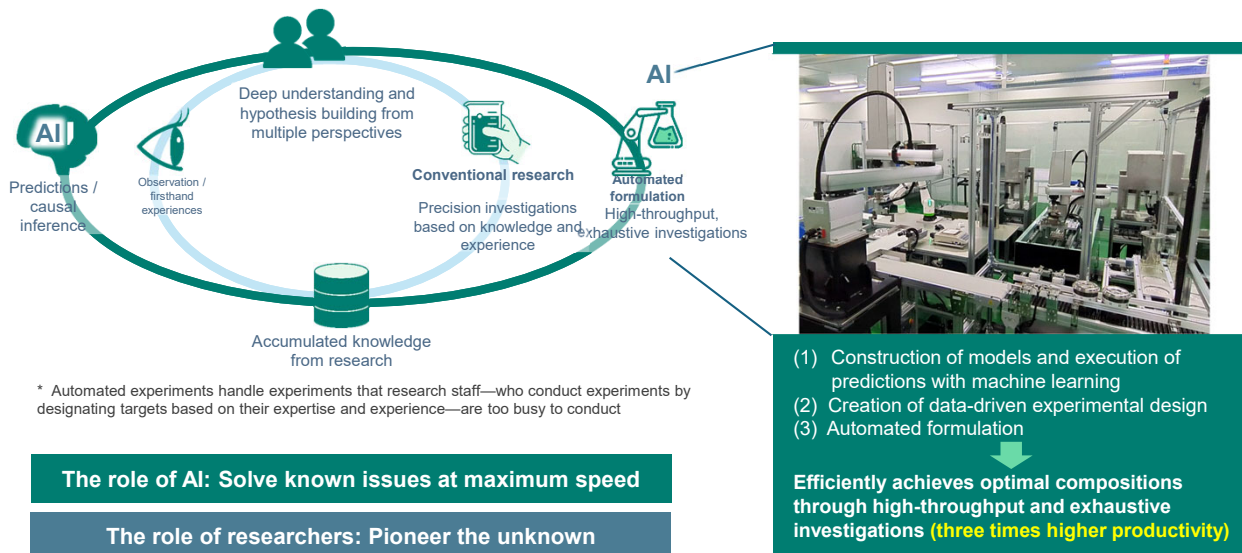
At the center are our intellectual assets.

Tier one is the types of intellectual assets: the four elements of technology, intellectual property, human capital, and data.

Tier two is where that value is deployed. There are six routes: joint development, licenses, establishing joint ventures, technology carve-out, reallocating human capital, and transferring businesses.

We preserve technology, carry forward what we have learned, redeploy talent, and transfer value. This is how we translate our intellectual assets into higher ROIC.

Acceleration of R&D with AI and Laboratory Automation



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Across Kao, we are driving evolution and greater efficiency by adopting AI and implementing DX.

One thing we are pursuing in R&D is AI and laboratory automation.

Using machine learning, data-driven experimental design, and automated formulation, we achieve high throughput.

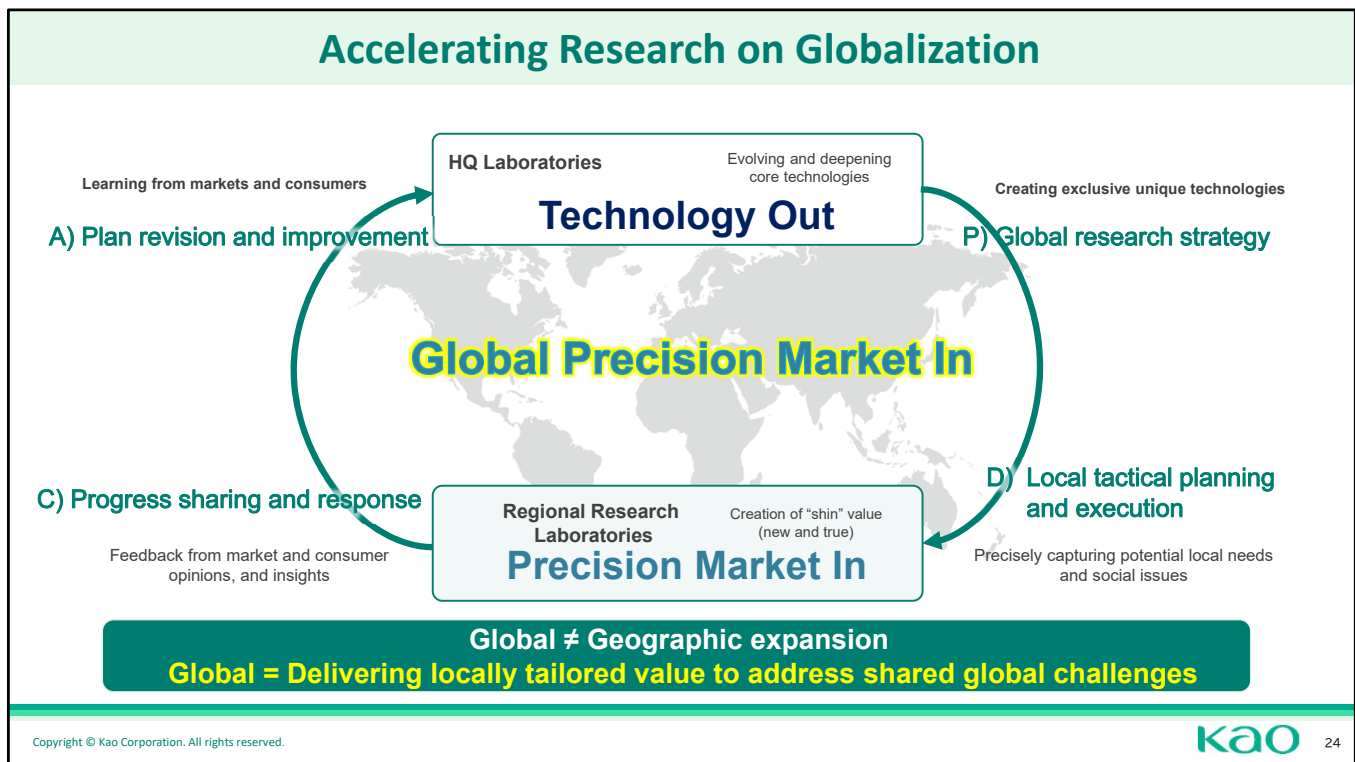
That is, we rapidly repeat a vast number of experiments, conduct exhaustive research across areas our researchers alone cannot reach, and achieve the optimal compositions faster.

Put simply, AI and robots handle the work that our researchers are too busy to do.

The purpose of AI and laboratory automation is not to replace researchers.

As the example of threefold productivity shows, AI solves known issues at maximum speed, and our researchers explore the unknown.

This is DX that shifts people's roles toward more creative areas.



The next topic is the acceleration of globalization.

This is where Global Precision Market In matters.

“Global” does not simply mean geographic expansion.

It means capturing issues shared around the world, then implementing value in the form best suited to each region.

Our HQ Laboratories and Regional Research Laboratories incorporate the voices of markets and consumers, improve our research strategy, and feed the results back into Technology Out.

We run this circulation globally.

Implementation of Regionally Optimized Value for Shared Global Issues: Case Studies

Precision Market In

Creating and commercializing new value for local consumers

<U.S.>

Jergens Lotion Bursts



A solid lotion that is enjoyable and fun to use, delivering fragrance and moisture when rubbed on the skin

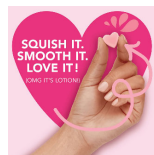
Launched in FY2025



Application of agar hydrogel technology

Application

- New lifestyle proposals for Gen Z: Users can carry them and share with friends
- A moisturizing design optimal for the local environment

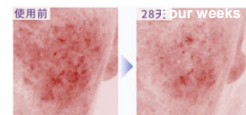


<China>

Curél Firming Smoothing Cream



Improves skin elasticity, moisture and redness



Launched in FY2026

The power of ceramide care

Formulation technologies that address specific skin types

- Red, rough skin: Uncovering sensitive skin with a weakened barrier and redness, specific to China
- Acquisition of local evidence based on dermatology
- Cultivation of credibility through collaboration with local dermatology experts

In the United States, for example, we took the agar hydrogel technology behind Bioré UV, adapted it to what local consumers value, and launched it as Jergens Lotion Bursts, a solid lotion.

In China, we address concerns specific to the local market—sensitive skin with a weakened barrier and redness—drawing on local evidence and working closely with dermatology experts.

In other words, we do not simply export Technology Out technologies or Japanese products as they are.

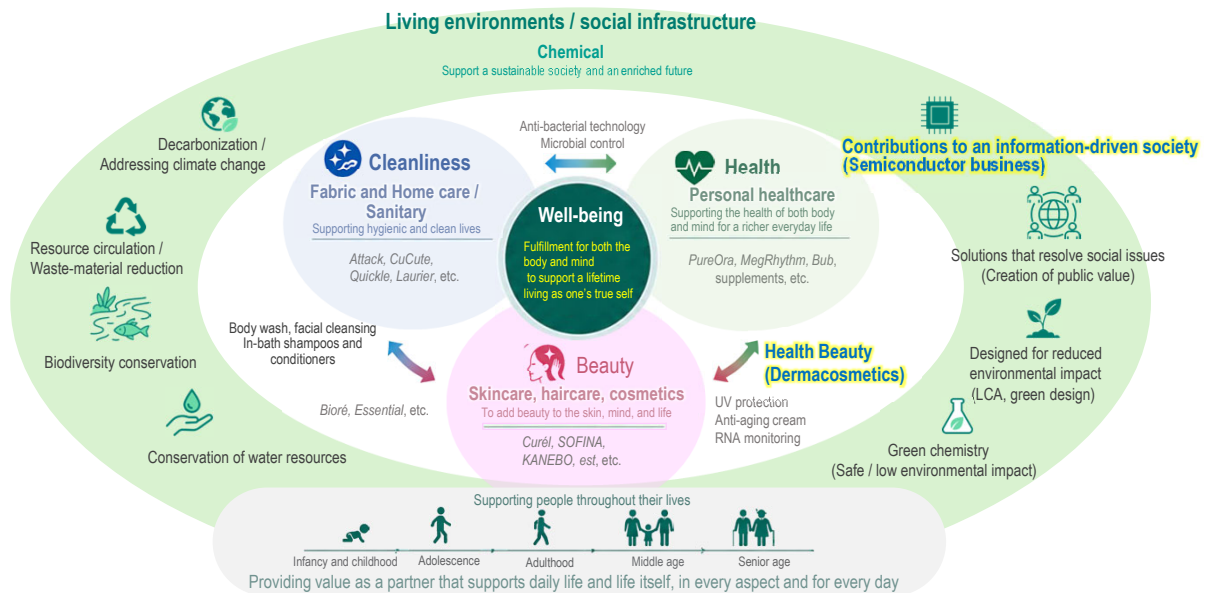
Rather, we start from local issues and translate our technologies into optimal value.

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Now, I will explain where we will concentrate our capital as the direction of our R&D.

Our Aim to Contribute to Global Well-being



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The ultimate purpose of Kao's R&D is to contribute to Well-being around the world.

Kao operates consumer businesses in cleanliness, health, and beauty, as well as the Chemical Business, which supports both the living environment and social infrastructure.

Through these businesses, we aim to contribute to Well-being.

As you can see, we span many areas, but we will not pursue them all with the same intensity.

We will concentrate resources where social significance and Kao's exclusive uniqueness intersect, and will accelerate growth.

Leading examples of these priority areas are our B-to-C dermacosmetics and B-to-B semiconductor-related businesses.

Target Areas: Social Significance x Exclusive Uniqueness (Kao's unique winning formula)

- (1) Social significance: Addresses social issues (contributes to Well-being)
 (2) Kao's exclusive uniqueness: Is it a technology not found at other companies? Is it a sector where our accumulated technologies can be leveraged? (The pinnacle of molecular-level interface control technology)
 (3) Opportunities for market growth: Is it a high-growth market with a CAGR of > 5%?
 (4) Feasibility: Is value implementation possible in the short term?
 (Adjacent sectors of existing businesses)

Dermacosmetics

Global dermacosmetics market (related markets)

3.9 trillion yen → 5.7 trillion yen*

FY2025 FY2030
Approx. 1.46 times

8.0%
CAGR (2023-2025)



Kao's unique winning formula

Precision interface control x Sebum RNA
Perceived quality x Skin homeostasis

Applying fundamental research into the skin's innate functions to skincare that delivers tangible results

Source: Euromonitor, Derma Skincare. * Extrapolated using the CAGR through 2025.

Semiconductor chemicals

Semiconductor chemicals market

7.7 trillion yen → 10.6 trillion yen

FY2025 FY2030
Approx. 1.38 times

6.5%
CAGR (2025-2030)



Kao's unique winning formula

Precision cleaning x Selectivity
Interface control at the nano- to molecular level

Addresses semiconductor miniaturization and high functionality supported by AI and data centers

Source: Fuji Keizai, Current Status and Future Outlook of the Semiconductor Materials Market, 2025.

Large market x High growth x Kao's precision interface control → Two sectors to focus research investments

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These are the four conditions we value when choosing focus areas.

First, social significance.

Second, Kao's exclusive uniqueness.

Third, market growth opportunities with a CAGR of 5% or more.

Fourth, the possibility of implementing value in the short term.

The leading examples of our current priority areas selected based on these four conditions are dermacosmetics and semiconductor chemicals.

We concentrate investment in these markets not because they are large, but because we have a formula for winning there.

First, let me talk about dermacosmetics.

Kao's Skincare Approach That Maximizes the Skin's Biological Origin Functions

A conventional dermatologic approach

Originating from ingredients

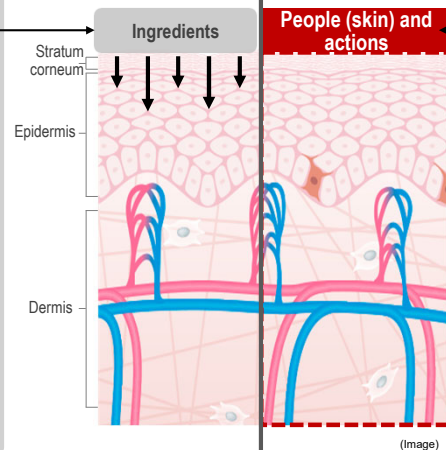
This approach applies high-performance ingredients to the skin, aiming to promote healthy skin with one-to-one method

- Anti-wrinkle ingredients
- Anti-age spot ingredients
- Anti-inflammatory ingredients, etc.

Approaches using ingredients are...

- ✓ Are insufficient for restoring the complex homeostasis of the skin
- ✓ Make it difficult for the formula to work effectively, as the skin may not receive the full effects of active ingredients, depending on the original condition of the skin

Topical and symptom-oriented



Kao's approach

Originating from people (skin) and actions

This approach implements precision control of the skin interface to condition fine structures inside the skin and bring out its biological origin functions

- Pseudo-Ceramide Formulation Technology
- Water Capturing Skin Technology
- Fine Fiber Technology

To guide the skin toward a healthy state with a tangible sense of efficacy...

- Precision control of the skin interface is conducted
- The skin's internal environment and structure are conditioned
- The skin's biological origin functions are drawn out

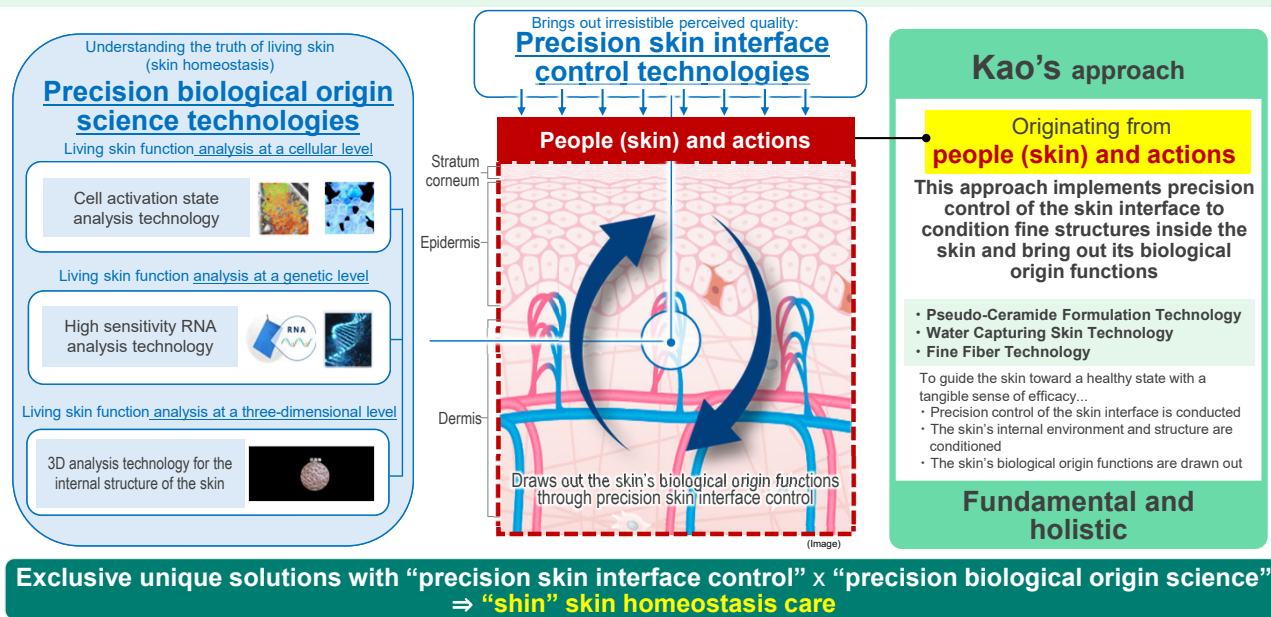
Fundamental and holistic

Let me now explain Kao's approach to skincare.

The conventional technical approach in dermacosmetics starts from ingredients and matches each one to a specific symptom such as age spots, wrinkles, and inflammation.

Kao does not start there, but from human skin itself and how it works. We control the skin interface precisely, condition the skin's internal environment and structure, and bring out its biological origin functions. This is a fundamental and comprehensive approach.

Kao's Skincare Approach That Maximizes the Skin's Biological Origin Functions



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With this approach, Kao aims to combine precision biological origin science and precision skin interface control technology.

That is, using high-sensitivity RNA analysis and other methods, we capture what is really happening inside living skin at the genetic and cellular levels.

At the same time, we control interfaces precisely and bring out those biological origin functions.

When an irresistible perceived quality is added on top of this, the technology becomes something people can truly feel.

This is not achieved with a single technology. The combination of technologies is the "shin" skin homeostasis care that Kao wants to propose going forward.

Dermacosmetics: New Technology Showcase



est
True to you.

未来まで、塗り替える。
est GENOLUXE CREAM、誕生。

きっかけは花王最先端の皮脂RNA研究。

「解砕型FFジェノリユクス技術」採用。
「解砕型マイクロファイバー^{*1}」を含む皮膜形成アプローチ。
さらに美容成分「ジェノリユクサー^{*2}」を配合した、こだわりの設計。

塗るだけでまるで皮膚のような膜^{*3}を形成しながら、美容成分^{*2}をたっぷり肌へ補給。
肌(角層)の深層までアプローチして、「美しい肌(角層)」特有の状態^{*4}へ整えます。

ひと晩で感じる潤い。ふっくらと潤いに満ちた、ハリとなめらかさ。

美しさはどこから生まれるのか。
今、美が一斉に動き出す。運命を追い越す美しさを、あなたに。

est GENOLUXE CREAM — Key Visual

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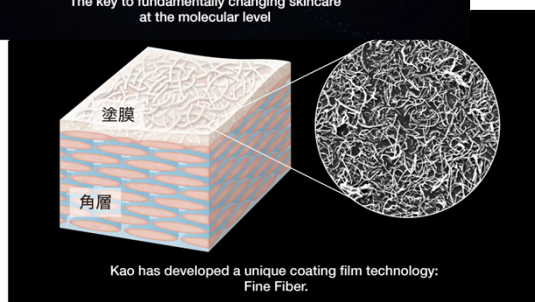
31

Here you will see the actual latest technology.
This technology was used in est GENOLUXE CREAM, launched in September.



分子レベルで
スキンケアを根本から変える

The key to fundamentally changing skincare
at the molecular level



Kao has developed a unique coating film technology:
Fine Fiber.



This brings about homeostasis,
activating high-quality RNA.



バリア機能

自然免疫

皮膚形成

This process unlocks the skin's innate power,
allowing you to feel changes from within sooner.

Now please watch a video for an overview of this technology.

I hope you will get an intuitive sense of how Kao's dermacosmetic products are built on a precise understanding of what is happening inside the skin, and how we turn that understanding into benefits consumers can actually feel.

Kao's "shin" Skin Homeostasis Care

Conventional approach (originating from ingredients)

Addresses symptoms through ingredients



Moisturizing
Ingredients
for dryness

Brightening
Ingredients
for age spots

Firming
Ingredients
for wrinkles

Topical, ingredient-specific approach
to visible symptoms

Kao's new approach ("shin" skin homeostasis care)

Science of the skin's biological origin functions and homeostasis itself



Understanding the skin's
biological original functions



Identifying the mechanisms
that disrupt these functions



Delivering comfort through
exceptional perceived quality

Exclusive uniqueness serves as a barrier for market entry

(The formation of competitive advantages by combining three technologies instead of just one)

Precision biological origin science (Sebum RNA, etc.)

Reads skin conditions and
even detects early signs of
future changes



Our proprietary yardstick (analysis)

Precision interface control

Technology that selectively
works on the fine structures
and interface of the skin



Our proprietary technology foundation

Perceived quality

A design backed by science
for pleasant sensations and
perceived effects



Technology that delivers
perceptible effects

This combination establishes Kao's competitive advantage

Detects early signs,
addressing imbalances,
offering pleasant, easy-to-
continue care to change the
skin's future



Not ingredients, but mechanisms: Next-generation dermacosmetics solutions from Kao

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Here is the bottom line on our dermacosmetic technology.

The conventional approach partially addresses visible symptoms using specific ingredients.

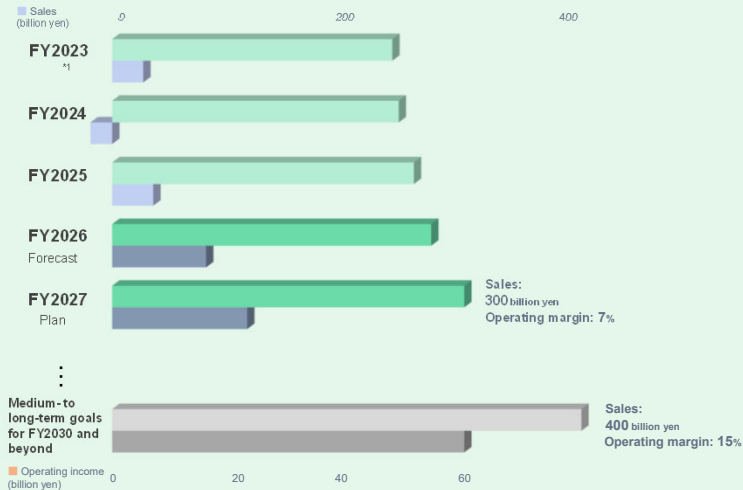
Kao, by contrast, understands the skin's biological origin functions and the mechanisms that disrupt them, and translates this understanding into products that consumers can continue using comfortably.

Kao's competitive advantage lies in perceived quality built on precision biological origin science and precision interface control. Not ingredients, but mechanisms—this is the next-generation dermacosmetics solution that Kao proposes.

Cosmetics Business: Dermacosmetics Growth Plan

Accelerating growth in dermacosmetics,
targeting Cosmetics Business sales of 400 billion yen and an operating margin of 15%

Sales and profitability roadmap



*1 Core operating income: Income excluding the impact of structural reforms executed in FY2023

Make dermacosmetics a growth engine

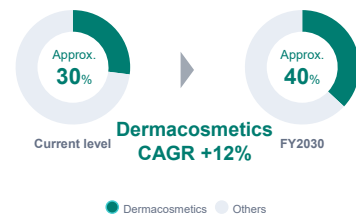
Outpace market growth to raise its share of our overall sales

Market size: FY2025
3.9 trillion yen

Market size: FY2030³
5.7 trillion yen

CAGR +8%²

Cosmetics Business: Dermacosmetics sales



*2 2023–2025 (Euromonitor Derma Skin Care) *3 Extrapolated using the CAGR through 2025

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In the cosmetics business plan we announced last year, we set targets of achieving 400 billion yen in sales and a 15% operating margin as early as possible from FY2028 onward.

I view the dermacosmetic solutions introduced today as the growth driver for reaching those targets.

The market is currently forecast to grow at a CAGR of 8%.

In this area, Kao aims to grow at a CAGR of over 10%, and we plan to increase the share of dermacosmetics in our total as well.

Target Areas: Social Significance x Exclusive Uniqueness (Kao's unique winning formula)

- (1) Social significance: Addresses social issues (contributes to Well-being)
 (2) Kao's exclusive uniqueness: Is it a technology not found at other companies? Is it a sector where our accumulated technologies can be leveraged? (The pinnacle of molecular-level interface control technology)
 (3) Opportunities for market growth: Is it a high-growth market with a CAGR of > 5%?
 (4) Feasibility: Is value implementation possible in the short term?
 (Adjacent sectors of existing businesses)

Dermacosmetics

Global dermacosmetics market (related markets)

3.9 trillion yen → 5.7 trillion yen*

FY2025 FY2030
Approx. 1.46 times

8.0%
CAGR (2023-2025)



Kao's unique winning formula

Precision interface control x Sebum RNA
Perceived quality x Skin homeostasis

Applying fundamental research into the skin's innate functions to skincare that delivers tangible results

Source: Euromonitor, Derma Skincare. * Extrapolated using the CAGR through 2025.

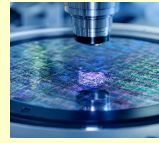
Semiconductor chemicals

Semiconductor chemicals market

7.7 trillion yen → 10.6 trillion yen

FY2025 FY2030
Approx. 1.38 times

6.5%
CAGR (2025-2030)



Kao's unique winning formula

Precision cleaning x Selectivity
Interface control at the nano- to molecular level

Addresses semiconductor miniaturization and high functionality supported by AI and data centers

Source: Fuji Keizai, Current Status and Future Outlook of the Semiconductor Materials Market, 2025.

Large market x High growth x Kao's precision interface control → Two sectors to focus research investments

Next, let me talk about semiconductors, our other priority area.

Kao Chemicals Enabling AI and Data Center Infrastructure

Resource and raw material procurement	Electronic devices and units				Data centers
Selective extraction of rare metals  Rare metals / froth flotation	Semiconductors				Hard disks  Precision polishing agents, cleaning agents
	Other electronic devices  Dispersants for ceramics Coolant additives and others				
	Front-end process  Etchants, precision cleaning agents, CMP slurries and additives	Back-end process  Precision cleaning agents, stripping agents			
	Selective Extraction of Rare Metals	Semiconductor Front-End Process Materials (26 items surveyed)	Semiconductor Back-End Process Materials (8 items surveyed)	Hard Disk-related Process Chemicals	
Market size (FY2025 forecast)	0.5 – 1.5 trillion yen	6.1 trillion yen	1.6 trillion yen	0.08 – 0.1 trillion yen	
CAGR (FY2025–FY2030)	5 – 8%	6 – 7%	6 – 7%	3 – 4%	
Kao's business areas	Selective extraction of rare metals; chemicals for separation and purification	Etching agents, precision cleaning agents, CMP slurries, additives and others	Precision cleaning agents, stripping agents, and others	Precision polishing agents, cleaning agents	
Kao's market position	Not disclosed	Top share Chemicals for specific NAND manufacturing processes	60% share Package substrate cleaning agents	50% share Polishing agents for specific processes	

Reference material: Fuji Keizai, Current Status and Future Outlook of the Semiconductor Materials Market, 2025.

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Semiconductors are a foundational market that underpins the growth of AI and data centers.

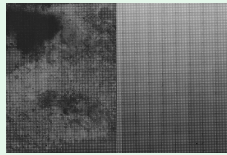
Kao does not make semiconductors themselves.

We are broadly involved in process chemicals for front-end and back-end processes, and we target areas such as polishing, cleaning, and stripping, which become increasingly important as manufacturing processes become more complex.

Kao's Precision Interface Control Technology That Supports Semiconductor Manufacturing Processes

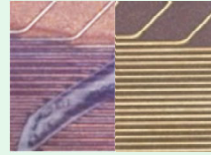
Dissolution

Improvement of device
performance and yield

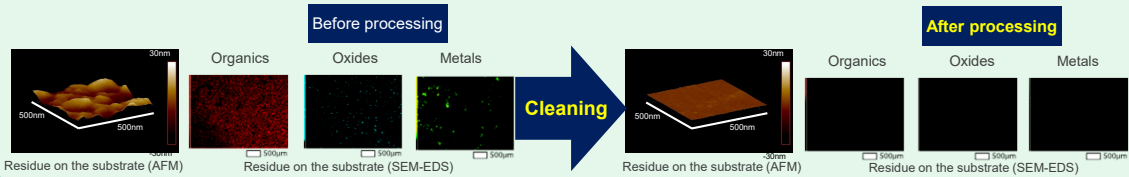


Detachment

High processing precision
and process stability

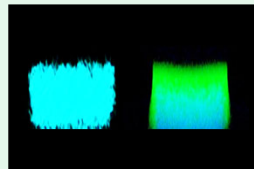


“For micro interfaces, **protect** what is needed and **remove** what is not”



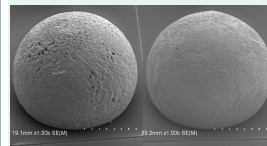
Uniform effects, even for
detailed, ultra-fine and
complex structures

Penetration



Material properties that do
not cause damage to
structures or substrates

Protection



In a nutshell, Kao's technology in semiconductors is about protecting what is needed and removing what is not, at the micro interface.

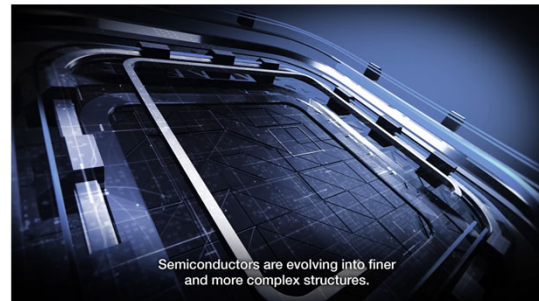
With precision cleaning technology at the core, we combine dissolution, detachment, penetration, and protection.

These technologies act uniformly, even in the fine details of complex structures, and enhance device performance and yield without damaging structures or substrates.

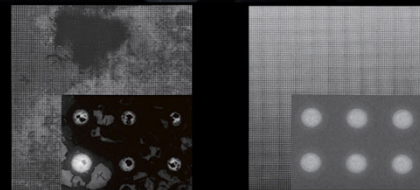
This “selective cleaning” technology is how Kao's precision interface control contributes to the semiconductor manufacturing process.



The key to radically improving the quality of semiconductor manufacturing at the molecular level



Semiconductors are evolving into finer and more complex structures.



removing only contaminants with exceptional precision while protecting essential materials.

Now, let's look inside the invisible world of semiconductors.

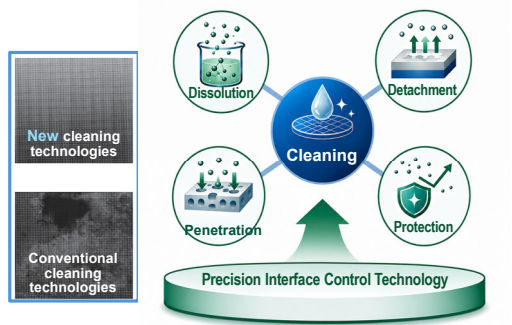
Semiconductors are becoming finer, deeper, and more complex.

Please watch the video to see what Kao's precision interface control does in that world.

Kao's Business Opportunities for the Semiconductor Market

Semiconductor market: Increasingly fine and complex structures
⇒ The difficulty level of cleaning is also increasing

Precision Interface Control Technology that enables intricate "fine-tuning"

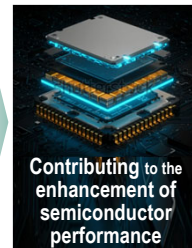


The ability to "fine-tune"

(1) Use of cleaning centers:
Replicates customer processes for swift verification of optimal conditions



(2) Participation in JOINT 3:
Co-creation of technology with equipment and material manufacturers



The value of Kao's precision interface control will increase with semiconductor miniaturization and growing complexity

Here is the summary of Kao's business opportunity in the semiconductor market.

The finer and more complex semiconductors become, the more difficult cleaning becomes.

This is precisely where Kao's value grows. In addition to our range of precision interface control technologies that make fine-tuning possible, we established cleaning centers to reproduce customer processes and quickly verify optimal conditions.

We also participate in JOINT 3, a consortium for co-creation with equipment and material manufacturers.

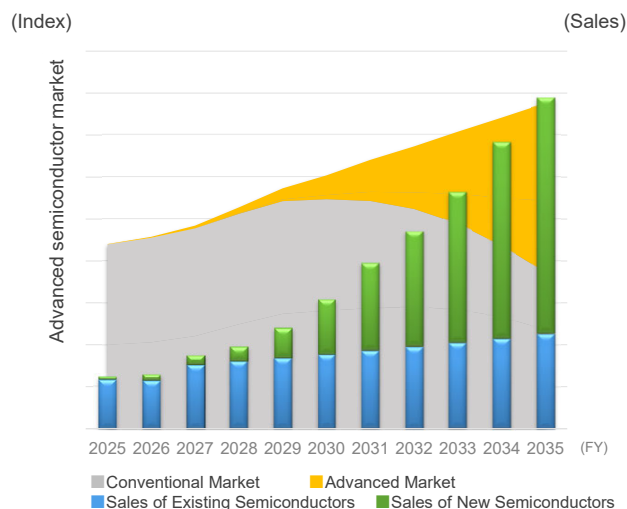
This increases opportunities for technical fine-tuning while enhancing its quality. I believe our more than 40 years of accumulated technology and fine-tuning capabilities serve as a barrier to entry.

Kao: Business Plan for Semiconductor-Related Markets

Focus areas and process chemicals



Business targets: CAGR > 30%, Operating margin > 40%



This is our business plan for enhancing corporate value through R&D.

In addition to existing markets, we will expand into advanced DRAM, advanced NAND, and advanced logic with the aim of significantly increasing semiconductor-related sales.

Our business targets are a CAGR of 30% or more and an operating margin of 40% or more.

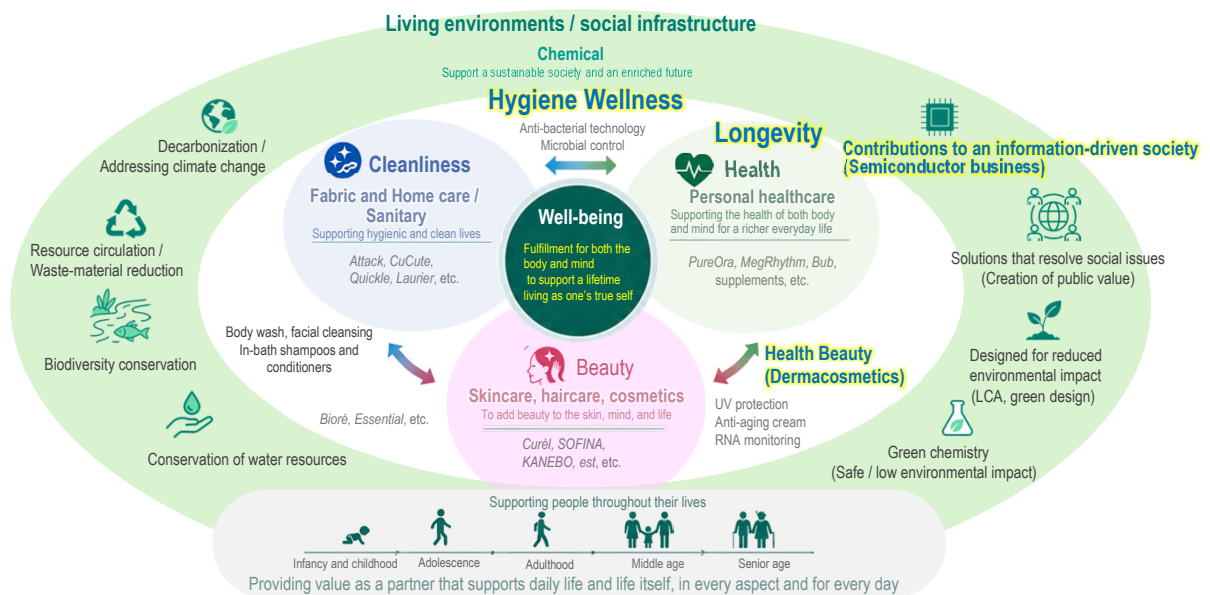
In other words, we intend to turn the precision interface control we cultivated in R&D into a highly profitable business in a growth market.

Agenda

- Corporate Strategy and Research & Development (R&D) Strategy
- Kao's Management of Technology / *Sharp Top* Strategy
- Evolution of the Value Creation Process
- Direction of Research & Development (R&D)
- **Summary**

Finally, let me summarize what value R&D ultimately creates.

Our Aim to Contribute to Global Well-being



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We do not refine our technologies for the sake of the technologies themselves.

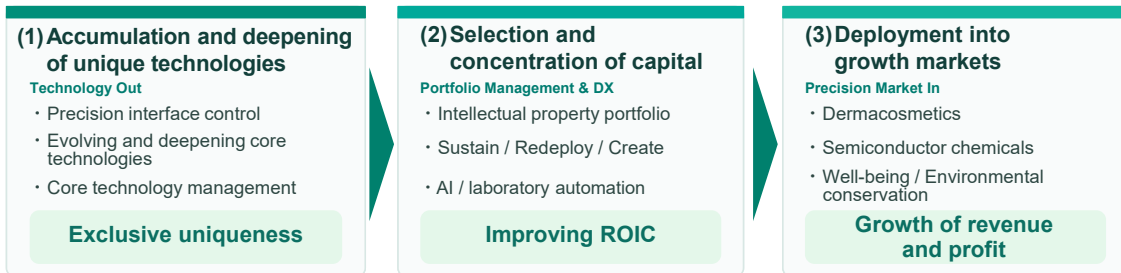
Cleanliness, health, beauty, and a sustainable society. Our purpose is to support people throughout their lives, contribute to areas such as an information-driven society and environmental conservation, and promote Well-being around the world.

Today I talked about dermocosmetics and semiconductors. Beyond them, we will also build up capabilities in areas such as Longevity and Hygiene Wellness.

We will continue to translate R&D accomplishments into consumer and social value in the real world.

Converting R&D Investments Into Corporate Value

With our exclusive unique technology, we will precisely select the market that will generate the most value and concentrate intellectual assets in this market
- Management of Technology to Establish an Unrivaled Position -



“Leverage our technological capabilities to become even more essential for consumers and society”

Finally, let me summarize today's presentation in one phrase: “Converting R&D investments into corporate value.”

First, we accumulate and deepen unique technology through Technology Out. Second, we selectively focus capital through Portfolio Management and DX. Third, we deploy it into growth markets through Precision Market In. As a result, exclusive unique technology becomes an intellectual asset, raises ROIC, generates sales and profit in growth markets, and enhances corporate value.

Kao will master precision interface control and leverage technology to become essential to consumers and society. This is what I mean by “Management of Technology to Establish an Unrivaled Position.”

Thank you very much for your time today.

