

The background of the slide features a dark blue, textured surface with a subtle pattern of light blue and white dots, resembling a starry sky or a digital interface. In the center, there is a large, glowing, circular graphic that looks like a target or a compass rose, with concentric circles and radial lines. A human hand is visible on the left side, reaching towards the center, and a robotic arm is visible on the right side, also reaching towards the center. The overall theme is technology and innovation.

Kao

Kirei—Making Life Beautiful

Kao DX Strategy Briefing Session

Acceleration of the “*Global Sharp Top Strategy*” through DX

June 20, 2024

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Managing Executive Officer
Senior Vice President
DX Strategy, Kao Corporation

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.

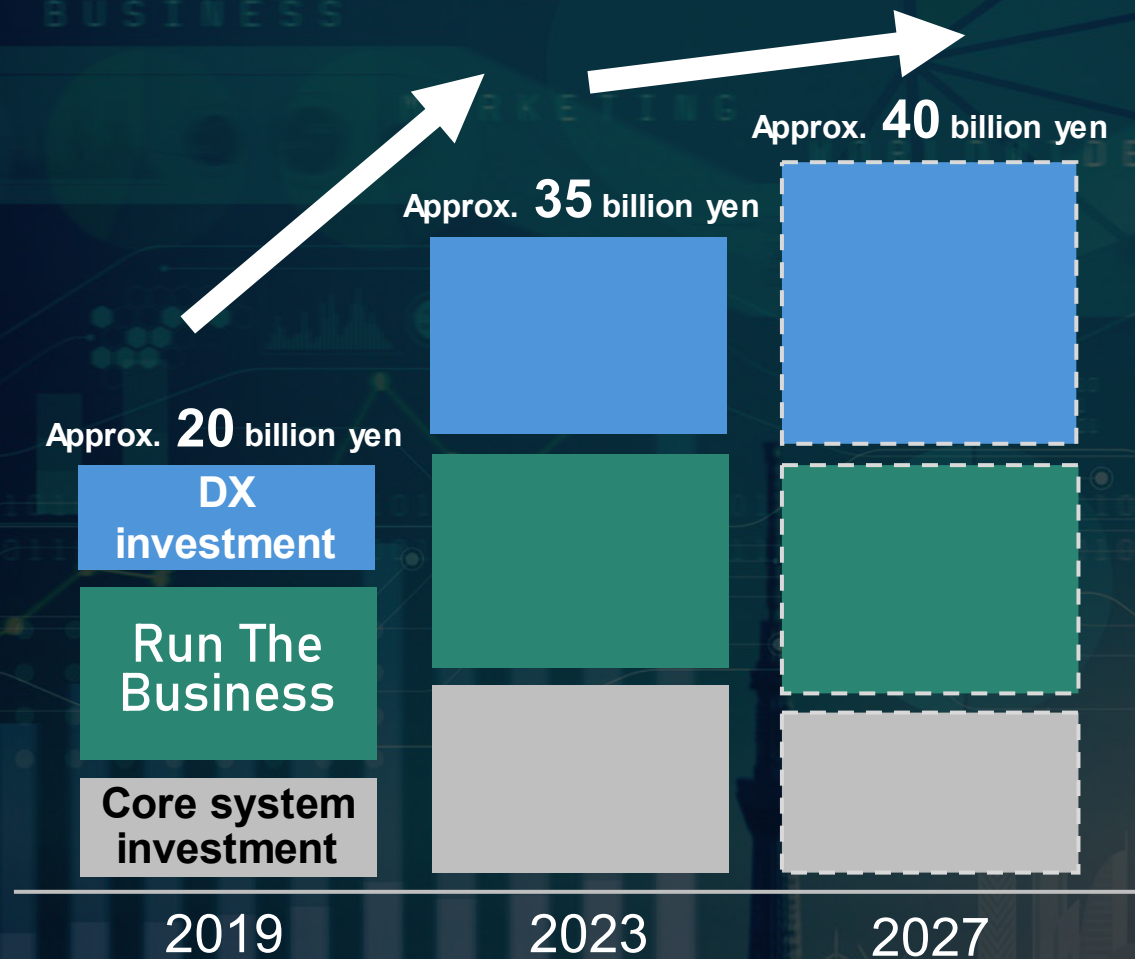
- Scale of digital investments and future investment plans
 - Explanation behind return on digital investment
 - Kao's competitive advantage in DX
-
- Kao's DX strategy and achievements to date
 - Results in product development, SCM, and marketing
 - Application of DX to marketing
 - Relevance to Precision Life Care
 - Status of database construction and the talented people who work with the data
 - Status of first-party data acquisition and future policy

Current and future digital investments

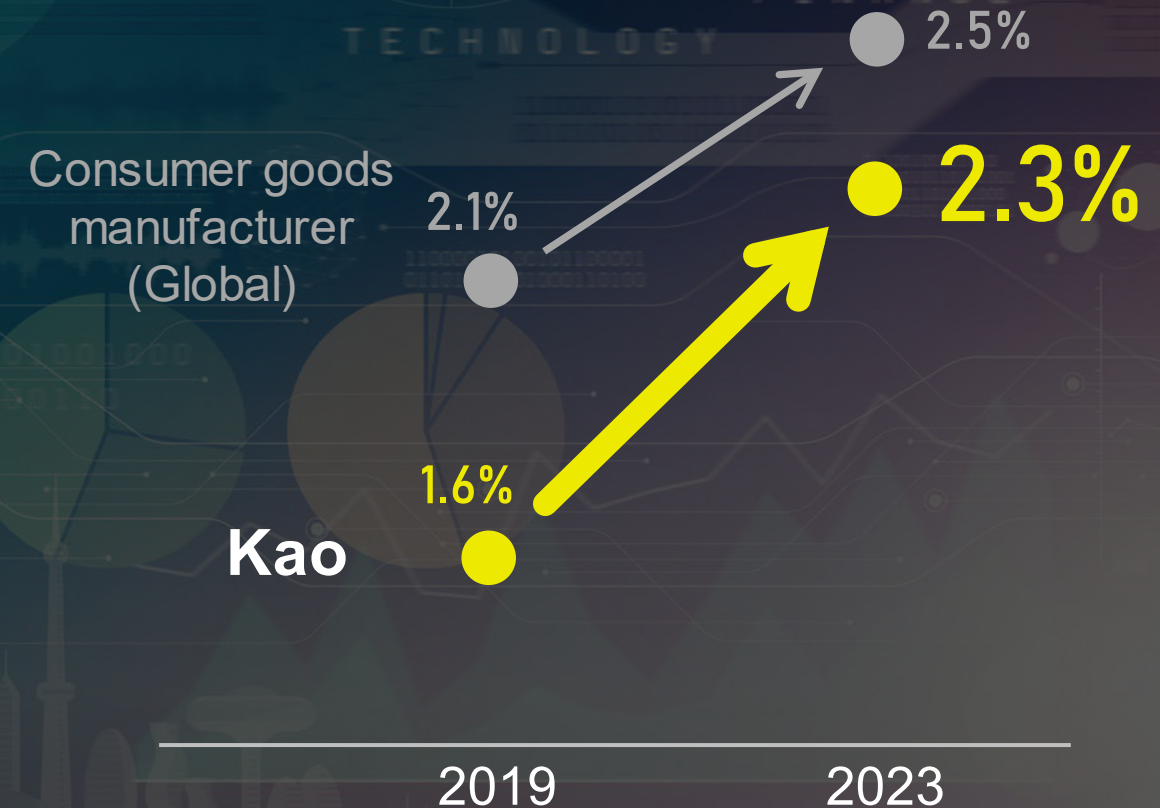
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Digital investment trends

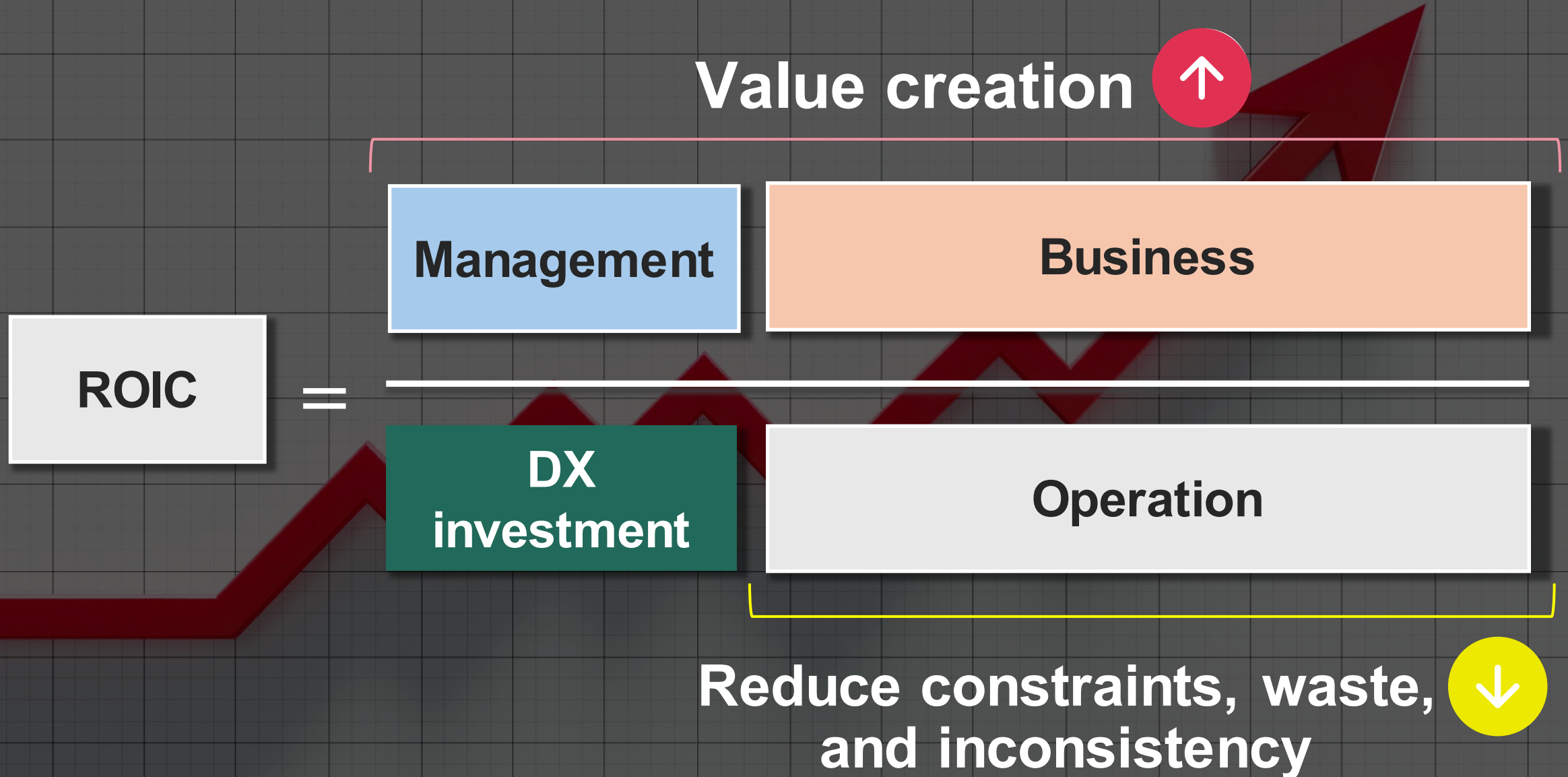


Peer Comparison of DX Investment against Sales*

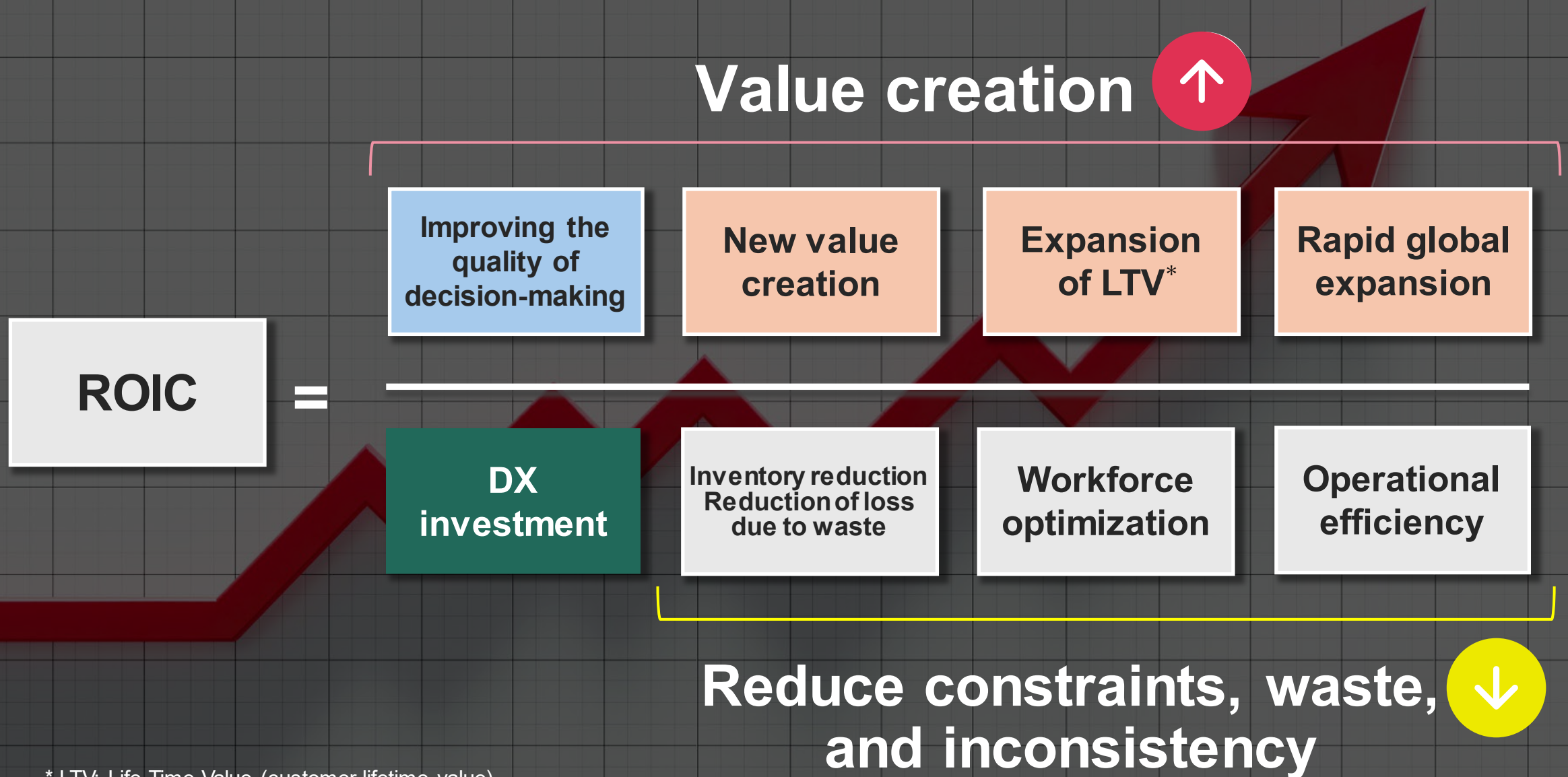


* Projected figure, based upon projected 2023 IT spending provided by Gartner clients.

ROIC management for Kao DX investments



ROIC management for Kao DX investments



* LTV: Life Time Value (customer lifetime value)

Kao i-Lake supporting data-driven management

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Data maintenance

- '68 UNIVAC418II in operation
- '79 KAO MIS in operation
- '93 Data Lake Concept 1.0
- '03 ERP (SAP) implementation
- '18 Kao i-Lake launch

DX human capital

- '85 Knowledge and information science research laboratory
- '88 Mathematical sciences research laboratory
- '89 Kao system engineering school
- '04 DBM* launched
- '21 Citizen Developers' training

Kao i-Lake



* DBM: Digital Business Management

Agenda

- (1) Kao's DX vision**
- (2) Actions that are already starting to produce positive achievements**
- (3) Current priority actions**
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Agenda

- (1) **Kao's DX vision**
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DX is a creative and disruptive initiative



DX is a creative and disruptive initiative

To accelerate transformation in the new era of competitive rules, old systems, old practices, stereotypes, and past legacies must be discarded and redesigned through digital technology.

**Management
structure**

**Decision-
making**

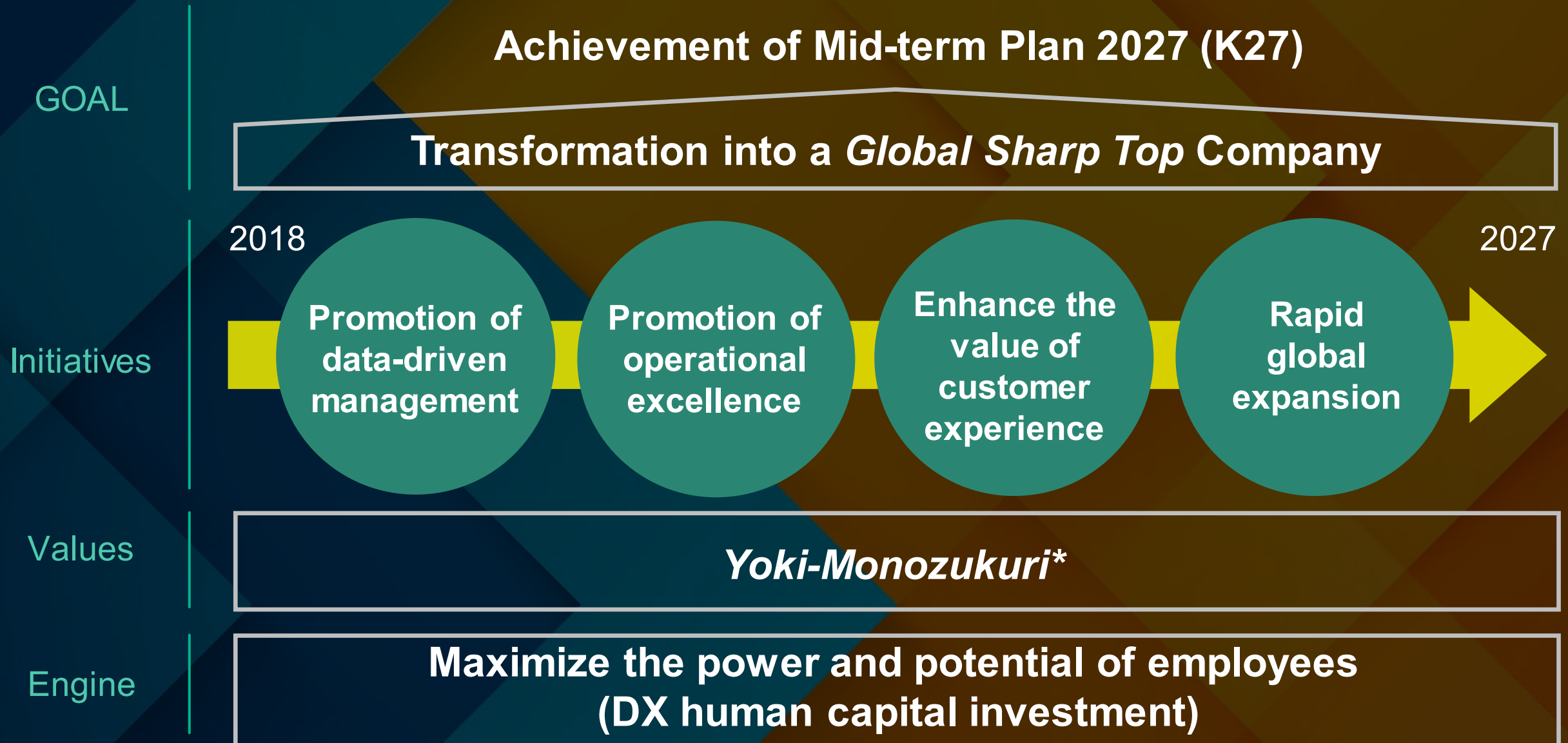
Monozukuri*

**Customer
relations**

* *Monozukuri* means “development/manufacturing of products”.

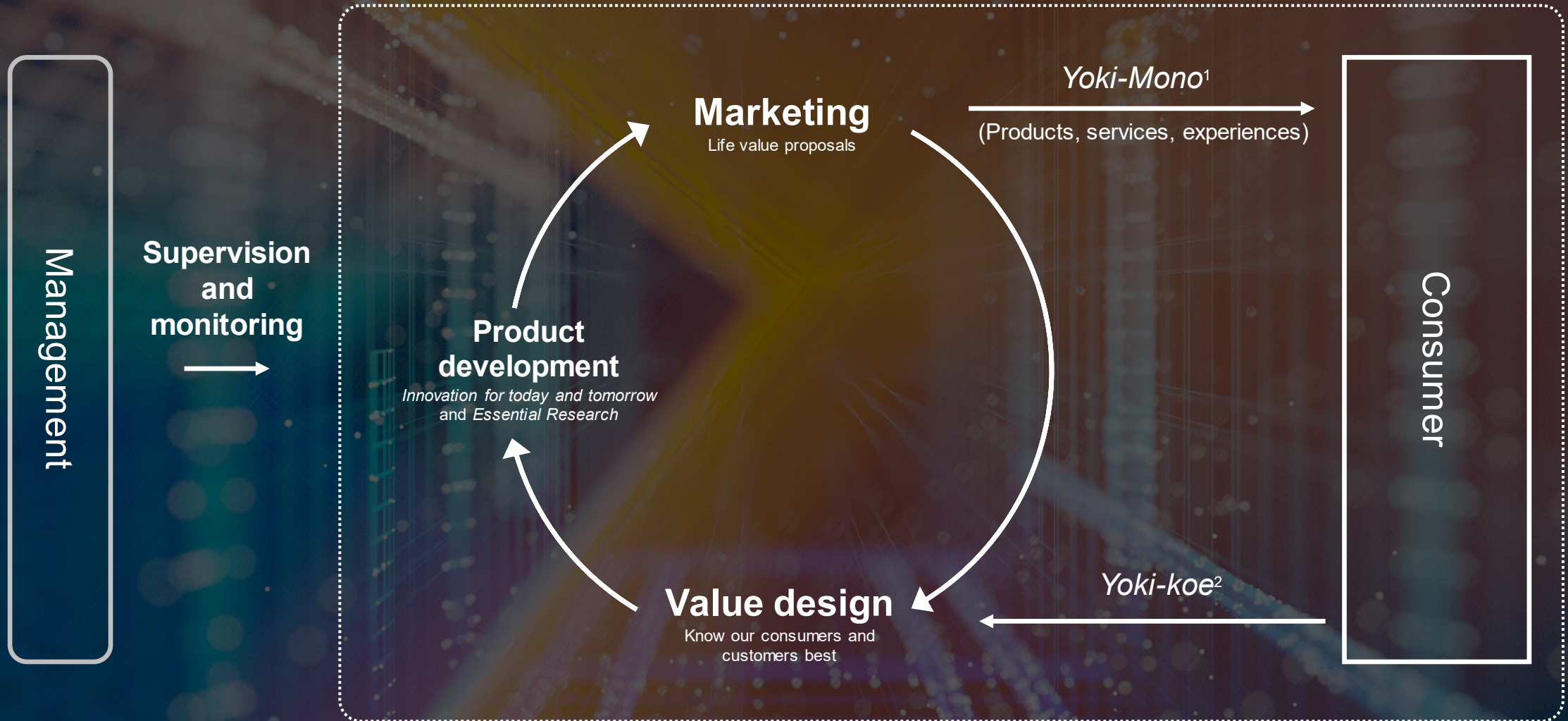
Disrupt legacy systems and accelerate
transformation into a
Global Sharp Top Company through
the power of digital technology and
Human Augmentation.

Overall view of Kao's DX strategy



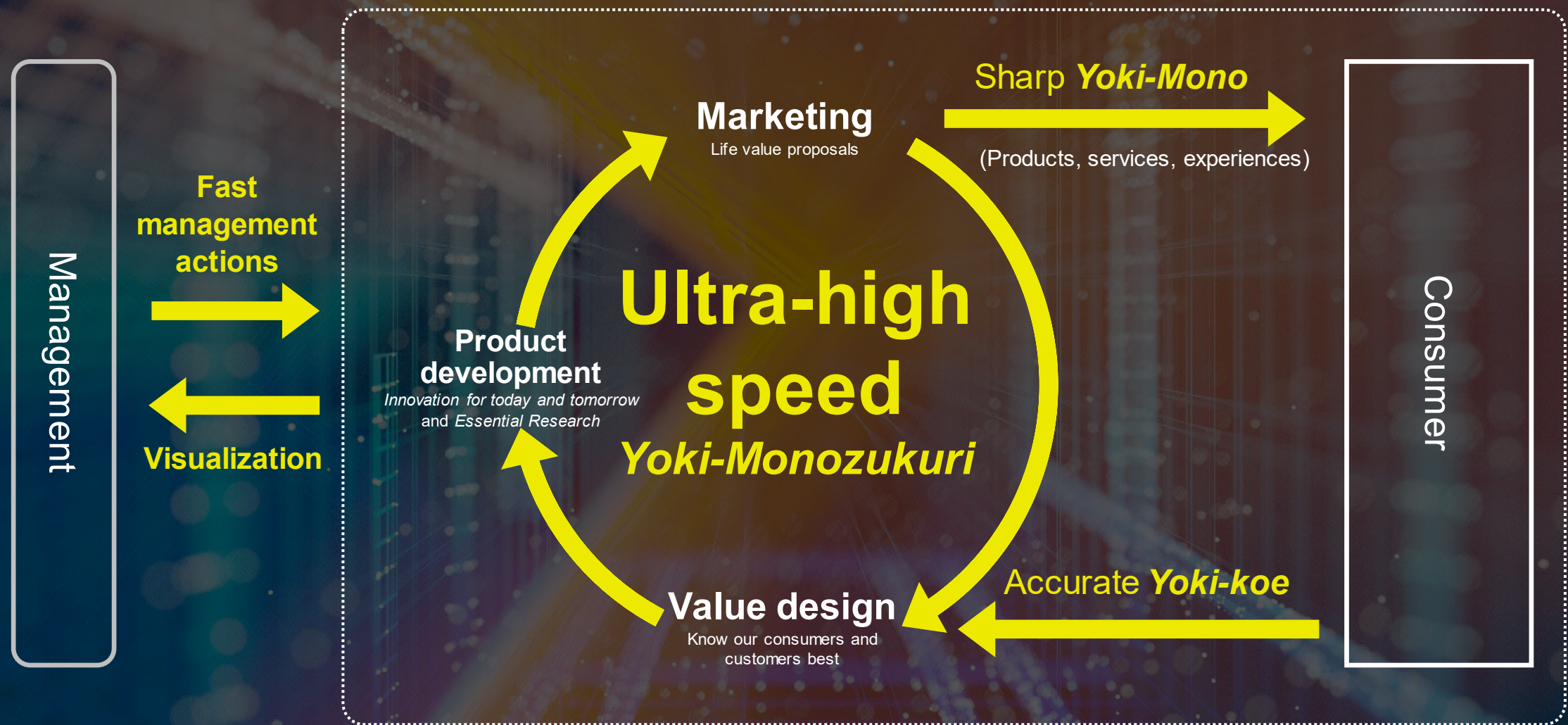
* The Kao Group defines *Yoki-Monozukuri* as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, *Yoki* literally means "good/excellent," and *Monozukuri* means "development/manufacturing of products."

The essence of corporate activities: the “Yoki-Monozukuri” cycle



1. Mono means products

2. Koe means customer response



Overall view of Kao's DX strategy

Achievement of Mid-term Plan 2027 (K27)

GOAL

Transformation into a *Global Sharp Top Company*

2018

2027

Initiatives

**Promotion of
data-driven
management**

**Promotion of
operational
excellence**

**Enhance
the value of
customer
experience**

**Rapid
global
expansion**

Values

Yoki-Monozukuri

Engine

**Maximize the power and potential of employees
(DX human capital investment)**

Development of DX human capital

KaO

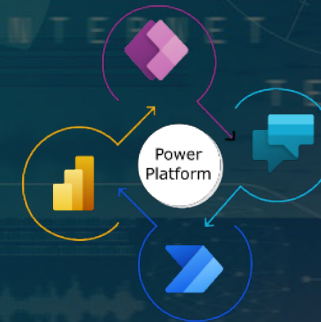
Kirei—Making Life Beautiful

Playing an active role as citizen developers

Employees who are not IT technicians, but who identify familiar business issues and work to improve business processes by themselves using IT tools



Number of Microsoft Power Platform developers



3,000 employees

1,500 employees

80 employees

2021

2023

2027

Development of DX human capital

KaO

Kirei—Making Life Beautiful

Skill development programs for all employees

2023



12,000 employees

2024

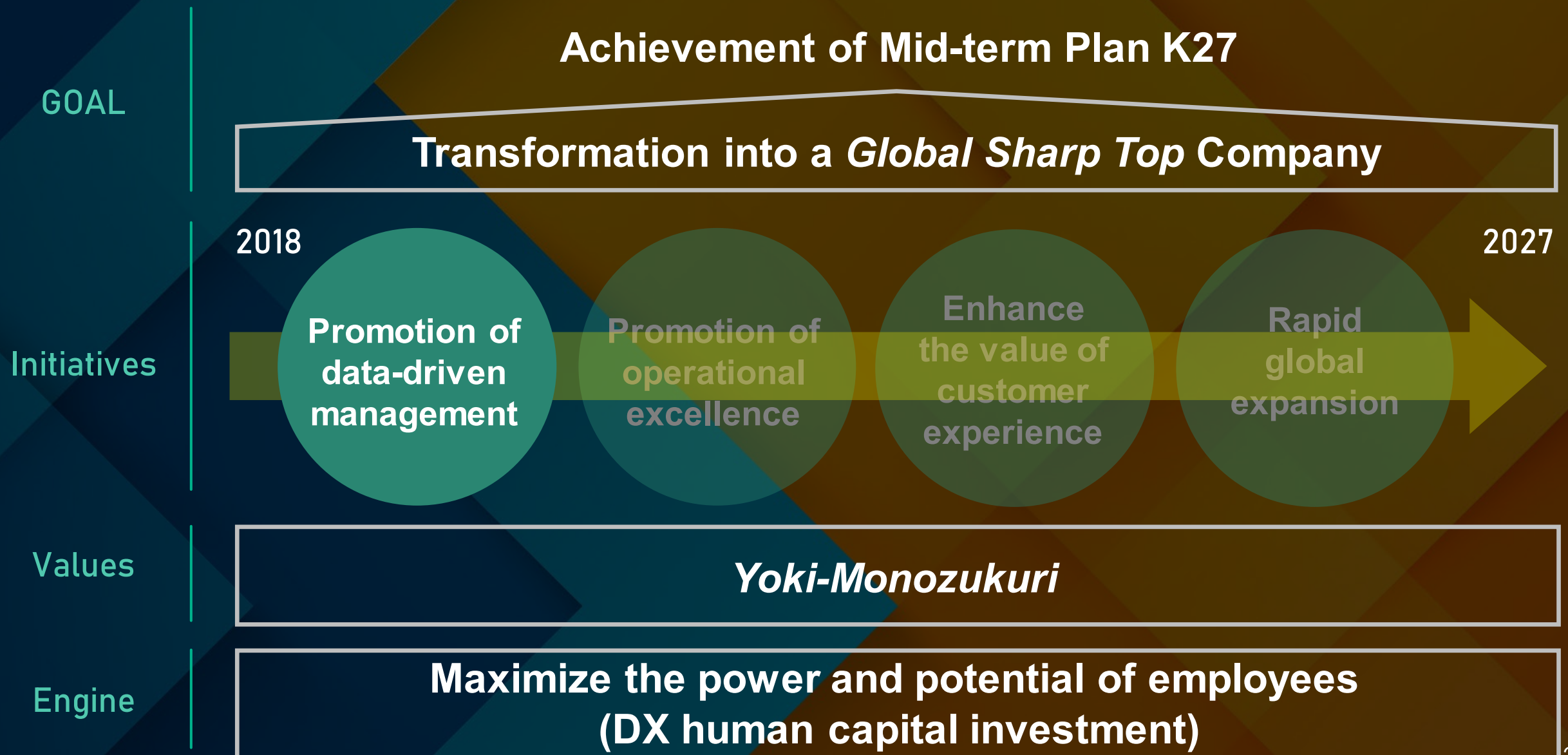
A.I. ACADEMY



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Overall view of Kao's DX strategy



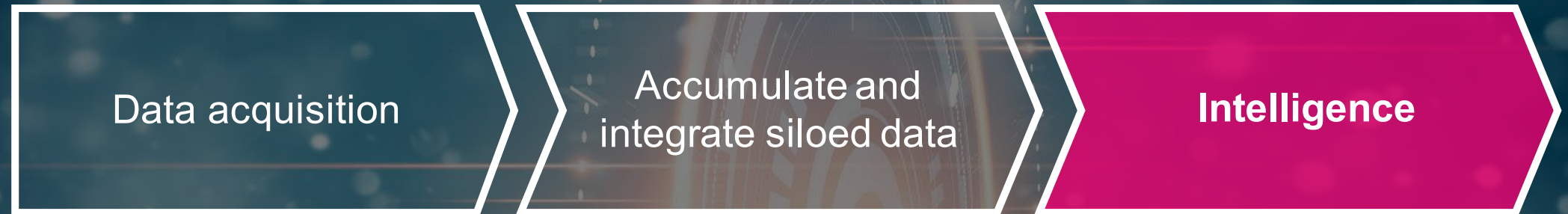
25 billion yen

Successful strategic price increases

Kao i-Lake supported strategic price increases of 25 billion yen* and expansion of market share.

* Japanese market 2022 vs. 2023

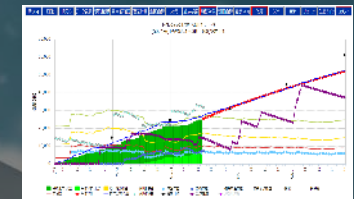
Kao i-Lake supporting data-driven management



- Accounting (ERP)
- R&D
- Production & Logistics
- Sales & Inventory
- Human resources
- Market information
- Customers' voice



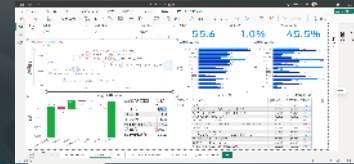
GMAP¹



Inventory monitoring



S&OP² simulation



Marginal profit rate monitoring



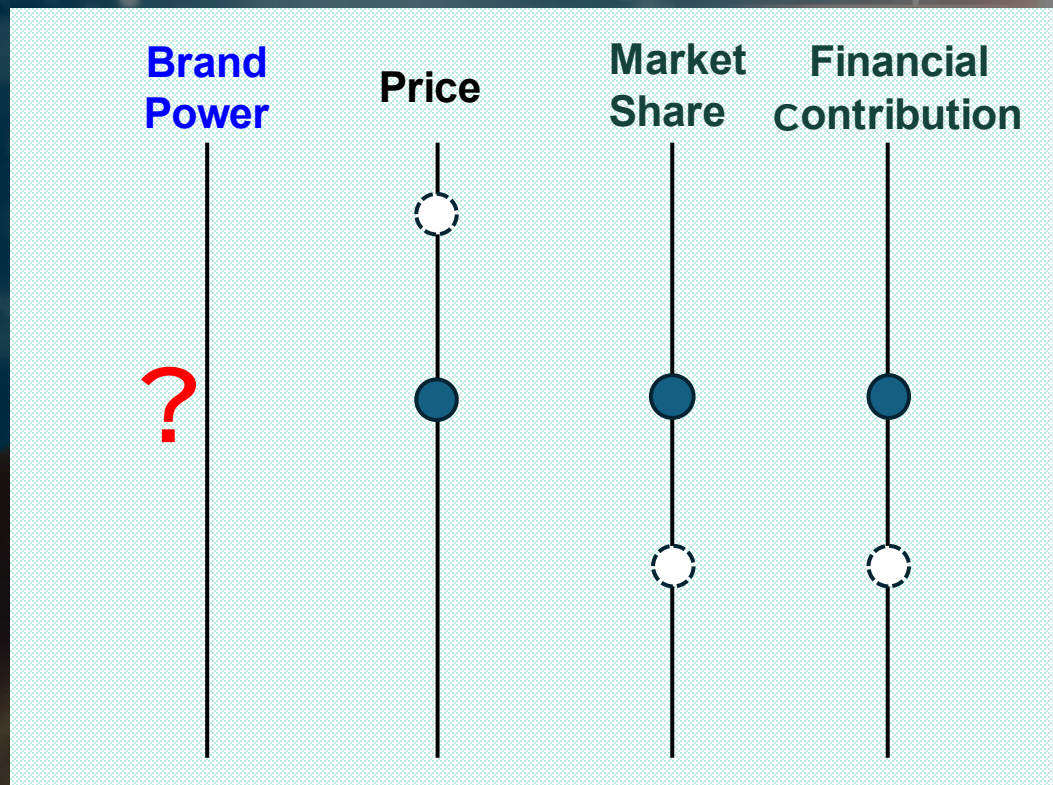
Digital clairvoyance



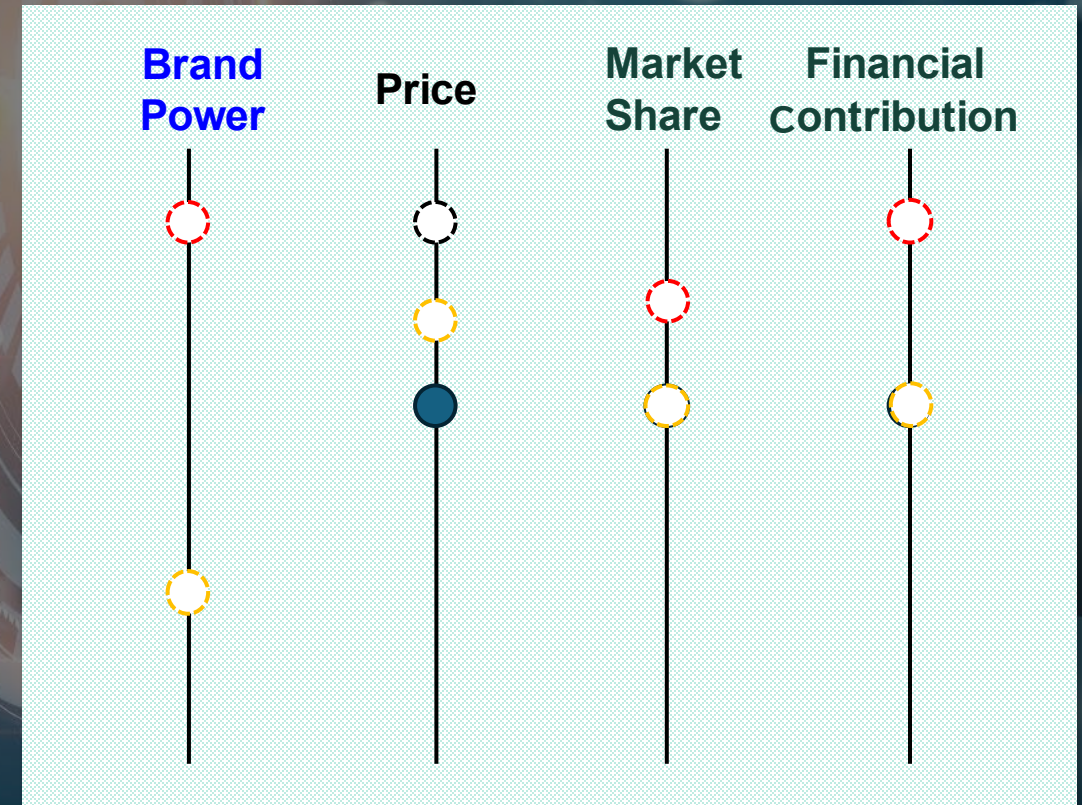
Global market information

Using monitoring tools to make sure of appropriate price for value

Non-simulation model



Simulation model



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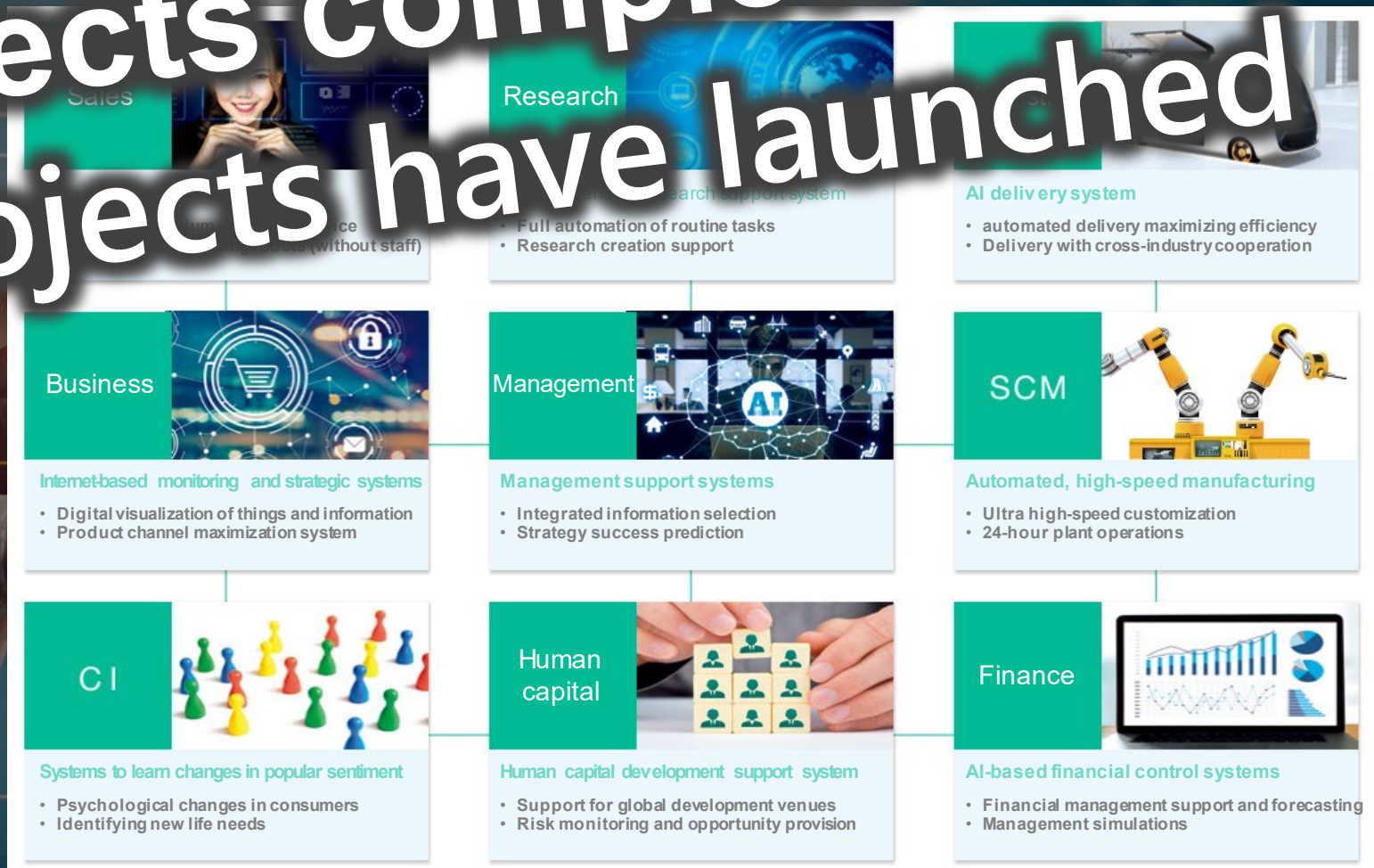
Values

Yoki-Monozukuri

Engine

Maximize the power and potential of employees
(DX human capital investment)

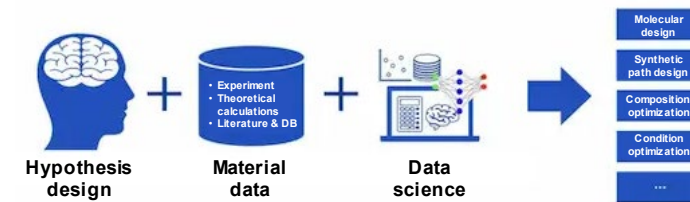
**27 projects completed
and new projects have launched**



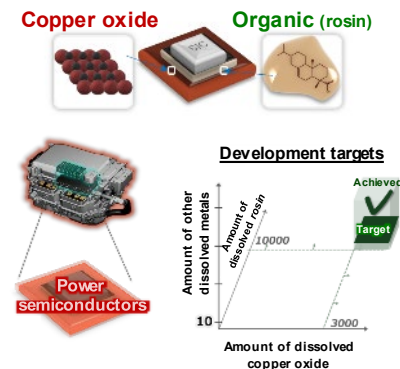
Examples of new dimensions of R&D with DX



Material informatics

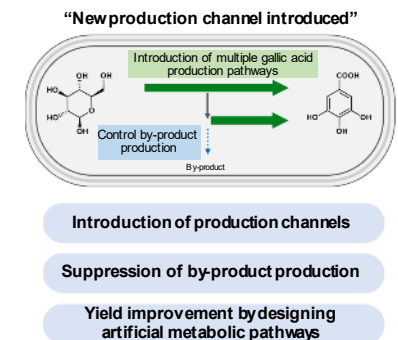


Cleaning agent for power semiconductors



Selection of the best solvent from
877 species without experimentation

Fermentation production with bio gallic acid realized



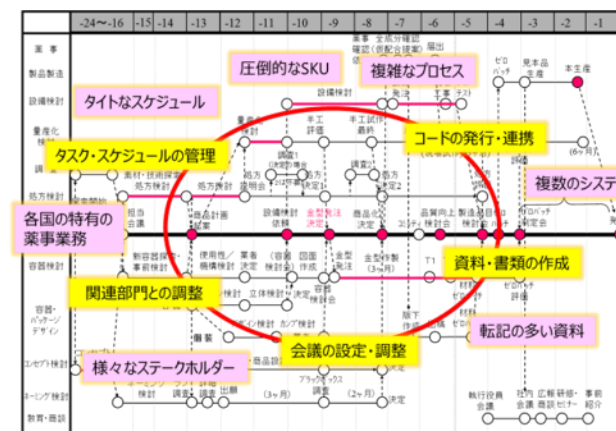
Reduce labor intensity by
one thousandth
compared to exhaustive gene disruptive experiments

Case study of the Cosmetics business process transformation **KaO**

Kirei—Making Life Beautiful



Established a “Once Only” system
to shift to product development operations with
“accuracy,” “legal compliance,” and “speed”



Reduction of overtime
by **20,000** hours* / year

* Achieved after 2024

Marketing transformation with digital utilization

KaO

Kirei—Making Life Beautiful

Proactive implementation of social listening tools



Understanding user interests

VoC* listening

Visualization of Web behavior



DS.INSIGHT

story bank

Dockpit

Talkwalker
by Hootsuite



* VoC: Voice of Customers

Training for internal implementation



Text mining training

Data analyst training

➔ Approx. 500 employees ➔ Approx. 40 employees



Marketing transformation with digital utilization

Kao

Kirei—Making Life Beautiful



Marketing transformation with digital utilization

Kao
Kirei—Making Life Beautiful

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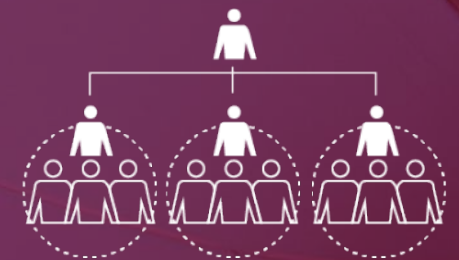
➔ Approx. 40 employees



Matrix method



Scrum method



Marketing transformation with digital utilization

KaO

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Makeup experience for a new you

Digital co-creation space with core fans



2020

2023

7% → 10%

Makeup market SRI+¹ value share



Realization of continuous high-speed PDCA

Quickly detect customer evaluations of test marketings with social listening tools, and keep brushing up UX² and marketing measures with a scrum system

2020

2023

8% → 24%

Sunscreen market SRI+ value share



Ultra-fast product development through scrum system + digital utilization

High premium Shampoo ¥1,400~/item	April 2024 Rebranded & beauty melt	Fall 2024 (planned) 2nd launch	2025 (planned) 3rd launch
Mass market Premium/Reasonable Shampoos less than ¥1,400/item	April 2024 Rebranding New communication メリット	April 2024 Rebranding Essential	Fall 2024 (planned) Rebranding Segreta

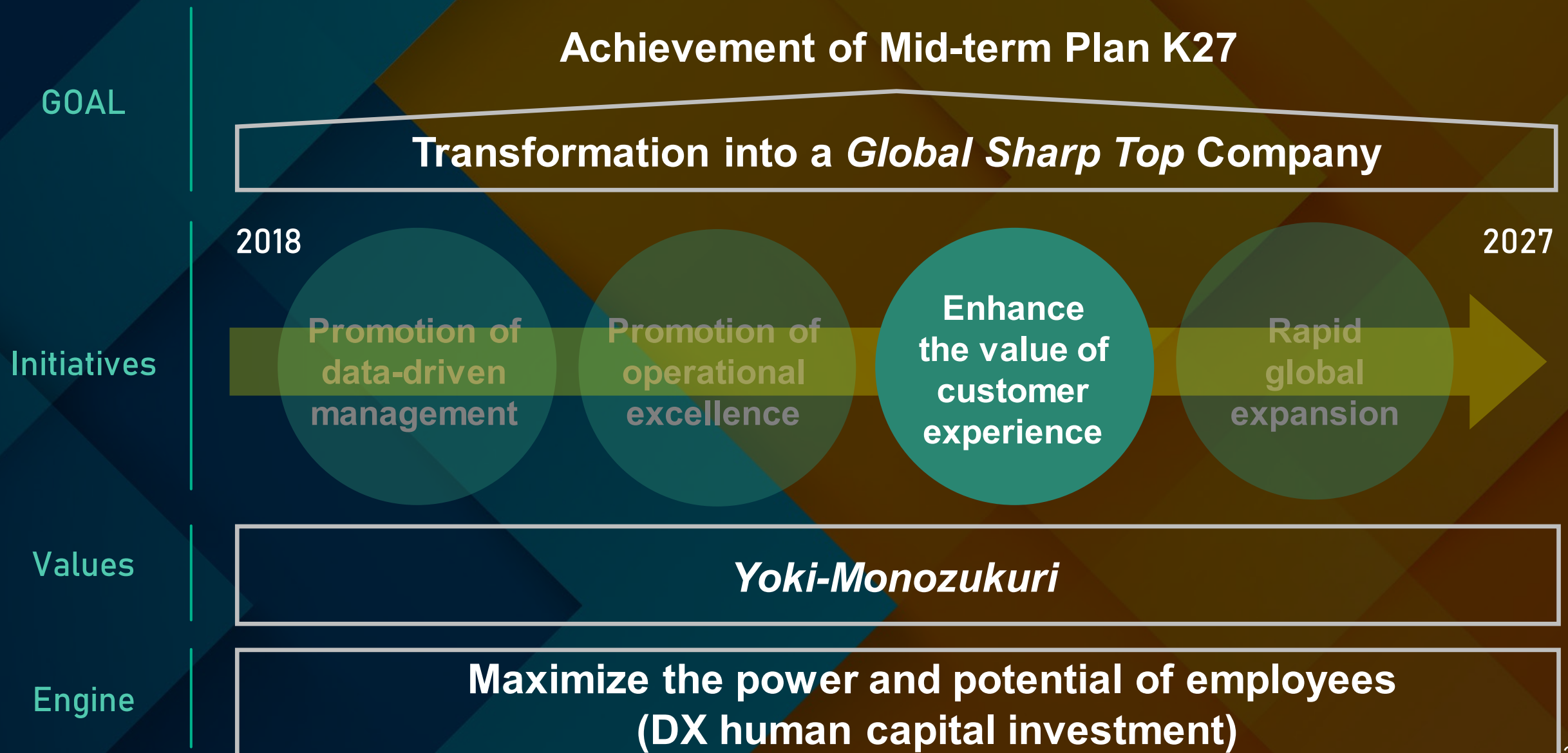
Product development speed

6 times³

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Overall view of Kao's DX strategy



My Kao interactive platform

Kao

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10 million visitors
in 2023
(1.6 million monthly visitors)

My Kao interactive platform

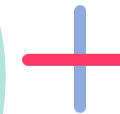
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Kao's new digital platform to connect directly and interactively with consumers

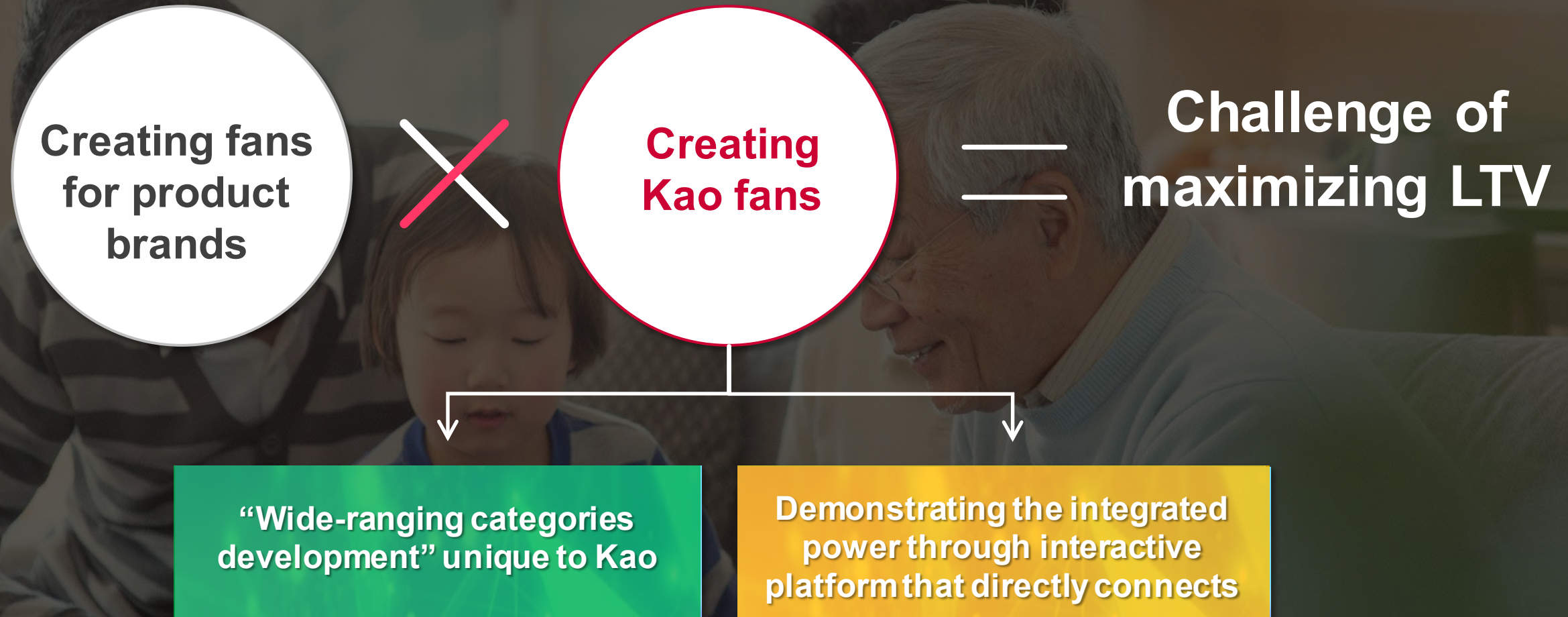
Creating
Kao fans



New
marketing
platform



Maximizing LTV by strengthening fan creation



My Kao as a marketing platform

Kao

Kirei—Making Life Beautiful



Collect the voices of consumers



Dialogue with consumers



Make test sales



My Kao Mall

Global expansion of “interactive platform”

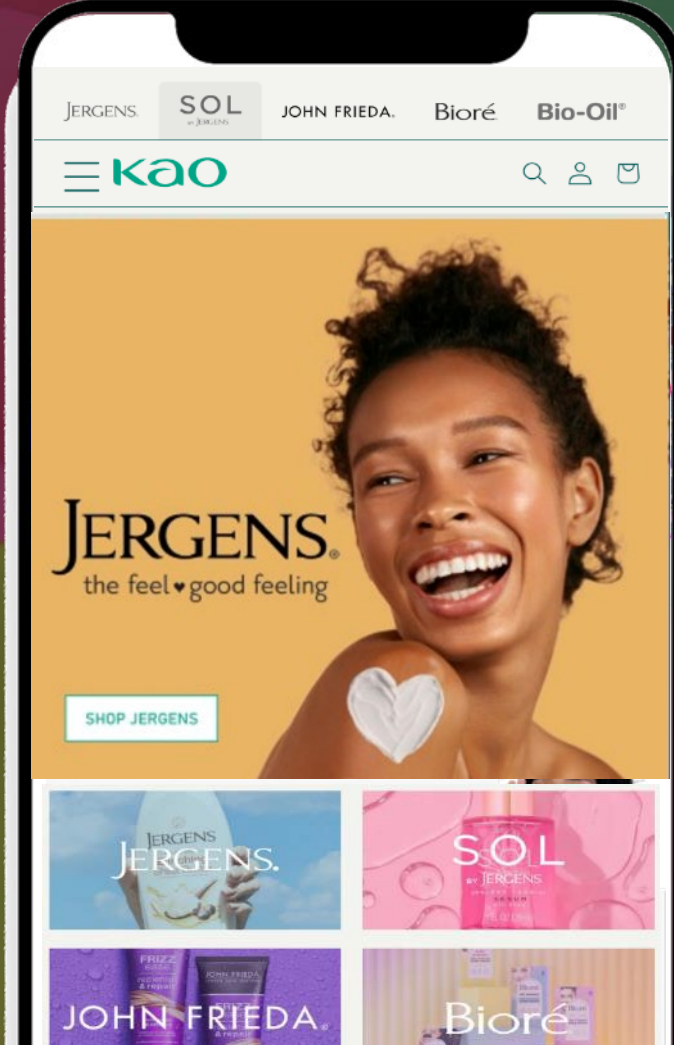
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JP



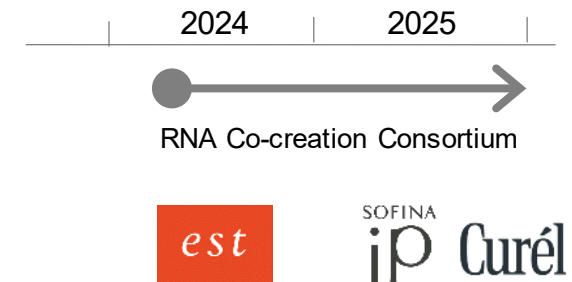
US



China



Business implementation of RNA monitoring technology



March 11, 2024





Skin Athlete Gym
est

Beauty for a lifetime

A personal skin care gym for members with an annual membership fee of 330,000 yen, which offers cutting-edge skin analysis such as sebum RNA monitoring and personalized luxury solutions to create beauty that lasts a lifetime.

RNA
Analysis



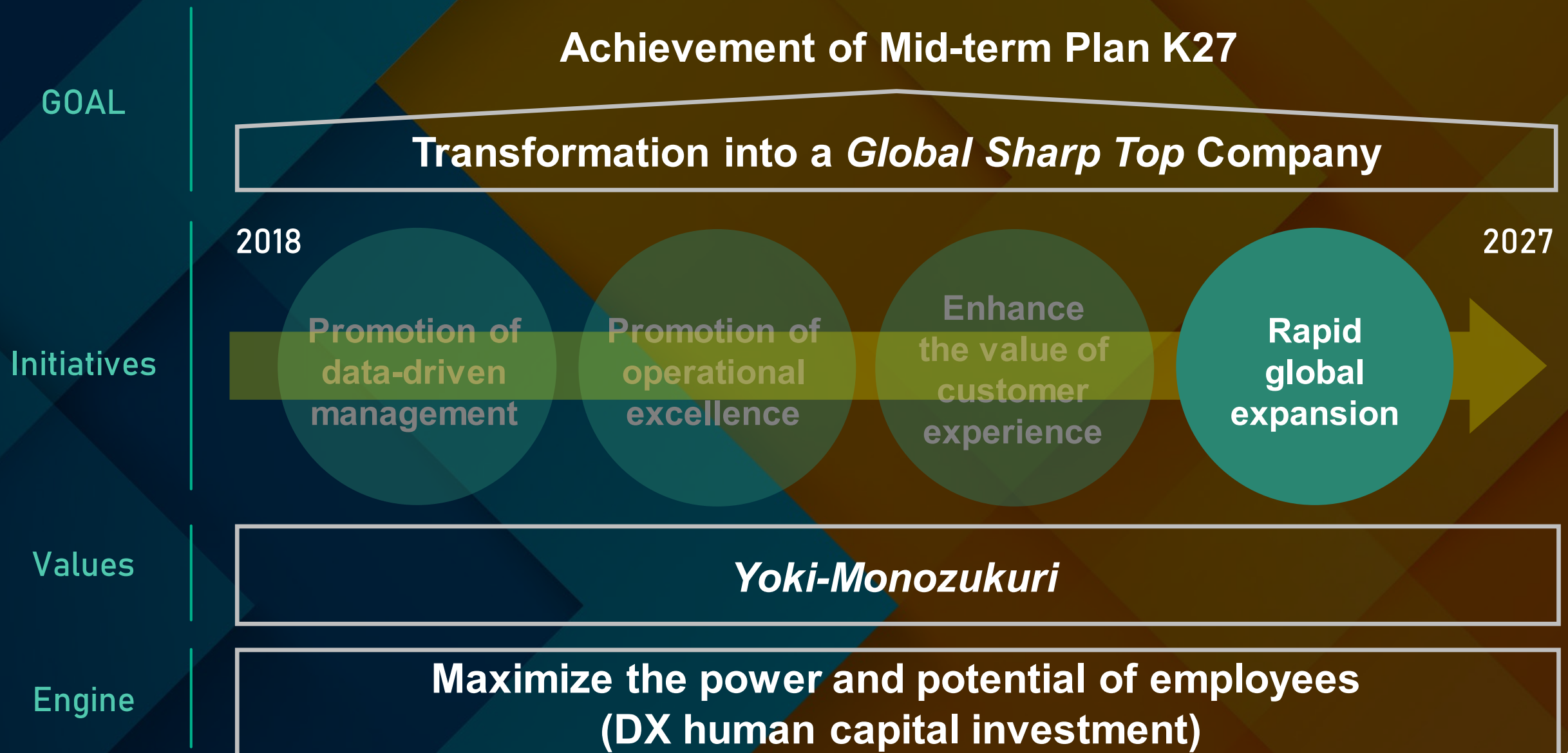
Precision
Solution



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DX for Rapid Global Expansion

Fast optimization of the value chain in each country where it is deployed through using digital technology

Penetration in countries where we currently do business

Acceleration of expansion in newly developing countries

Global Link
Hub

Interactive
Platform

DX Talent
Development

Global
S&OP
Optimization

OMO*
Modularization

Curél rapid global expansion DX

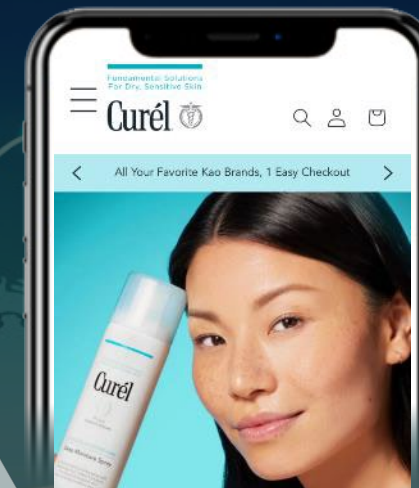
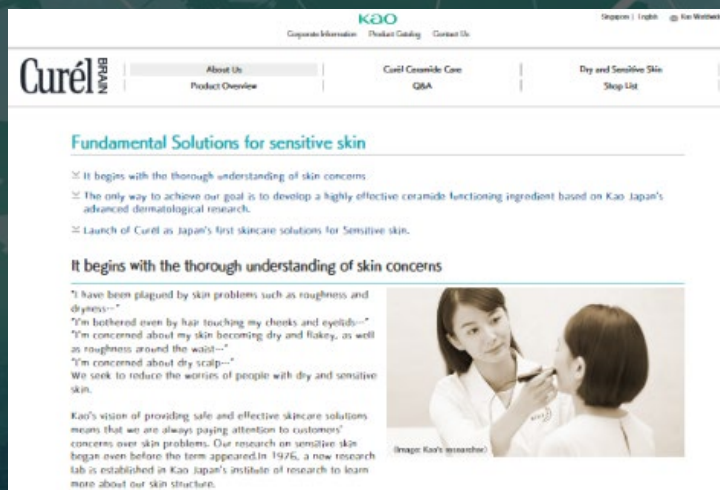
KaO

Kirei—Making Life Beautiful

GlobalLink-Hub

Curél BRAIN

Brand Guide
Data Bank
Knowledge Bank
New Information
Community



OMO Modularization

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