

The background of the slide features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue, creating a modern and dynamic visual effect.

Kao Group Skin Protection Business Growth Strategy

September 26, 2023

**Senior Executive Officer, President, Consumer Products,
Health & Beauty Care Business, Global**

Kotaro Nuriya

These presentation materials are available on our website in PDF format:

www.kao.com/global/en/investor-relations/library/business-strategy-presentations/

Forward-looking statements such as earnings forecasts and other projections contained in this release are based on information available at this time and assumptions that management believes to be reasonable, and do not constitute guarantees of future performance. Actual results may differ materially from those expectations due to various factors.

■ What is the skin protection business?

1. Why we aim to become Global Sharp Top in the sunscreen market
 2. Message from the president of our business in the Americas and EMEA (Executive Officer Karen Frank) (video)
 3. Environmental Skin Protection
- ## ■ Growth strategies

Karen B. Frank
Executive Officer
President, Consumer Products,
Consumer Care Business,
Americas and EMEA

video



Skin Protection Business

What is skin protection?

UV Care



Bioré UV



Prevents sunburn and skin aging by protecting the skin from UV rays.

Self-tanning (Safe Color)



**bondi
sands**



JERGENS

Creates a tanned look without UV exposure (lasts for a few days to a week).

Environmental Skin Protection (repellents, etc.)



**Bioré
GUARD**
ガード



Repels mosquitos from the skin with ingredients that are gentle on the skin. Does not use DEET (an ingredient found in insecticides, etc.)

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Sunscreen is the most important thing to keep your skin healthy and beautiful over your lifetime

1. Market: Over 1 trillion yen globally, a growing industry

- There is room for increase in usage rates due to extremely hot weather on a global scale and rising awareness regarding skin care

2. Competitors: No global top brands

- Challenging market entry due to pharmaceutical laws and regulations

3. Consumers: A social issue; sunscreen is an unsatisfied market*

- Risk of skin aging and skin cancer due to UV
- Many people find the texture of sunscreen uncomfortable and have the experience of getting sunburned despite applying sunscreen.

* A market in which manufacturers are not fully satisfying customer needs; a market in which many consumers are not satisfied

4. Kao: Superior products with our unique technologies

- Achieving sunscreen effects and a pleasant texture at an advanced level
- Even, long-lasting UV protective coating technology and in-house manufacturing technology by our Chemical Business.

1. Market: The Global Sunscreen Market (2022)



2022 global market total

2021: 1,296.1 billion yen →

1,447.8 billion yen

* YoY: 112% * 2017 - 2022 CAGR: 105%

* Global market: calculated by a fixed rate for 2022, from Euromonitor

* Japan's UV care market (including inbound *estimated) excludes counseling products

Europe

2021: 294.8 billion yen →

349.3 billion yen

* YoY: 119%

* 2017 - 2022 CAGR: 104%

Asia

2021: 495.7 billion yen →

504.5 billion yen

* YoY: 102%

* 2017 - 2022 CAGR: 104%

Of which, Japan

2021: 54.3 billion yen →

61.5 billion yen

* YoY: 113%

* 2017 - 2022 CAGR: 97%

North America

2021: 289.8 billion yen →

328.5 billion yen

* YoY: 113%

* 2017 - 2022 CAGR: 107%

Middle East

2021: 50.5 billion yen →

63.8 billion yen

* YoY: 123%

* 2017 - 2022 CAGR: 109%

Of which, China

2021: 298.3 billion yen →

282.7 billion yen

* YoY: 95%

* 2017 - 2022 CAGR: 110%

Central and South America

2021: 141.9 billion yen →

176.0 billion yen

* YoY: 124%

* 2017 - 2022 CAGR: 107%

1. Market: Post-COVID Business Opportunities in Sunscreen

Changes in
lifestyles

Changes in
behavior

Sunscreen
market

Value
expected
of
sunscreen

2020
COVID-19

No interactions, no going out

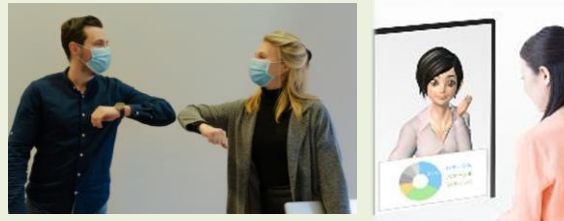


Protect yourself



2021
Adapting to the new normal

Reviewing conventional
lifestyles



Keeping up good
health/outdoor activities



Going forward



Global warming
Respond to extremely
hot environment



- Enjoy activities
- Future health and beauty
- Stress-free skin
- Sustainable (skin and environment)



Market downsizing

Even resilient at
the beach



Daily use



Makes skin look good



Market recovery

Withstands harsh
environments/reapplication



2. Competitors: Sunscreen Market Ranking by Brand in 2022

* Giant global brands do not have a strong presence because laws and regulations make market entry difficult.

[Sunscreen category] Japan: Cosmetics

[Sunscreen category] USA: OTC drug

	世界		アジア		ヨーロッパ		北米		中南米	
	100%		35%		22%		23%		12%	
1	Nivea	6.8	Anessa	10.4	Nivea	17.0	Banana Boat	13.3	La Roche-Posay	12.8
2	La Roche-Posay	5.3	Bioré	5.6	Garnier	12.2	Neutrogena	11.9	Johnson's	11.9
3	Anessa	3.6	Mistine	4.5	La Roche-Posay	6.4	Coppertone	11.2	Nivea	10.0
4	Banana Boat	3.6	Shiseido	3.8	Avène	6.2	Supergoop	5.6	Dermaglós	4.5
5	Neutrogena	3.5	Mentholatum	3.8	Isdin	3.8	La Roche-Posay	5.6	Natura	4.1
6	Garnier	2.9	Lancôme	3.2	Piz Buin	2.9	Hawaiian Tropic	4.3	Neutrogena	3.6
7	Coppertone	2.7	Nivea	2.8	Vichy	2.1	Sun Bum	4.0	Episol	3.5
8	Shiseido	2.1	Winona	2.5	Lancaster	2.0	CeraVe	3.2	Eucerin	3.4
9	Bioré	2.0	L'Oréal Paris	2.4	Clarins	1.7	Shiseido	2.4	Vichy	3.3
10	Avène	1.8	Meifubao	2.2	Bioderma	1.6	Aveeno	1.7	RoC	2.8

Beiersdorf

L'Oréal

Shiseido

Johnson &
Johnson

2. Competitors: Bioré Global Expansion



style

Bioré

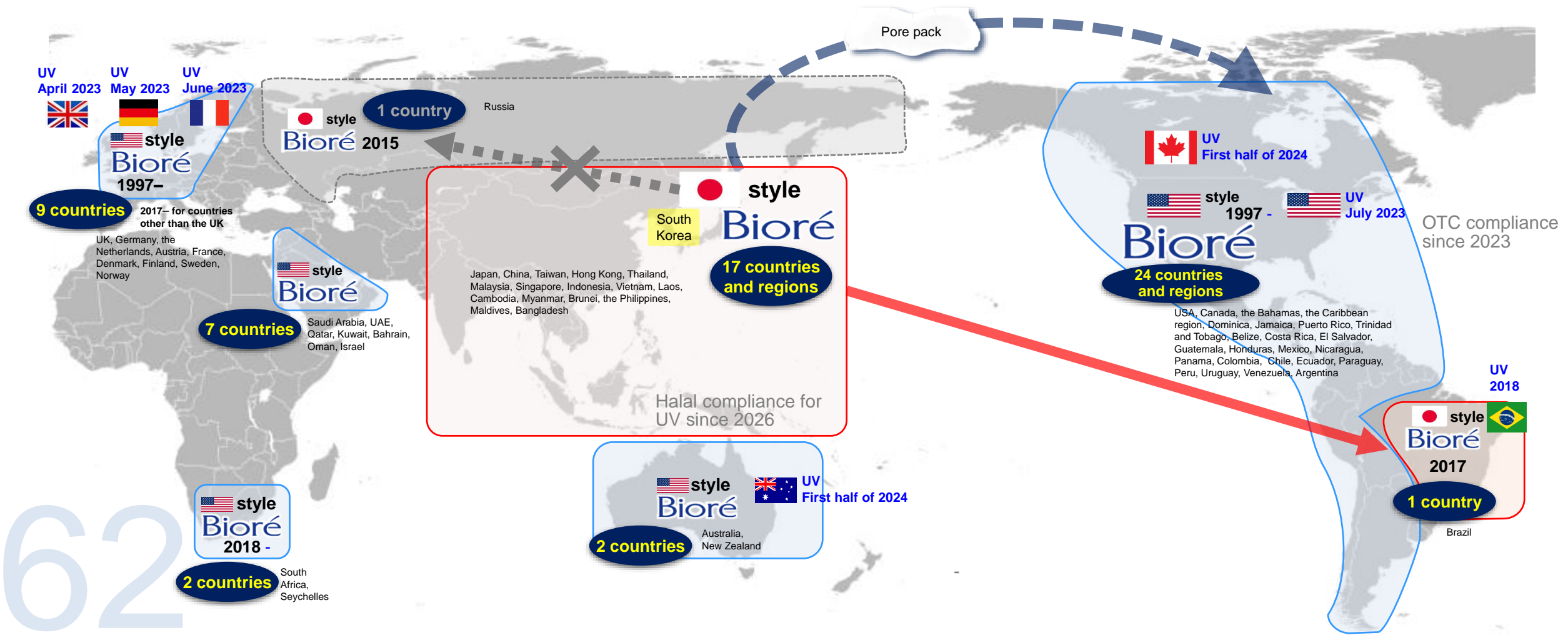
18 countries and regions



style

Bioré

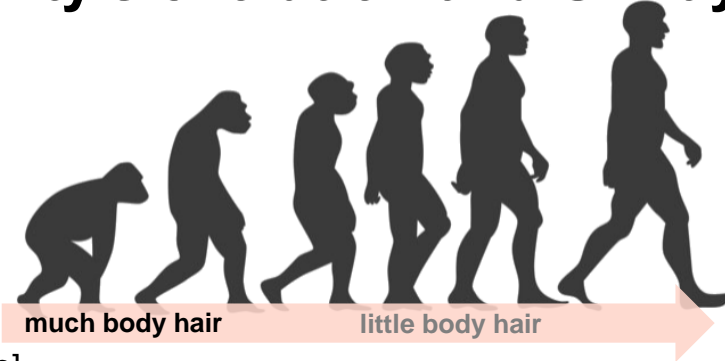
44 countries and regions



62

3. Consumers: Reason for Using Sunscreen

(1) Humanity's evolution and UV rays

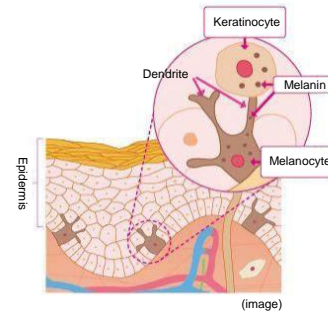


[200,000 years ago]

Homo sapiens, which emerged from the African savanna,

had skin that generates melanin pigments to protect themselves from UV rays by a means other than hair.

(2) Functions of melanin



[Skin's good friend]

Pigment that protects healthy skin from UV rays
* Natural UV care/sunglasses

[Beauty's enemy]

Causes brown spots
* If turnover cannot keep up and accumulates

Thanks to the function of melanin, the horny layer acquired the ability to protect the skin from UV rays.

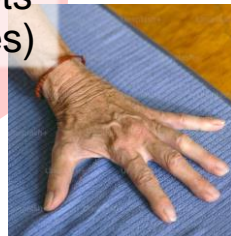
(3) Sunscreen to protect from the effects of UV rays that cannot be fully prevented by melanin

— How UV rays impact skin —

Sunburn
(red spots,
blackening)



Photoaging
(brown spots
and wrinkles)



Skin cancer



Over 3 million people develop skin cancer each year.

(Number of patients in the USA in 2012)

This is a social issue for everyone on earth.

Source: Howard W Rogers etc. "Incidence Estimate of Nonmelanoma Skin Cancer (Keratinocyte Carcinomas) in the U.S. Population, 2012":
<https://pubmed.ncbi.nlm.nih.gov/25928283/>

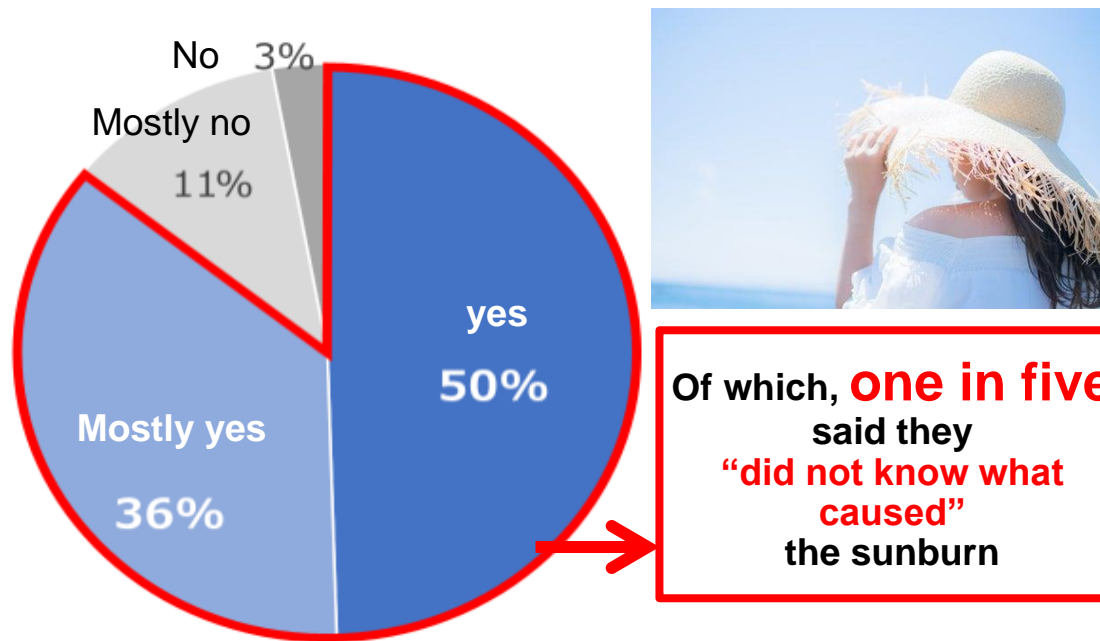
3. Consumers: Reason for Using Sunscreen

Sunscreen market = Unsatisfied market

* A market in which manufacturers are not fully satisfying customer needs; a market in which many consumers are not satisfied

■ Consumer voices (Japan)

Q: Have you ever gotten sunburned despite using sunscreen products? (1,545 Japanese females)

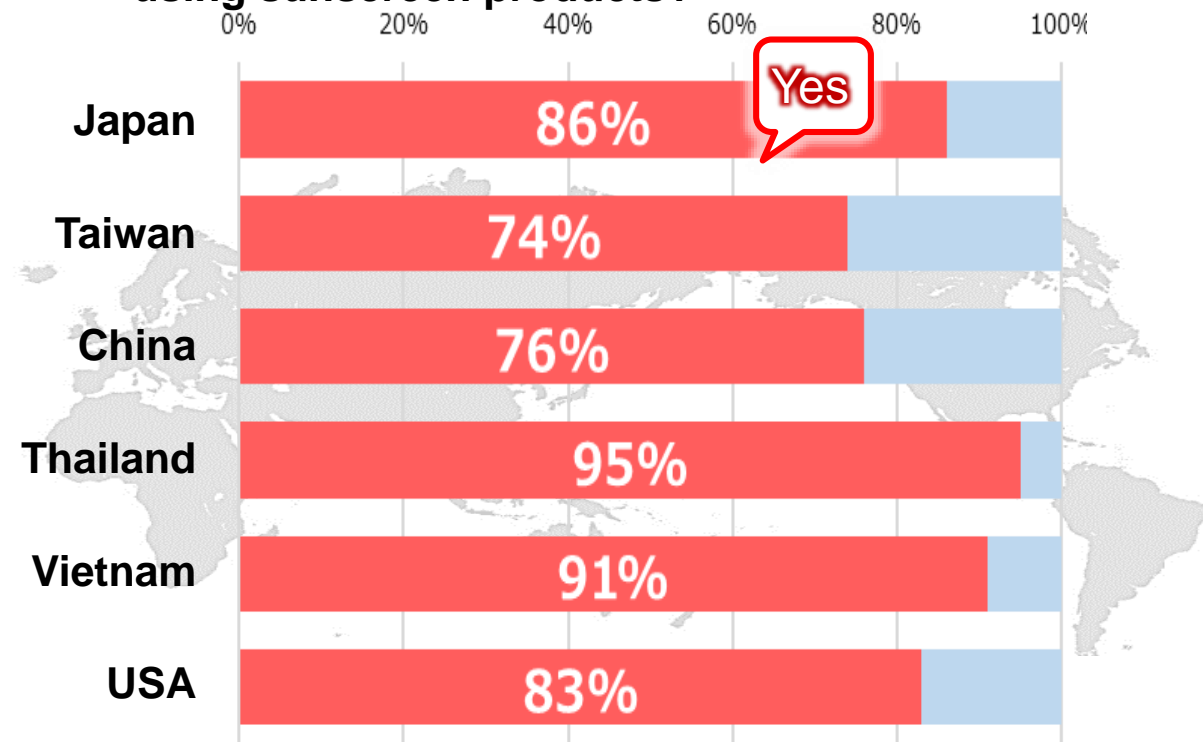


* Survey by Kao: 2019 N = 1,545 (Japanese females aged 12 - 59)

Consumers all over the world are concerned about what to do about UV-rays for their skin

■ Consumer voices (global)

Q: Have you ever gotten sunburned despite using sunscreen products?



* Survey by Kao (2016)

4. Kao: Kao's Unique UV Care Technology

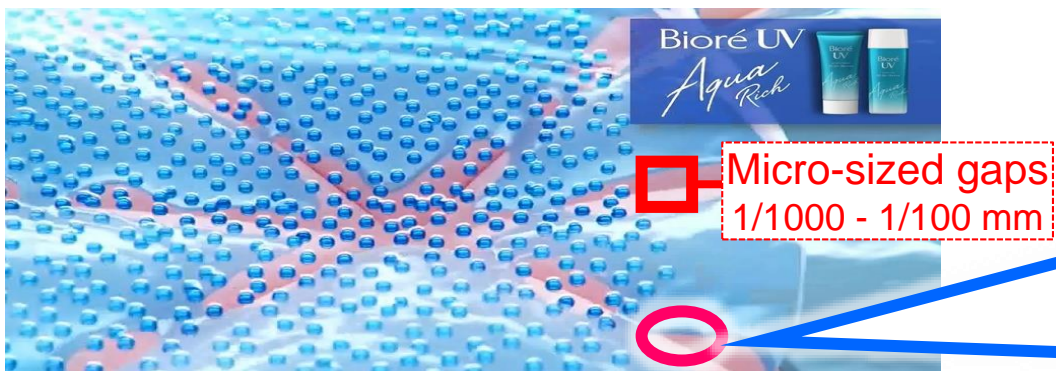
Why do people get sunburned despite using UV care products?

➔ Micro-sized gaps are left when applying a UV-protection product

World-first

Even, long-lasting UV-protection coating technology that covers the skin, even micro-sized gaps

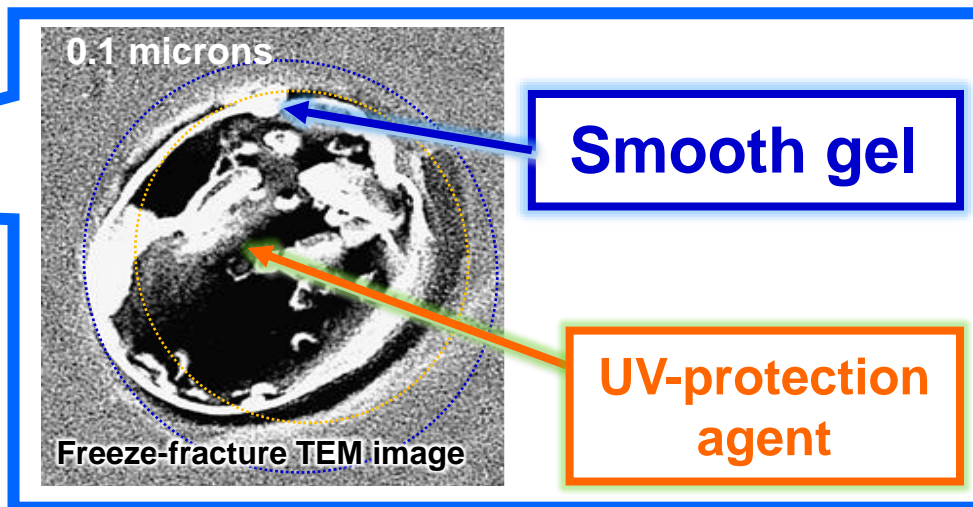
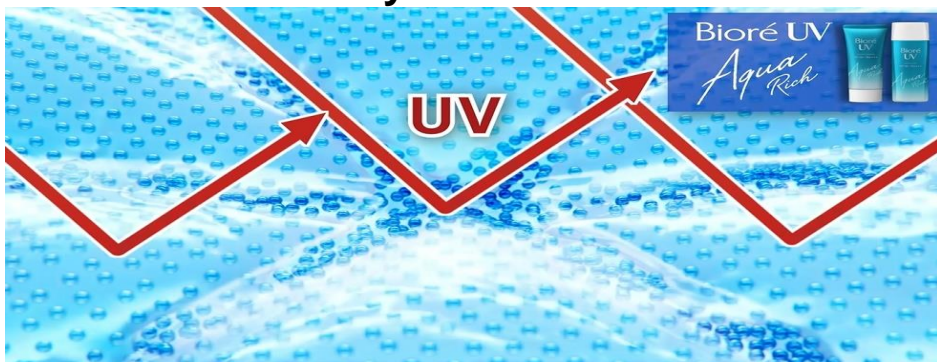
(1) Micro UV-cutting capsules cover tiny gaps



(Patent being filed)

Developed approximately 1/10,000 mm-sized capsules with a UV-protection agent inside

(2) Forms a layer of even UV-protection coating to cut out UV rays



While maintaining a fresh and light feel, covers the skin, even micro-sized gaps!

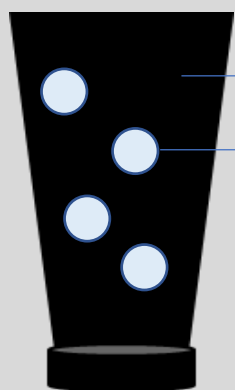
* The sizes and formulation shown in the images are for illustrational purposes only.

4. Kao: Kao's Unique Technology: Manufactured In-house



Our Chemical Business's in-house manufacturing technology (patented)

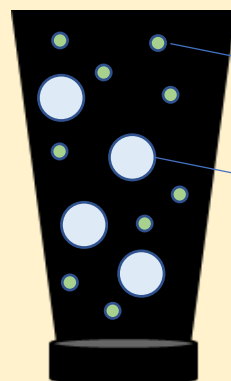
Previous product



Aqueous phase
UV-protection
agent (oil)

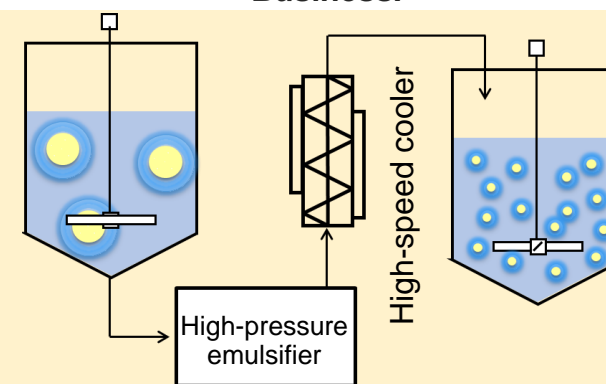
The formula contains a UV-protection agent.

Kao technology



Capsules with a UV-protection agent inside
UV-protection agent (oil)

Kao **has technologies to create agents from cosmetic ingredients in-house** because of our Chemical Business.

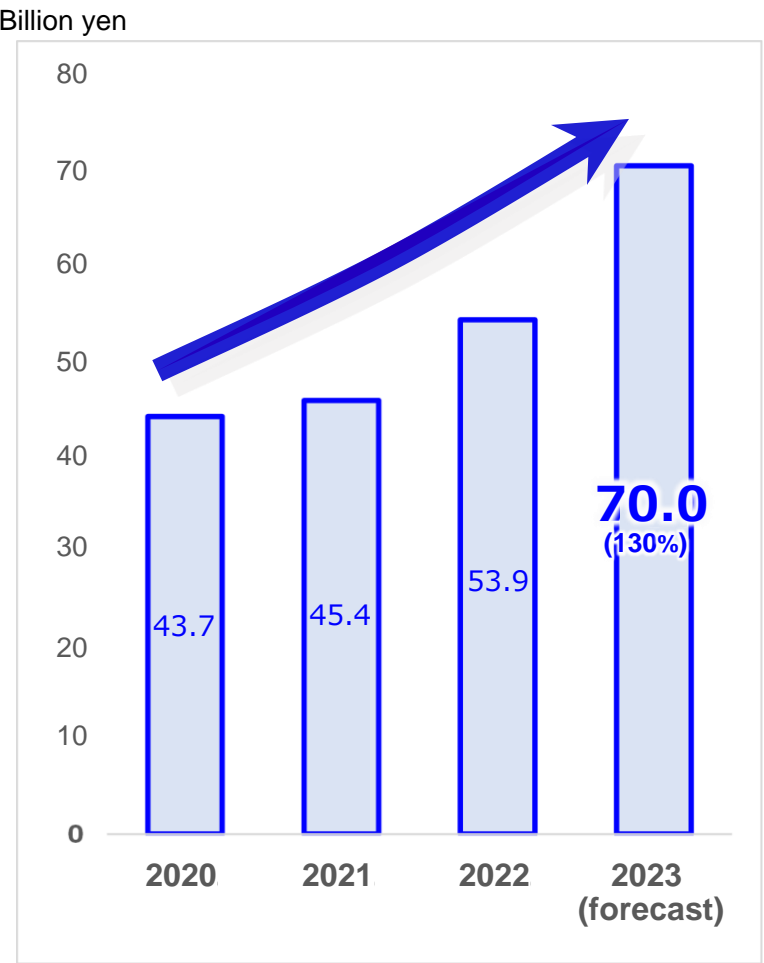


The UV-protection agent is encapsulated and formulated in the product.
⇒ **A sunscreen that covers every part of the skin** (patented)

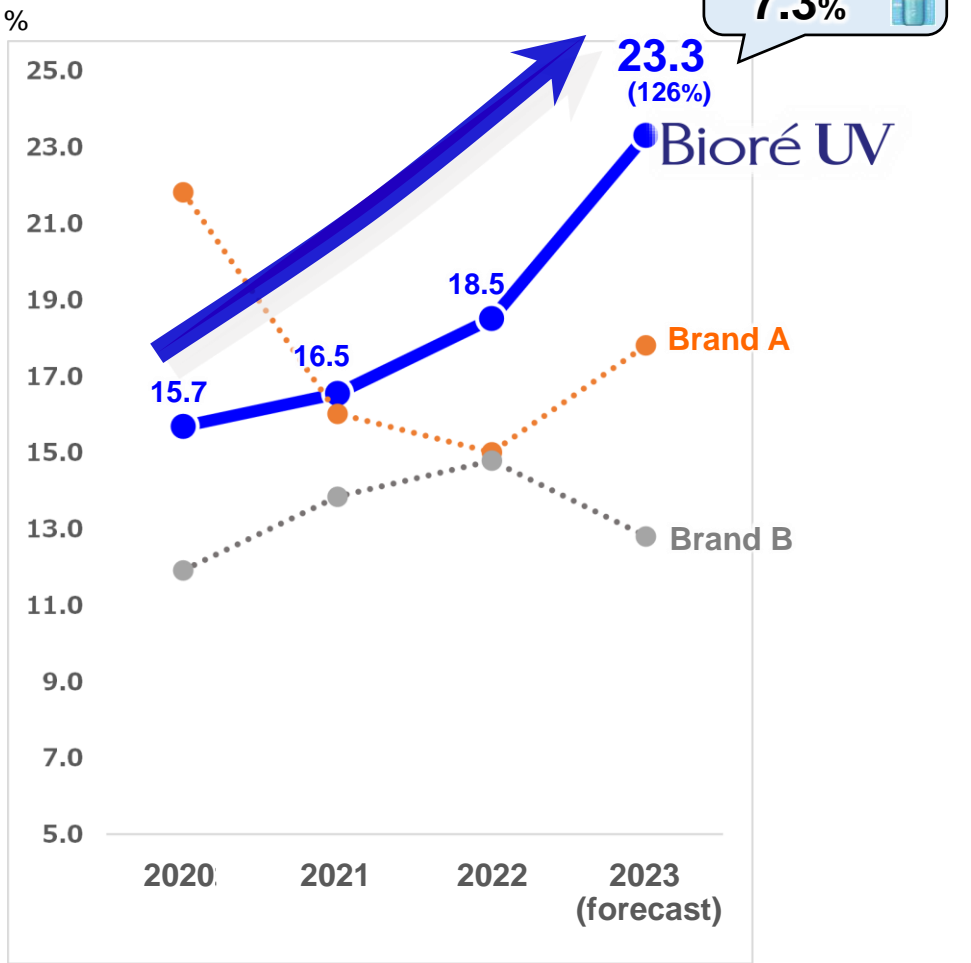
4. Kao: Sunscreen Market/Value Share/Sales (Japan)

Intage SRI + Sunscreen

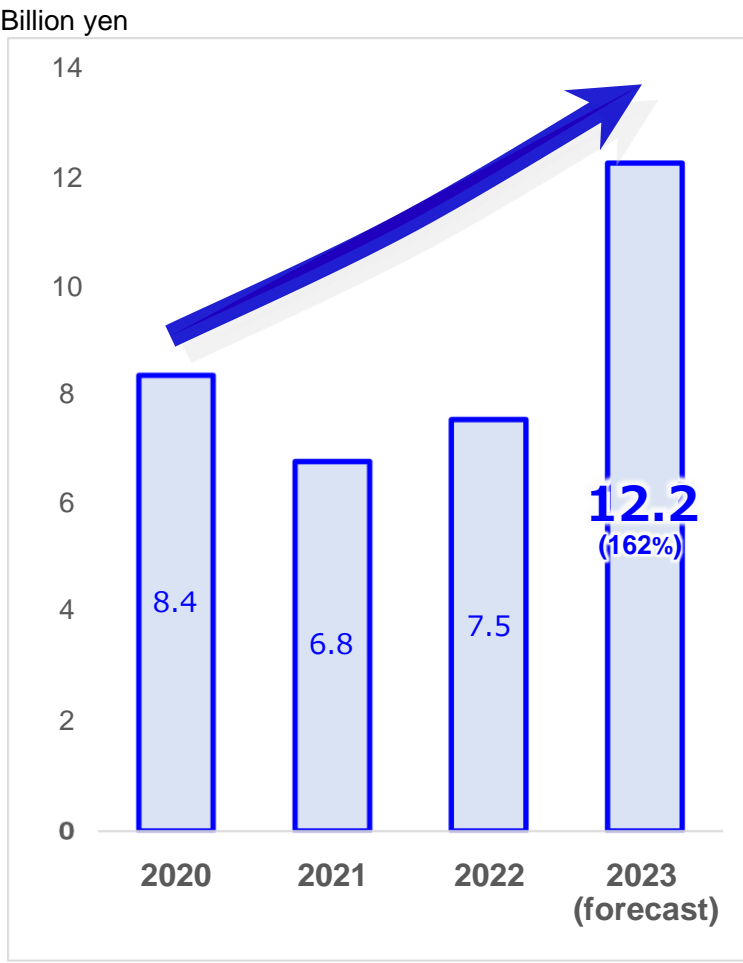
[Market]



[Value Share]



[Sales]



2023
Bioré UV care
YoY growth rate

Market: 130% × Share: 126% = Shipment: 162%

Post-COVID market recovery Launch of market-creating products Sales far exceeding the previous year

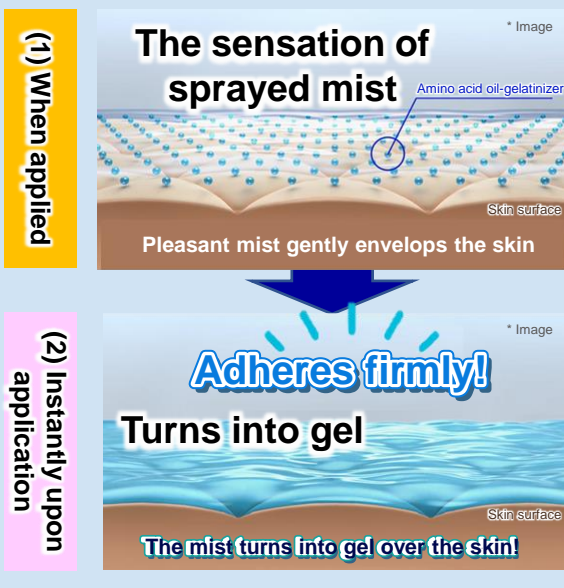
* 2023 shipment forecast: 7.04 million units = 4.03 billion yen

4. Kao: Bioré UV Aqua Rich Aqua Protect Mist

New development



Non-gas mist type

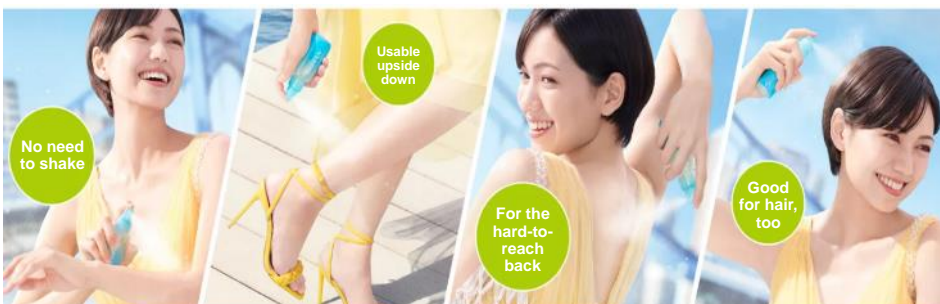


©Resolves hidden dissatisfaction

“I cannot do UV care properly away from home.” “I cannot treat my hair, the back of my neck, and my back.”

“Sprays are handy, but I am not too keen on them (it’s hard to throw them away, and they make me cough).”

Use any time, anywhere to immediately protect the entire body!



Non-gas mist



Causes no noise



No need to remove gas
No gaseous odor



Perfect if you do not want to smear your hands, and if you are feeling lazy and find it bothersome to apply an item. Spray types spread and cause trouble for others, but since this is a mist, there are no such worries! This is really too good!

I love it because I can spray it quickly when I need it. It is non-gas so I can leave it in my car even in the searing summer heat.



Simultaneous purchase rate during the period 88%

* Kao survey (February 6 - August 5)

Reception by mass media

• Nikkei Trendy June 2023 issue

Grand prize in the beauty and fashion division of the 2023 First Half hit product award

• Selected as one of the hit products in the Nikkei MJ hit product rankings for 2023 First Half, among others.



Popular for reapplying away from home and for hair, it is purchased as an add-on to other sunscreen.

The Skin Protection Business

What is skin protection?

UV Care



Bioré UV

Prevents sunburn and skin aging by protecting the skin from UV rays.

Self-tanning (Safe Color)



**bondi
sands**



JERGENS

Creates a tanned look without UV exposure (lasts for a few days to a week).

Environmental Skin Protection (repellents, etc.)



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ガード



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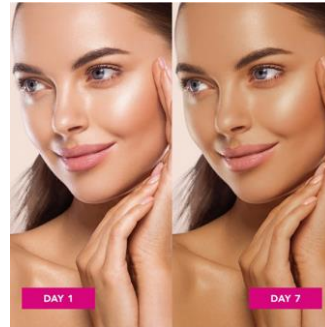


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Environmental Skin Protection

■ Serving society in fighting Dengue fever, a social challenge, through Bioré repellents



Dengue fever

Estimated number of people infected annually: 390 million
About 20,000 deaths



Mostly in Asia and Central & South America

■ Characteristics of Kao's repellents: Proposing skin care repellents for daily use and family use

Repellents proposed by insecticide manufacturers

General mosquito measures in Thailand
Difficult to use, worrisome → Family members cannot be around when using the items
Repellents: DEET is worrisome (caution needed during use), odor, becoming sticky
Insecticides: Harmful to humans too / Rackets: dangerous for children



Proposing safe, secure skin care

Can be used by every member of the family, and the family can stay close when members use the item



After using the Mos Block Serum we forgot about the mosquitos!

It is easy to use and blends into skin quickly so kids can play safely outside











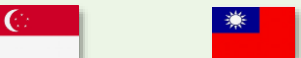


Bioré GUARD
Mos Block Serum

Turns the skin surface into a barrier that mosquitoes cannot land on (skin care technology)

June 2022
Launched in Thailand

Skin Protection Business Targets

	2021–	2024–	2027–
UV Care	Product innovation 		
	Regional expansion 		
	Expansion of brands		 Application of Kao technologies
Self-tanning	Expansion of brands 		M&A Assessment of the potential of alliances Launching of cross-border products
Environmental Skin Protection	Expansion to more regions 		

Accelerated by simultaneously advancing product expansion × regional expansion × expansion of brands **Synergy can be expected**

Skin Protection Business Sales Targets (2027)



2027 total global sales

43.0 billion yen → **74.0** billion yen

(UV Care: 48.0 billion yen Self-tanning: 26.0 billion yen)
* Excludes Environmental Skin Protection



Europe

6.0 billion yen → **9.0** billion yen

Bioré bondi sands

Asia

19.0 billion yen → **34.5** billion yen

Bioré bondi sands

Of which, **Japan**

12.0 billion yen → **13.0** billion yen

Bioré

North America

12.0 billion yen → **20.0** billion yen

Bioré bondi sands JERGENS



Of which, **China**

2.0 billion yen → **12.0** billion yen

Bioré bondi sands

Australia

4.0 billion yen → **5.5** billion yen

Bioré bondi sands



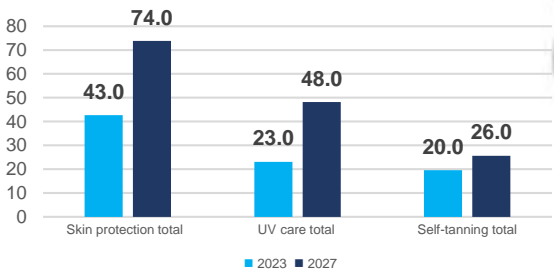
Central and South America

0.5 million yen → **2.5** billion yen

Bioré bondi sands



Sales targets 2023 → 2027



By 2030, we aim to achieve sales of 100 billion yen by combining repellents and technologies with brand synergy.

Aim to Be No. 1 Globally in the Skin Protection Market by 2027

2022 rankings

	Global		Asia		Australia		Europe		North America		Central & South America	
	6.4		14.0 (Euromonitor basis) 10.0 (Nielsen basis)		2%		21.0		23%		25%	
1	Nivea	6.4	Anessa	10.4	The Cancer Council Australia	13.7	Nivea	15.8	Banana Boat	11.5	La Roche-Posay	12.5
2	La Roche-Posay	5.0	Bioré	5.6	La Roche-Posay	12.0	Garnier	12.1	Neutrogena	10.7	Johnson's	11.7
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7	Coppertone	2.5	Nivea	2.8	SunSense	4.2	Vichy	2.1	Hawaiian Tropic	3.8	Vichy	3.5
8	Shiseido	2.0	Winona	2.5	Le Tan	4.1	Lancaster	2.0	Jergens	3.5	Episol	3.4
9	L'Oréal Paris	1.9	L'Oréal Paris	2.4	Neutrogena	4.0	Clarins	1.8	St Tropez	3.0	Eucerin	3.3
10	Bioré	1.9	Meifubao	2.2	Invisible Zinc	3.7	Bondi Sands	1.7	CeraVe	2.7	RoC	2.7

Beiersdorf

L'Oréal

Shiseido

Johnson & Johnson

2027 target

UV care 4.2
Self-tanning 2.2

UV care 14.0
Self-tanning —

UV care 9.0
Self-tanning 12.0

UV care 1.8
Self-tanning 3.4

UV care 1.6
Self-tanning 4.9

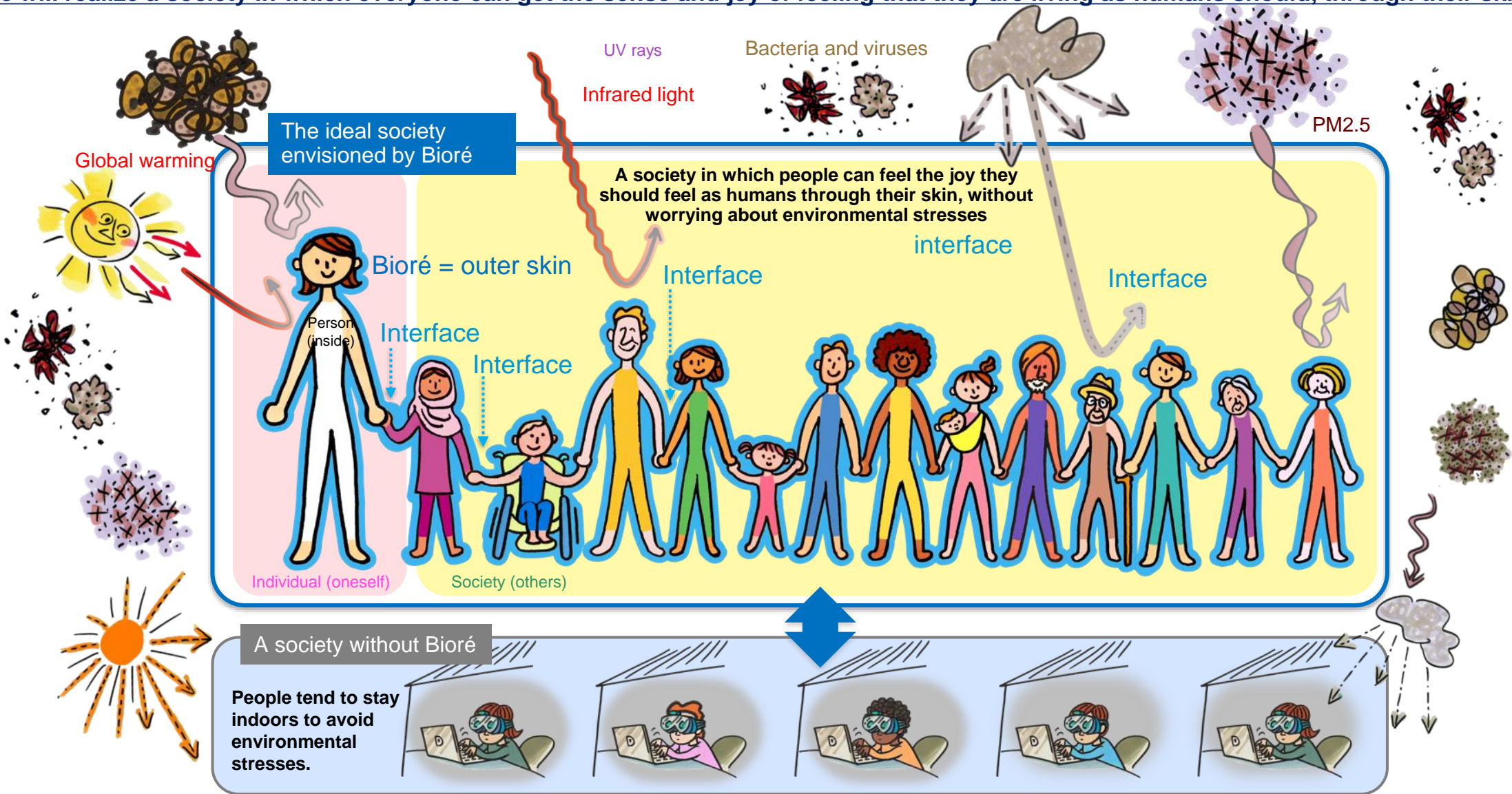
UV care 1.2
Self-tanning —

Research sources: FY2022 Euromonitor Skincare protection = Sun Protection market, Self-Tanning market Jergens' self-tanning has been included in the Body Care market and the Self-Tanning market cannot be isolated, the estimate was made by 2022 Kao sell-in based base lotion and the self-tanning ratio
2027 targets: Sun Protection market and Self-Tanning market considered and calculated


Bioré Brand Purpose

“Skin” is a “human interface” that connects people’s insides and outsides as well as people and society.

Bioré will realize a society in which everyone can get the sense and joy of feeling that they are living as humans should, through their skin.



The Spirit of Kao's Skin Care Business



As environmental stresses
become more severe,
bring about a society in which **everyone smiles,**
released from skin stress through our skin protection
business, which **has tangible effects**



Kao

Kirei—Making Life Beautiful

