

Date and time:

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Speakers:

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- 1) As Kao promotes its DX strategy, how will relationships with its existing retailers and major e-commerce sites change? Also, what are the changes in fixed costs for Kao's sales department and logistics system?**

We will maintain good relationships with existing retailers and major e-commerce sites. We do not expect all consumers to purchase exclusively from our e-commerce site, "My Kao," but rather to shop where they prefer. By offering added value to My Kao, we believe the number of consumers who purchase through our site will naturally grow.

Fixed costs and logistics system are expected to change significantly in the future. For instance, an increase in direct sales will require adjustments in warehousing and product transportation methods. It is essential to anticipate the business landscape ten to twenty years from now and take proactive steps today to meet future demands.

- 2) What are the specifics of the DX investments mentioned on page 4 of the briefing session's material? Also, what, if any, are Kao's priority areas of investment compared to its competitors?**

For instance, over the past few years, we have made significant investments in developing the My Kao platform. Moving forward, we plan to increase our investments to rapidly optimize the value chain in each country, as outlined on pages 42 and 43 of the materials.

- 3) Is the number of 1,500 "citizen developers"* large compared to competitors? Also, do citizen developers have professional backgrounds? Could you also tell us how their background differs from data scientist?**

We do not have specific numbers on citizen developers at other companies, but according to Microsoft, which provides the Microsoft Power Platform that we primarily use, we have significantly more citizen developers compared to other companies.

Most citizen developers do not have specialized backgrounds; they are regular employees who became interested in low-code tools and learned and developed their skills. In 2018, employees in a department called SIT (Strategic Innovative Technology) used a collaboration tool called SharePoint to create a hub for employee interaction. From this environment, evangelists emerged, promoting and supporting the initiative across the company. In contrast, data scientists usually have specialized backgrounds.

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

- 4) **We have the impression that the DX strategy, including system construction, is progressing very well. But will digitalization solve all business-related issues? Are intuition, experience and courage also important?**

We do not think that digitalization will solve all problems. Intuition, experience and courage remain extremely important even in the digital age. Digital technology allows us to discover new perspectives, signs of change and other insights. Leveraging these insights to refine intuition, experience and courage is crucial for effective marketing and business development.

There was some mention of a system called "Digital clairvoyance" that could measure brand strength, but we would like to know more about it.

Digital clairvoyance is built on the purchasing data of approximately 50,000 people. While we cannot disclose the details of the algorithm, we categorized purchasers into three groups and our marketing staff analyzes monthly changes to inform their next actions. This approach is undoubtedly enhancing the accuracy of our marketing initiatives.

- 5) **We would like to ask about ROIC; we believe it is not easy to measure the impact of DX investment. Is the ROIC management described in the briefing material consistent with the goals in the Kao Group Mid-term Plan 2027 (K27)?**

In many cases, DX serves as a means to an end, making it difficult to isolate and calculate ROIC solely for DX investment. Since we are integrating digital utilization across all corporate activities, we view it as part of the overall company-wide ROIC for K27.

Note

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