

Intellectual Property

To act on our goal of “contributing to business and society through intellectual property,” our R&D, business divisions, and the Intellectual Property Division (IP Div.) work together to create and protect intellectual property and strategically utilize intellectual property rights.

Social issues

Although there are demands for technological innovation and the rapid delivery of new and diverse values to address global social issues such as global warming, climate change, and infectious diseases, the problem of counterfeit products, particularly in the Asian region, is becoming more complex and sophisticated. The changes in the distribution of counterfeit products with social shifts have also been reported in *Illicit Trade Global Trade in Fakes A Worrying Threat* (June 2021), summarized by the OECD and the European Union Intellectual Property Office. The report notes in detail that counterfeit products made up 2.5% of global trade in 2019, and that there was an increase in counterfeit products within e-commerce due to the surge of demand with the pandemic. In reality, Kao has confirmed counterfeit products on online mail-order sites and flea market websites passing for products such as *Bioré UV Aqua Rich* and *Curél Intensive Moisture Care Face Cream*.

Policies

In order to resolve social issues, develop industries and contribute to society, we are working to promote activities in line with our ESG Strategy, the Kirei Lifestyle Plan (KLP). We employ technologies created through our fundamental values of *Yoki-Monozukuri* not only in our own products, but also in ways that lead to early resolution of social issues, the development of industries, and contribution to society. We believe there is a need to acquire intellectual property (IP) and

appropriately enforce rights in order to achieve adequate social implementation and prevent counterfeiting. The IP Div. will continue to build an IP portfolio that is optimized in terms of both quantity and quality, and will not only make strategic use of Essential Research results that can give birth to diverse product value globally and across categories, but also provide strong IP support to business and R&D divisions to realize the Kirei Lifestyle Plan. In addition, there is a need for a high degree of reciprocal use of intellectual property in collaboration with external parties to solve social problems. This is the fundamental concept announced in the Co-creation Innovation and IP Strategy to Accelerate ESG Management presentation that the Senior Vice President of the R&D gave at the Global IP Strategy Forum 2020 held by the Japan Patent Office (JPO) on January 28, 2020. In addition to helping to advance technology by publicly releasing inventions that we create, we seek maximum utilization of Kao IP by undertaking open innovation in collaboration with outside parties. We will co-create new technologies in collaboration with industry and government, and will also flexibly license them and provide access for others to use Kao’s technological assets.

Strategy

Risks and opportunities

Risks

- There is the risk that Kao’s original technologies will be imitated and sales and profit goals will not be attained due to missed timing for IP activities and failing to

secure technological developments as IP that result in industry and public benefit

- There is the risk of failing to meet consumers’ expectations of products’ values and damaging the value of the Company and brands due to the appearance of low-quality counterfeit products
- There is the risk of delays in providing desired products and services due to sluggish social implementation of research results

Opportunities

- Securing Kao’s unique technologies as intellectual property, which results in the provision of one-of-a-kind products and services, results in consumer loyalty and enhancement of our brand value
- Reinforcement of internal and external collaboration will create new solution technologies that otherwise would not have been born by the R&D divisions or from Kao alone.

Strategy

Based on these risks and opportunities, we will develop intellectual property activities that capture the entirety of our business and R&D activities.

R&D at Kao conducts management to leverage the core technology groups it has created in many business divisions in accordance with various aspects of business development. With this, we aim for more efficient R&D investments and utilization of technology assets. Meanwhile, for product and service development, small teams with members from various domains including business divisions, R&D, Manufacturing Division, and Product Quality

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Management, work in a scrum system for speedy commercialization. To protect the results of research and development born from these activities, along with names that were conceived as symbols of products and services, the IP Div. also participates in the scrum to carry out timely IP activities. The division conducts the comprehensive and integrated acquisition and utilization of industrial property rights such as patents, utility model rights, design rights, and trademark rights, along with intellectual properties, including copyrights and trade secrets, which are strategically combined to construct a system that holds rights from various perspectives. Additionally, we will further expand the system so we can co-create solutions to social issues that Kao aims to address with a variety of like-minded partners outside the company.

- Establishing a system to apply created technology assets in various business domains
- Establishing contact points in both business and research divisions, and create a system to engage in swift business development (scrum system)
- Building a strategic IP portfolio that is based on each of our business strategies that make up Another Kao and Reborn Kao for effective application in business activities
- Implementing regular clearance, respecting the rights of others including patents, designs, and trademarks, and reinforcing a system to prevent infringement of the rights of others on a global scale, from initial steps of product development to right before new product launches
- Advancing with rights acquisition on a global scale, and taking strict action in accordance with laws and regulations regarding infringement of rights in cases such as counterfeit products

- Establishing an IP MIX strategy for multi-faceted protection by combining intellectual property rights such as patent, design, and trademark rights for each product or technology

Examples of technologies publicly released: Shampoo bottle notches

We have been placing a notch with a jagged shape on the sides of shampoo bottles since 1991. This enables people with visual impairments, as well as people with normal vision who wash their hair with their eyes closed, to identify the bottle by touch.

Believing that a lack of uniformity in the industry concerning the use of these notches would lead to consumer confusion, we withdrew our utility model application and worked through the Japan Cosmetic Industry Association to call on other companies to adopt an industry standard. As a result, the agreement of numerous companies in the industry was obtained. Now, most shampoo bottles have notches, and the use of notches has become an international standard due to Japan taking the initiative (ISO 11156: 2011).



Notches first developed in 1991 (left) and current notches (right)

- Ensuring appropriate retention of intellectual property rights from a ROIC perspective
- Fostering a co-creation mentality within Kao and endeavoring to expand business profits by expanding co-creation frameworks

Social impact

We create value that contributes to industry and society and transform IP into assets by pursuing its true nature through particular attention to fundamental technology research and product development research. Intellectual property that has become assets as a result of reinforced collaboration within and outside the Company will be used as unique technologies and names to expand business domains and solve social issues. In turn, these will contribute toward attaining the K27 vision of "Protecting future lives." Also, the public release of socially beneficial inventions contributes to the public good.

Contributions to the SDGs



Business impact

By protecting Kao's unique technology and names as IP and providing consumers with one-of-a-kind products and services that are unrivaled in the industry, we will contribute to enhancing the value of our brands.

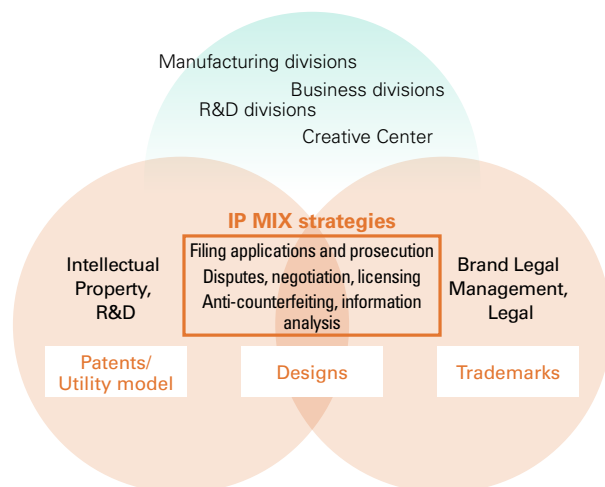
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Furthermore, since Kao is a prolific product developer, we can apply Essential Research results to product development in a broad range of fields, making it possible to increase the efficiency of R&D through appropriate IP protection. This will enable us to increase product revenues. At the same time, we aim to become an indispensable entity with a *Global Sharp Top* business that a sustainable world expects us to be by making sincere efforts to help solve social issues.

Governance

Framework

Major operations and related divisions for the Intellectual Property Department



The IP Div. (the combined name of Intellectual Property Department (IPD) under R&D and Brand Legal Management (BLM) under Legal) conducts company-wide management of business-related IP.

The IPD plays a key role in strategically applying for and exercising rights relating to patents and technology-based designs, which are indicators of key company values from the perspective of technology development capability in a broad range of fields. The Senior Vice President of R&D is in charge and adds weight to collaborations with research divisions to work on a global scale.

BLM collaborates closely with business divisions to provide brand value protection through trademark rights for product names, logos, and catchphrases which differentiate our products and technologies, and design rights for packaging, which are symbols of our products. The responsible party is the Senior Vice President in charge of Legal.



Through regular meetings, both the IPD and the BLM leverage their positions in discussions and engage in increasingly sophisticated IP activities for factors including design rights, which are common to both, IP MIX strategies and coordination of anti-counterfeiting

measures in response to changes in the diversified use of technology, and how information should be disseminated as IP Div.

Important matters are proposed to and discussed by the Management Board and, if necessary, by the Board of Directors. Most recently, the Management Board deliberated and decided to revise the regulations regarding compensation for inventors, etc., as this is the source of Kao's technological strength and an important investment in intellectual property. Once each year, useful patents and other IP rights that have contributed to business are reported to the Management Board, which deliberates rewards for employee inventions. The results of the deliberations are also reported to the Board of Directors. We have also established an IP Technology Award aimed at honoring outstanding technologies (that are *Global Sharp Top*) that can be No. 1 in specific fields, even if the technology did not make a significant contribution to businesses.

Our group as a whole works closely together on R&D activities. In addition to existing IP operations (applications, rights acquisition, contracts, management, information analysis, IP education) conducted while collaborating with business divisions and group companies outside Japan, taking steps to fight counterfeit products and engaging in open innovation, we are also leveraging our IP from more strategic perspectives.

Looking to initiatives aimed at solving social issues, we are examining the feasibility of building an organizational team and external structure able to monetize not only IP in our existing business frameworks but also IP in new business domains.

On the other hand, these activities related to intellectual property involve various risks and opportunities, and risk management is carried out by

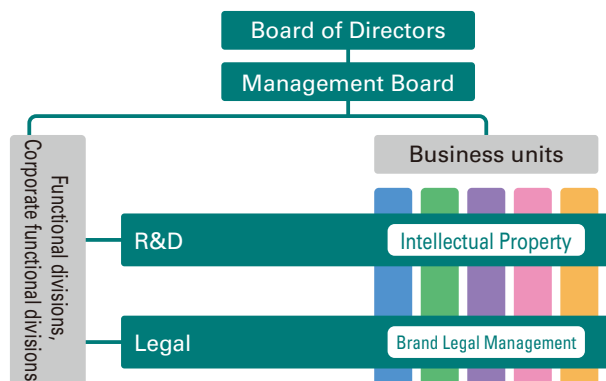
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the Internal Control Committee and the ESG Managing Committee under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

The Internal Control Committee (which meets twice a year) and its subordinate Risk & Crisis Management Committee (which meets four times a year) also manage risks related to countermeasures against counterfeit products outside Japan.

These committees are headed by the Executive Officer Responsible for Corporate Strategy.

IP management framework in Japan



* As of December 2023

Education and promotion

We conduct IP educational programs around the world that are carefully designed to meet the years of experience, roles, and other employee elements, with the expectation of enhanced researcher IP literacy. The technologies and products developed as a result will become the sources of creation of functions and qualities that differentiate them from competitors.

For researchers, not only do we provide seminars on the patent system as well as seminars and practical training for creating patent specifications, but we also provide education that fosters IP management that takes business into account and strategic thinking utilizing patents. In 2023, a total of around 330 researchers participated in IP education and training programs. We also make effective use of e-learning programs to enhance the effectiveness of our educational activities. Online learning has already been adopted as a tool for IP education and training by our researchers in Asia, the Americas and EMEA.

As a result, researchers have been taking more initiative in acquiring IP rights for technologies and in building an IP portfolio. Through repeatedly taking these educational programs according to the number of years of experience, we have been able to maintain high standards of annual applicant numbers and registration rates among our researchers.

For business divisions, basic knowledge about trademarks is provided via e-learning for new marketing employees within and outside Japan. Furthermore, we have updated the content of past trademark seminars to develop and implement new educational programs according to characteristics such as years of experience and brands. Comprehensible and practical seminars are held for each business division, and there was a total of approximately 280 participants at the 2023 basic trademark seminar.

Collaboration with stakeholders

To realize “What Kao Aims to Be by 2030,” we will take a firm stand against counterfeiting, which is a challenge in the field of intellectual property. By collaborating with IP industry organizations and other companies in our own industry, we have reinforced our measures and are helping to advance the IP industry as a whole.

As a part of those initiatives, we have created opportunities for direct dialogue with management levels in the JPO and European Patent Office, as well as in patent offices in emerging countries, in order to allow us to maintain an accurate grasp of the latest trends in IP administration. In 2023, we exchanged opinions with patent office examiners on the level of examination practices. Through this type of dialogue, while gaining an understanding of recent developments related to examination, which is useful for establishing more stable IP rights, we also request government support for solutions to the social issues we have identified.

We have also devised opportunities for direct dialogue with patent attorneys in major countries and areas (including EMEA, the Americas, South Korea, China, and Taiwan) and multiple emerging countries to deepen our understanding of global IP practice and acquire rights in accordance with the legal systems of each country.



Management Strategy and Mid-term Plan 2027 (K27)
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

Risk management

Business activities involve a variety of risks, and it is important to quickly identify and assess these risks and feed them back to business activities.

IP Div. recognizes occurrences of counterfeit products as a risk, as they may threaten consumer safety, and so monitor e-commerce websites for counterfeit products. When suspicious products are discovered, we obtain the actual item and judge its authenticity with the cooperation of relevant divisions such as business divisions. If there is a high possibility of a product being counterfeit, BLM takes the lead in

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efficiently responding to eliminate counterfeit products through paths such as raids, lawsuits, and takedowns of the sales page on e-commerce sites.

The results of the study are compiled into a casebook for use within Kao. We are also strengthening our injunction framework with customs authorities and other government agencies, while sharing information in the anti-counterfeiting subcommittee of an external organization, and collaborating not only with all arms of the Kao Group but also with the government and other companies to develop activities to minimize risk.

Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

- Creating new businesses that apply technology assets
- Implementing measures to inhibit the counterfeit products industry
- Along with inhibiting the counterfeit products industry, also protecting consumers from trouble stemming from counterfeit products to improve corporate and brand value and contribute towards building trust

2023 results

Regarding patents, the number of new patent applications in 2023 remained at the previous fiscal year's high level thanks to the active development of new inventions. The filed applications are held as appropriate IP rights through the process of rights acquisition.

In November 2018, we held a technology innovation session and gave explanations of five innovations with the aim of creating a forum for open innovation, expanding technology exits, and providing an even more diverse range of products. Following these explanations, we have encouraged external collaboration relating to

these technologies and encouraged activities for their social implementation.

Regarding trademarks, we promote the implementation of flexible trademark clearances and the acquisition of necessary trademarks according to the characteristics of each brand, product, and service to deal with changes in the business environment.

Furthermore, to protect our brands, which are Kao assets, and enable them to grow stronger, we also endeavor to prevent bad-faith applications by third parties—a problem that has been increasing in recent years—along with initiatives to prevent brand name trademarks, which are protected by trademark rights, from becoming genericized common names. We actively pursue an increase in staff, construction of a global framework, and development of a monitoring system for improved efficiency as countermeasures for counterfeit products, to protect consumers and act as a major element of brand protection. This will enable all consumers to use Kao products with peace of mind.

Reviews of 2023 results

By engaging in close communication with research laboratories, collaborating with business divisions, and forming scrums with members of new Another Kao projects, this year we were able to submit the necessary applications, acquire rights, avoid infringement of the intellectual property and other rights of other companies, and deal with counterfeit products.

With the aim of becoming a company with a global presence and rapidly providing new and diverse value in the future, we will apply for additional new patents and other rights and encourage their use globally with an eye toward broad deployment, including overseas.

When responding to social issues in the past, we publicly released technologies developed at our company. In recent years, we have likewise gradually provided

access to our packaging technology with the aim of reducing the amount of plastic used. Moreover, we have been promoting collaboration with several of our partners, including the recycling of plastic packaging, and are aiming for further co-creation with partners for faster and more reliable social implementation.



Smart Holder and Raku-raku Eco Pack Refill, which aim to reduce resource waste

Since all of these IP activities are investment activities, we believe that it is necessary to build an optimized IP portfolio for Kao. We also appropriately abandon IP rights that are done playing their role, and conduct activities that enable cost allocation for filing and rights acquisition for new technologies. When we develop new technologies and formulations, we employ a mechanism to check clearance implementation concerning the patents of other companies to prevent omissions and avoid IP disputes with other companies.

On the other hand, regarding personnel who support IP activities, we recognize that aging members and the restructuring of member education to improve the environment in preparation for generational change are new issues that we have started to address.

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Main initiatives

Initiatives in response to entering new business fields

We have entered into a comprehensive collaborative research agreement with NANO MRNA Co., Ltd., a company that has deepened Kao's research in the field of life science and given birth to immunoregulatory technologies that can be applied to mRNA pharmaceuticals. These innovative technologies will be applied through our collaborative partnership to promote drug discovery.



Kao and NANO MRNA
Agree on a Comprehensive Collaborative Research for mRNA Drug Discovery
<https://www.kao.com/global/en/newsroom/news/release/2023/20231114-001/>

IP Div. and Legal are working together with Another Kao project members on the development of new business in the field of drug discovery, which will involve applying Kao's IP (technology assets) by establishing appropriate partnerships through contracts, and obtaining trademark rights for the technical name "SNAREVAX™" as a brand, and also patent the technological strengths created through the research divisions.

Anti-counterfeiting

When expanding business outside Japan, especially in emerging countries, the more locally accepted a product (namely, a popular product) is, the higher the risk of counterfeit products and their rapid spread becomes. This makes quickly identifying counterfeit products and taking appropriate countermeasures ongoing priorities.

Some counterfeit products are associated with safety concerns. In such cases, this is not merely a question of protecting the brand value of the products marketed by Kao being counterfeited; we must employ countermeasures without fail to ensure the health and safety of local consumers.

To combat counterfeit products, we have established a cross-sectional framework of affiliates and divisions within and outside Japan, and continue to take appropriate and prompt action to deal with cases outside Japan, where counterfeit products are frequently discovered. We believe it is also vital to take a firm stand by filing lawsuits to deter the manufacture and distribution of counterfeit products.

In addition, to prevent counterfeit products from being imported, we have submitted petitions for injunctions to the Customs Office, and arranged for Kao personnel to act as instructors at Customs training sessions, teaching Customs personnel the key points to identify counterfeit items. In addition, we have been actively involved in the seizure of imported counterfeit products (border protection).

For counterfeit products that have unfortunately been discovered after infiltrating Japan, we swiftly alert consumers as necessary, eliminate touch points between customers and suspicious products, and request cooperation from government agencies such as the police as necessary. Because this is a major threat facing the industry as a whole, we also collaborate with other companies through industry organizations to eliminate counterfeit products within the market.

Efforts to prevent trademarks from becoming genericized

When a famous registered trademark is used by a third party as a generic name, its functions as a trademark become diluted and the value of the products that use these names is compromised. This is why preventing this is a particularly important activity of ours.

There was concern that our bleach brand "Haiteer" would be genericized by being listed on the same level as the common term "bleach."

For this reason, to prevent genericization, in Japan we have clearly identified "Haiteer®" as a registered trademark for websites introducing this product. Furthermore, in Thailand, where there is strong concern about name genericization, in addition to clarifying the registered trademark, we have announced in a news release that "Haiteer" is a registered trademark of our company.



Kao Thailand | Kao asked for cooperation to business sector and people do not use the trade name "Haiteer" for review or promote to other brands
<https://www.kao.com/th/en/news/2023/20230410-001/>

In addition, although "Ambroxan" is a registered trademark and a Kao chemical product, and despite having the common name of "ambroxide," we uncovered cases in which the name was genericized as the name of a fragrance in a perfume or a chemical compound. For this reason, we are collaborating with our European bases to prevent this type of use.

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Initiatives for new business strategies and response to the times

We actively endeavor to apply new IP systems and protect online targets to deal with new business strategies and the changing times.

Previously, only articles were protected under the Design Act of Japan, but after its 2019 revision, images themselves, apart from goods, were also recognized as targets for protection. Consequently, we have been working to acquire rights to the image designs in the “Images for retail store search” and “Images for product search selection” on our “My Kao Mall” e-commerce site.

Additionally, to ensure that our trademarks are appropriately protected in the metaverse as well, we have filed for trademark registration of products to be used in virtual spaces online.

Establishment of a scrum structure

At the IPD, which is one of our research divisions, a patent officer is assigned to each research laboratory to establish an IP portfolio for the effective application of the created technologies. From FY2023, in addition to this, we have also established contact points for each business division and built a framework to clarify business strategies and design IP portfolios based on new business models to accommodate the changing times.

This initiative will prompt faster business development.