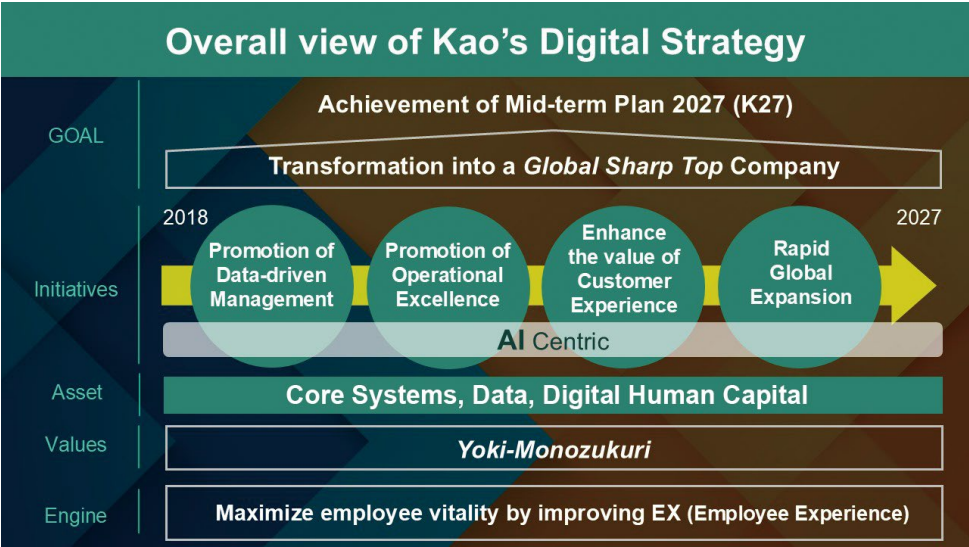


Digital Transformation (DX)

To achieve the Mid-term Plan 2027 (K27), Kao is advancing its “Global Sharp Top” strategy, positioning Digital Transformation (DX) as a core driver of this acceleration. Kao places importance on a process of circulation that involves pursuing unified operations in marketing, product development and supply in the *Yoki-Monozukuri* cycle—the essence of our corporate activities—whereby it understands consumers’ current needs and rapidly incorporates this information in design, production and sales, and returns results to consumers. DX at Kao involves pursuing this cycle at a highly accelerated pace with an AI-centric approach to spark transformation across the value chain. These efforts are essential toward realizing the Mid-term Plan 2027 (K27).

Specifically, grounded in the deepening of three key assets—core systems, data, and digital talent—Kao will accelerate its transformation into a Global Sharp Top company by 2027. Central to this effort is the use of AI, through which Kao will sequentially advance four initiatives: promoting data-driven management, driving operational excellence, enhancing the value of the customer experience, and achieving the fastest possible global expansion.



Connecting with consumers around the world through a two-way platform

Kao has been establishing and utilizing a two-way digital platform called “My Kao,” which directly connects Kao to each consumer. In fiscal year 2025, 11%* of Kao’s domestic customers visited the Kao Group website, and the share of global e-commerce sales reached approximately 10.6%. “My Kao” was built in awareness of the importance of these online touchpoints, as owned media that provides reliable information and thoughts behind product development communicated from the manufacturer, while also serving a role as a new marketing foundation. By offering community functions and a mechanism with which various divisions in the company can hold direct dialogue with consumers, agile *Monozukuri* and marketing become possible, and providing personalized UX (user experiences) contributes to achieving a Kirei Lifestyle for each consumer.

“Members’ Salon,” the two-way online community inside “My Kao,” already has a cumulative total of 28 communities. These initiatives help evolve direct dialogue with consumers, and many Kao divisions have begun to seize this opportunity. We are able to carry out agile product development by hosting online fan meetings as well as organizing low-cost and rapid test sales via “My Kao Mall,” our e-commerce platform inside “My Kao.” We are also enhancing customer experience by adding a store locator function to our digital catalog and by providing a skin measurement service called “HADA RECO” using a proprietary AI algorithm.

HADA RECO is a representative initiative that embodies our efforts toward ESG contribution using AI from Kao. By incorporating Kirei Skin AI Technology and Suppleness AI Analysis Technology, which have been developed with Kao’s insights from dermatology and makeup research, and combining these with an external technology (YouCam Makeup, the AR makeup app from Perfect Corp.), we are building a proprietary system for measurement logic within an AI-based skin measurement service that utilizes smartphone functions. This enables us to deliver personalized beauty advice to users and help them achieve healthy and sustainable lifestyles.

The concept of a two-way platform is being promoted globally. In Japan, “My Kao” was launched in December 2022, followed by “My Kao Shop” in the U.S., and “Kao Life +” in China, and we continue to promote the use of these platforms.

Our target is to attract 30 million visitors to “My Kao” annually by 2030. Over 20 million people visited in 2025, demonstrating how “My Kao” significantly contributes to building a loyal fan base.

* Based on SCI data from Intage Inc., estimated by Kao.

Accelerating the *Yoki-Monozukuri* cycle with AI

Kao makes maximal use of AI to further accelerate the *Yoki-Monozukuri* cycle (consisting of marketing, value design and product development) and spark innovation across the entire value chain.

To become a company with the best knowledge of consumers and customers, we have positioned the hands-on co-creation platform “My Kao” as the front end of the *Yoki-Monozukuri* cycle. Here, we link dialogue with action by learning the patterns in the purchasing behaviors of consumers, offering personalized recommendations and engaging in other efforts. We safely aggregate the data we collect here with user consent and pass it to the

backend. On the backend, we conduct AI demand predictions based on multiple factors in line with social media trends and climate, as well as predictions regarding new products based on a multifaceted estimation of degrees of similarity. These estimates feed into our decisions about production, stock and distribution, allowing us to deliver the right quantity of products at the right moment to consumers precisely when and where they need them. In parallel with this, we are utilizing AI to rapidly summarize and quantify from a large amount of consumer feedback (VoC: Voice of Customers) and driving efforts for developers to take a consumer-oriented perspective as they dedicate themselves to creating products that are good for consumers and match their needs. In this way, through hints from AI and human decisions, we take the insight we gain from the frontend and thoroughly implement it into product design, whereby we reliably deliver products to consumers based on advanced supply and demand planning. At the same time, we carry out initiatives in many areas of the value chain and thereby continually accelerate the *Yoki-Monozukuri* cycle in its entirety.

Cross-industry business co-creation centered on sebum RNA monitoring technology

Say goodbye to the era of buying products without understanding yourself first

Many people buy multiple products that do not suit their physiology and then become unsure of what to buy after that. Kao wants to change this state of the world to help these people. We seek to bring about an era where people can understand their current physical status using sebum RNA monitoring technology and confidently choose the things that truly bring value to them. A revolution is beginning where people can gain information about themselves based on solid evidence in the form of RNA Gene Modes.

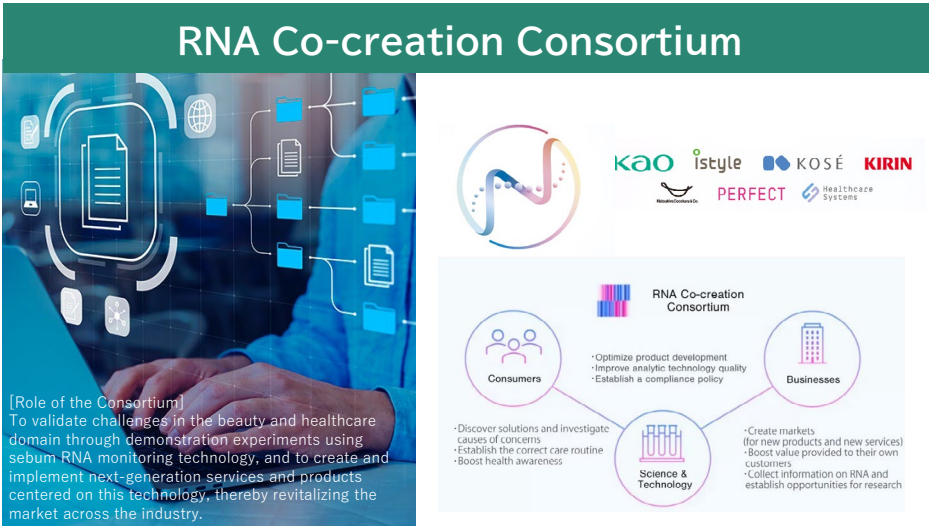
We have launched these activities with companies that support our idea of a cross-industry co-creation business that leverages RNA (ribonucleic acid; molecules that express the current status of cells) contained within sebum to visualize the condition of consumers in an approachable way and uses machine learning and AI for estimates, assessments and suggestions to provide a unified experience with measurements, advice, purchases and retrospectives.

With skin surface lipids-RNA monitoring, we can understand characteristics in gene expression, while also scoring and classifying the status of consumers through estimates using machine learning. In addition, to boost convenience and widespread use among consumers, we have implemented face recognition in combination with an AI inference model to provide consumers with instant details on their skin type (Skin Gene Mode) based on information about sebum RNA expression simply by taking a photo of their face without makeup using a smartphone. This makes it easy to conduct measurements in stores, while also creating a broad entry point to Kao's apps and the @cosme platform with little burden, allowing each and every consumer to naturally connect with the products and services that suit them.

With RNA serving as a new metric, consumers feel satisfied that products and services suit their current status. They can place trust in our objective analysis with peace of mind that this service will stay at their side and monitor changes through periodic measurements.

Meanwhile, participating companies can use shared metrics (including Skin Gene Modes) as a guide as they build business models for designing and providing ideal products that have been completely personalized through inference from an AI trained on consumer status data as well as through predictions about responses.

In October 2025, these activities won the CEATEC AWARD 2025 in the Co-creations Category in recognition of their highly pioneering nature and strong potential for contributing to society in the future. These activities were selected as a superior example among technologies, products, services, solutions, business models and other initiatives achieved through co-creation between companies in diverse industries and lines of work.



Fostering DX human capital who will act as the engine for strategy promotion

Since November 2023, we have been running a program to improve the digital skills of all 28,000 Kao Group employees in Japan, with different options catering to the needs and skill levels of each individual and division. This program consists of three layers and five levels. We plan to train 150 company-wide DX promoters, 300 division DX promoters and 3,000 citizen developers by the end of FY2027. We have already achieved our citizen developer goal, with over 4,000 as of December 31, 2025, and we will further accelerate efforts to this end.

By introducing this program for all employees, we are expanding the base of DX human capital throughout the entire company and all divisions, while also accelerating the creation of new value and the transformation of business processes. Rather than implementing a “one size fits all” approach, we conduct assessments for individuals to get an objective view of their DX skills, and thereby customize the program to match the skill level of individual employees as well as the characteristics and needs of their divisions. Employees get Open Badges that visualize their new skills and that they can share with others inside and outside the company. This helps boost employee motivation.

Kao has also developed a generative AI service called “Kao AI Chat,” a secure in-house environment that all employees can use. So far, over 20,000 employees around the world have utilized this service, which has not only significantly boosted productivity, but has also helped expand the creativity of individual employees. In this way, it serves as a major factor for further accelerating the promotion of DX.

Framework

In January 2025, Kao established a new division called Digital Strategy. This new division will promote the maximal use of resources with respect to company-wide DX functions and thereby accelerate digital transformation to create value. Digital Strategy integrates Enterprise Information Solutions, DX Strategy, and some of the functions of Supply Chain Management involved in the building and running of information system infrastructure at the Kao Group. It is supervised by Executive Officers and promotes DX with three centers: Digital Strategic Planning, DX Solutions and Enterprise Information Systems. Adding to this, checks of strategies and investments related to DX at Kao are reported and resolved at the monthly DX Promotion Committee meetings. The DX Promotion Committee is chaired by the Executive Officer in charge of Digital Strategy and advised by the President & CEO. Important matters are deliberated on by the Management Board and reported to the Board of Directors.

DX management structure

