



Refining a collection of brands with distinctive identities, and accelerating growth in Asia and Europe

Kao Group Cosmetics Business

Growth Strategy Briefing

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AGENDA

A background image showing three women laughing heartily. The woman on the left is wearing a striped shirt. The woman in the middle is also wearing a striped shirt and has her hand near her face. The woman on the right has long blonde hair and is laughing with her mouth open.

1. Current Situation

2. Vision

3. Specific Initiatives

Kanebo

Since 1936



{e'quipe},LTD.

Since 1996



SOFINA

Since 1982



MOLTON BROWN

LONDON

Joined in 2005



Curel



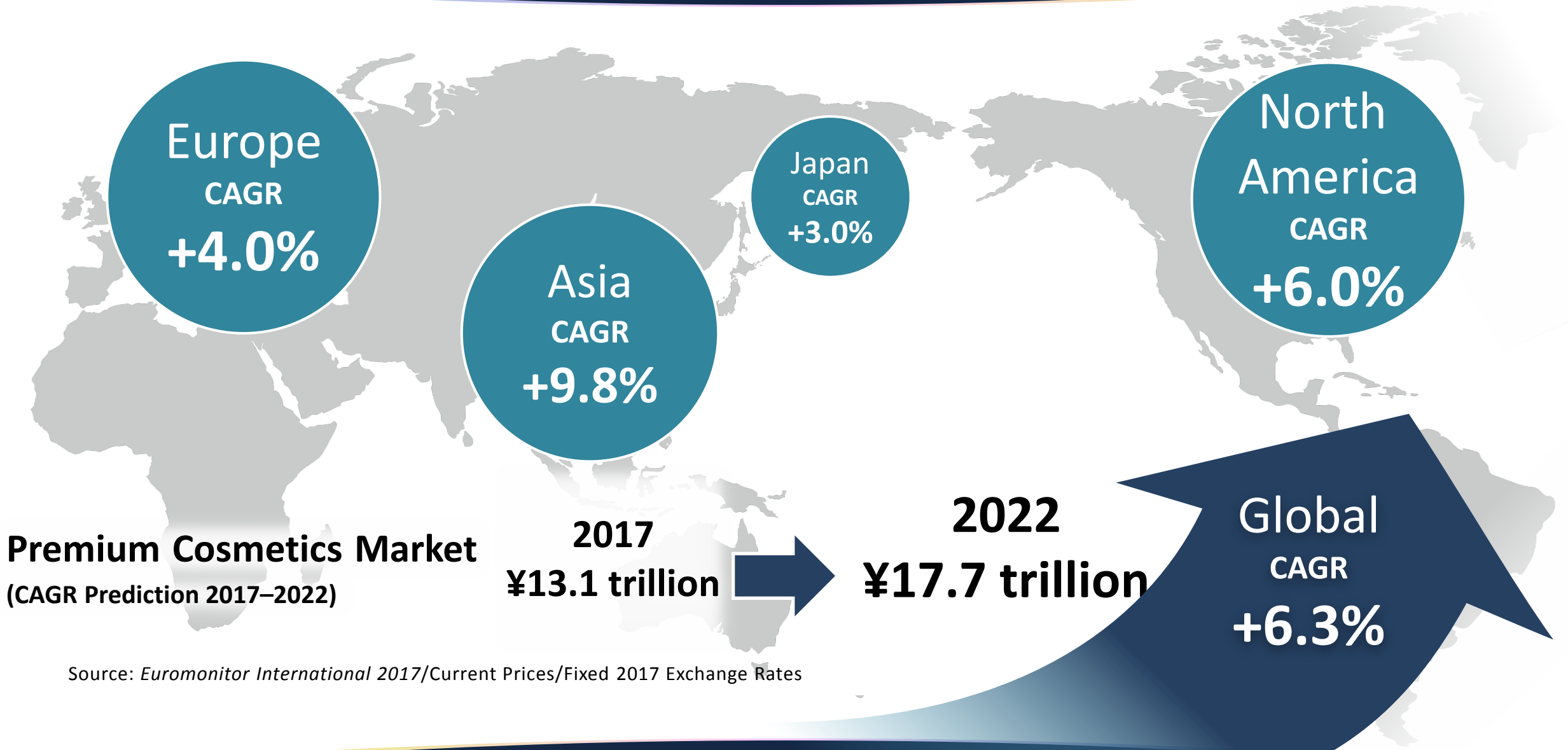
Joined in 1998





1. Current Situation

The Globally Expanding Cosmetics Market



The Globally Expanding Cosmetics Market

Europe



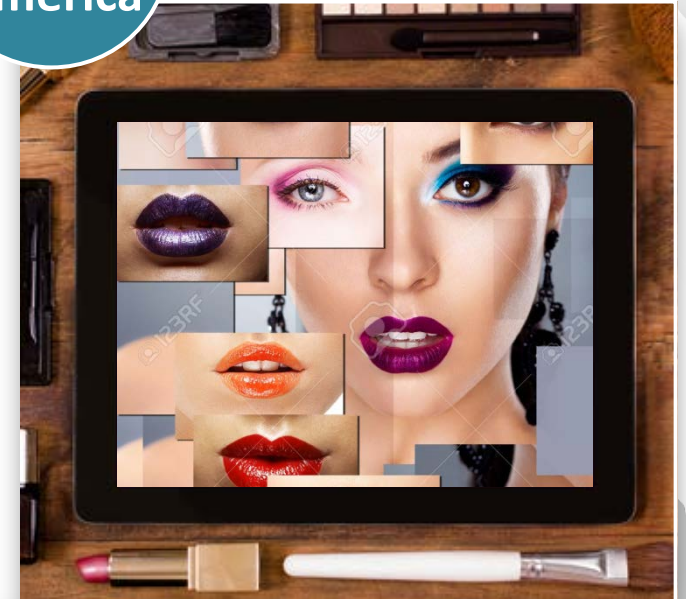
Market expansion in Eastern Europe and other countries

Asia



More disposable income, young demographic

North America



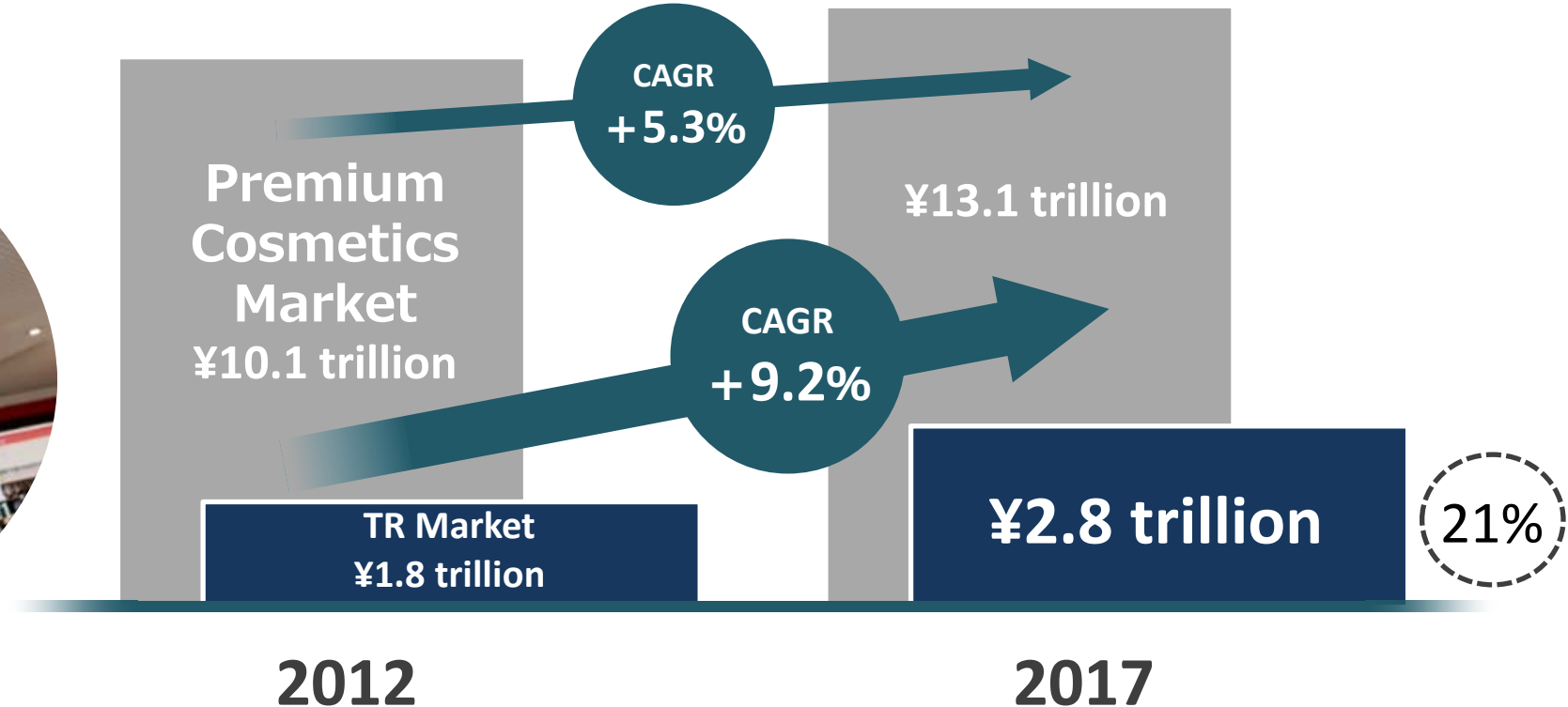
New demand through the combo of digital x makeup

Expansion of the TR Market

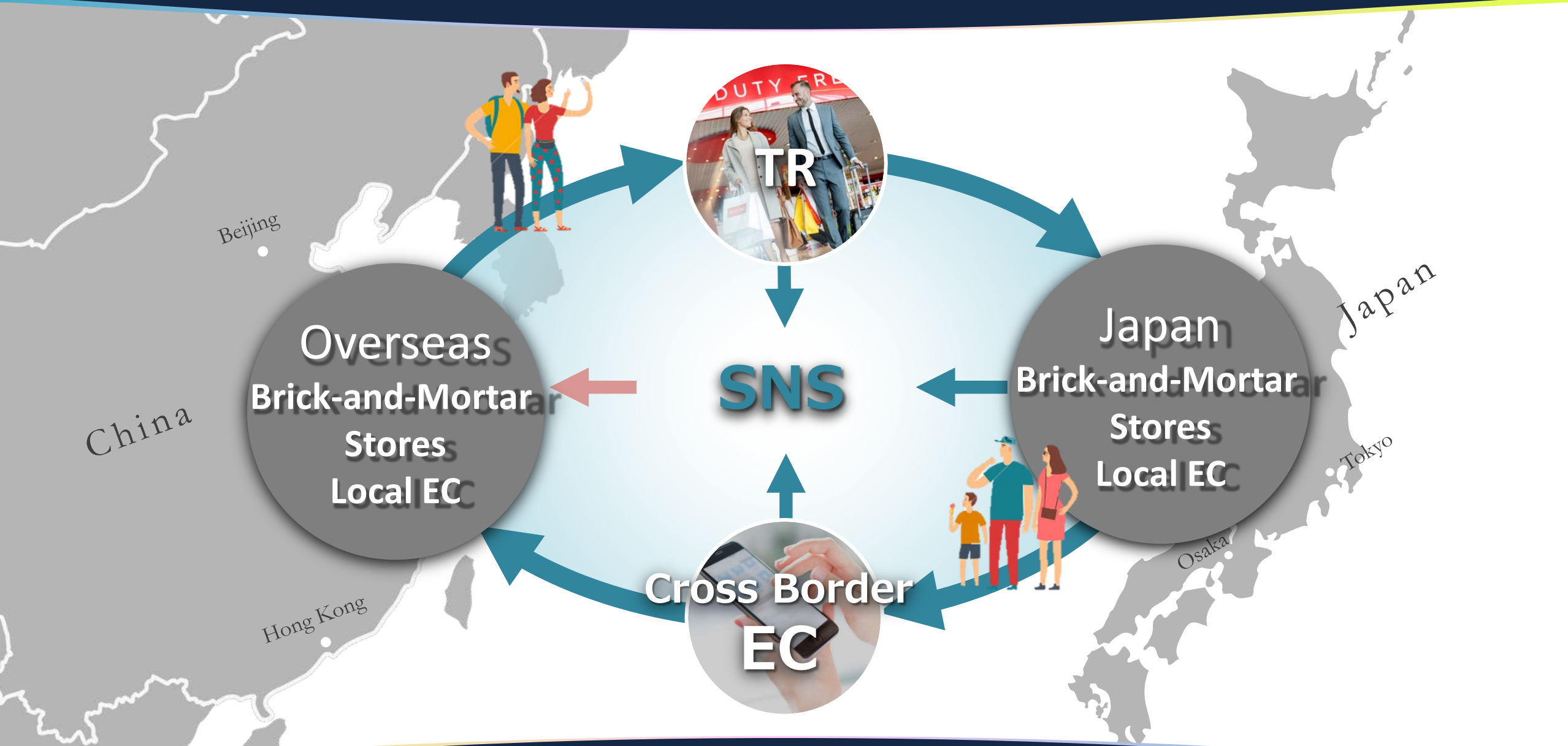


- ✓ Growth of high- and middle-income population
- ✓ Expansion of LCCs
- ✓ Relaxation of visa requirements

Number of Overseas Travelers
1.04 billion → 1.32 billion



Borderless Marketing



Domestic Trends Surrounding Cosmetics



Cosmetics surpass women's apparel in household expenditures in 2017



Cosmetics exports surpass imports for the first time in 2016



Cosmetics sales strong at department stores

Signs of Positive Change



Solid business expansion of three mass-market brands



Surge of SUQQU & RMK (e'quipe LTD.)



Business in China on track for growth

Lack of strong brand creation

Because these five businesses have been operating independently, each has had several brands, and the lateral brand portfolio has been unclear.

MOLTON
BROWN
LONDON

Kanebo

{e'quipe},LTD.

SOFINA

Curél



III-Defined Brand Portfolio

Kanebo



A black and white photograph of four young women running away from the camera through a field of white flowers. They are captured in motion, with their hair and clothing slightly blurred. The woman on the far left has long, dark, curly hair and is wearing a patterned crop top and white shorts. The second woman from the left has long, straight hair and is wearing a dark, patterned halter top and denim shorts. The third woman has long, dark hair and is wearing a white t-shirt and denim shorts. The woman on the far right has short, dark hair and is wearing a light-colored, short-sleeved shirt and light-colored pants. The background shows a line of trees on a hill under a bright sky.

2. Vision

VISION

MOLTON
BROWN
LONDON

Kanebo

{e'quipe},LTD.

SOFINA

Curél

Building a

new global portfolio

encompassing the five cosmetics businesses...



VISION



**Combine scientifically proven benefits with
emotional and sensory appeal**

**Create a group of distinctive brand
identities with a presence in Asia and Europe.**



3. Specific Initiatives

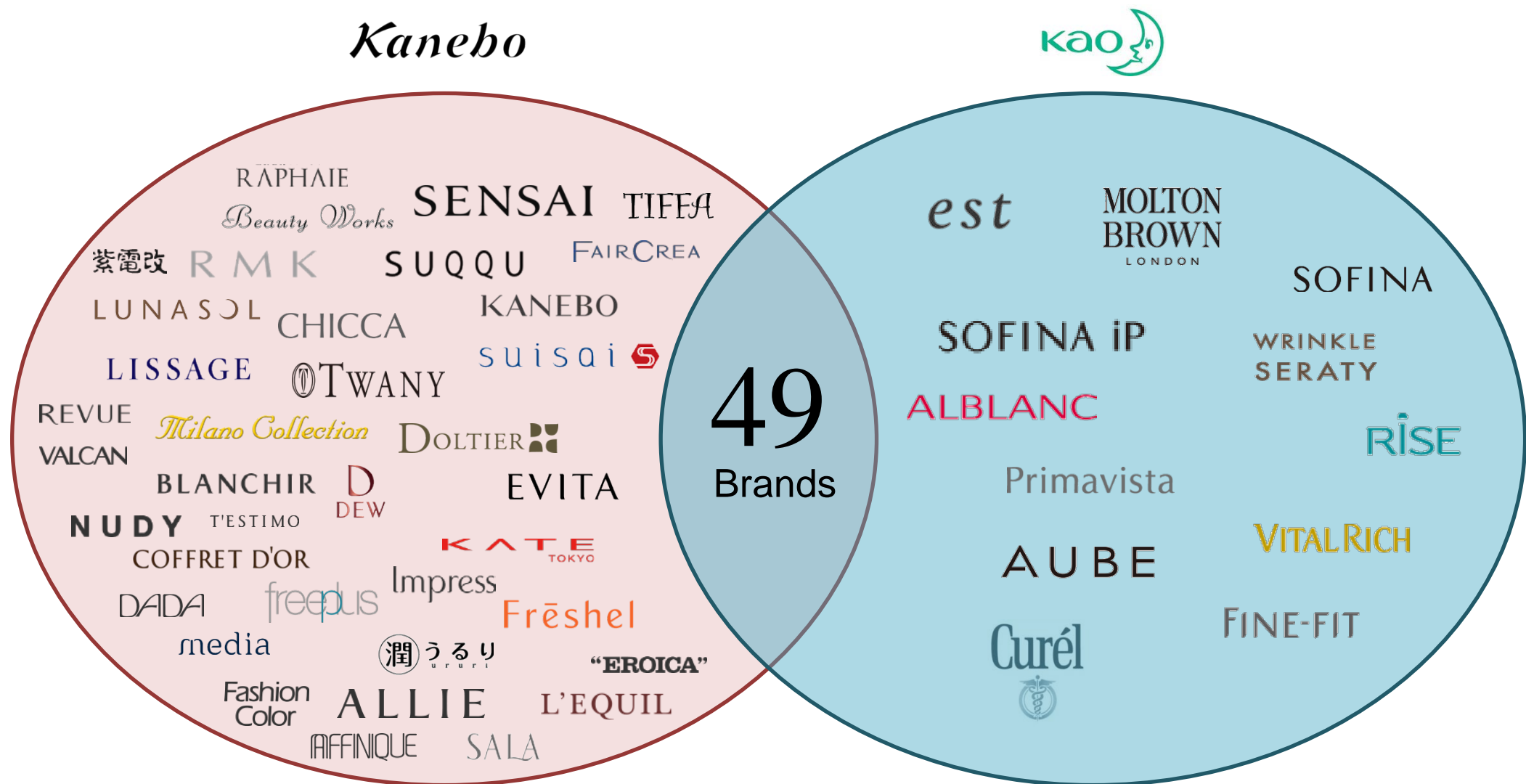
Specific Initiatives

**Global
Portfolio
Strategy**

**Foster New
Brands
in Japan**

**Management
System
Reform**

Lack of Clear Distinction in Portfolio



Build New Global Portfolio

Combine scientifically proven benefits with emotional and sensory appeal



Build New Global Portfolio

✓ **Current and potential brand strength**

✓ **Brand earning power**

✓ **Capacity for global expansion**

Build New Global Portfolio

Combine scientifically proven benefits with emotional and sensory appeal



New Global Portfolio



SENSAI

HISTORY



● 1979

Kanebo Cosmetics enters the European market
Launch at Harrod's of London

● 1983
Launch of
SENSAI



● 1989

Ultra premium
SENSAI
EX La Crème (launch)

● 2018 (today)

Super-prestige brand with a
foothold in 40 countries and regions
(Eastern and Western Europe, Middle East)



SENSAI



Silk: Koishimaru Silk

All items are formulated with the rare, signature ingredient *Koishimaru Silk*, which infuses the skin with ample moisture.



SENSAI Saho: Method

Original skincare methods based on uniquely Japanese skincare rituals that beautify the skin. Named after *saho*, a concept from the tea ceremony.

A super-prestige brand marketed in Europe

Fusion of Japan's sense of delicate harmony and latest dermatological technology.

SENSAI

NEXT STAGE



2019: Launch in Japan



2020: Mainland China

est



- Expand value-added items from autumn 2019
- Conduct a creative overhaul

KANEBO



- Finalize product lineup in autumn 2018
- Create a sharp star item

R M K



S U Q Q U



- Accelerate globalization of two existing brands
- Prepare for the introduction of a new brand in 2020



**-Create an iP line centered on
Base Essence**



**-Enhance the brand using
EC/TR as a catalyst**

Accelerate Global Expansion of Three Mass Brands



-Prepare to expand in the U.S., U.K., and Germany in 2019, in addition to Japan and Asia



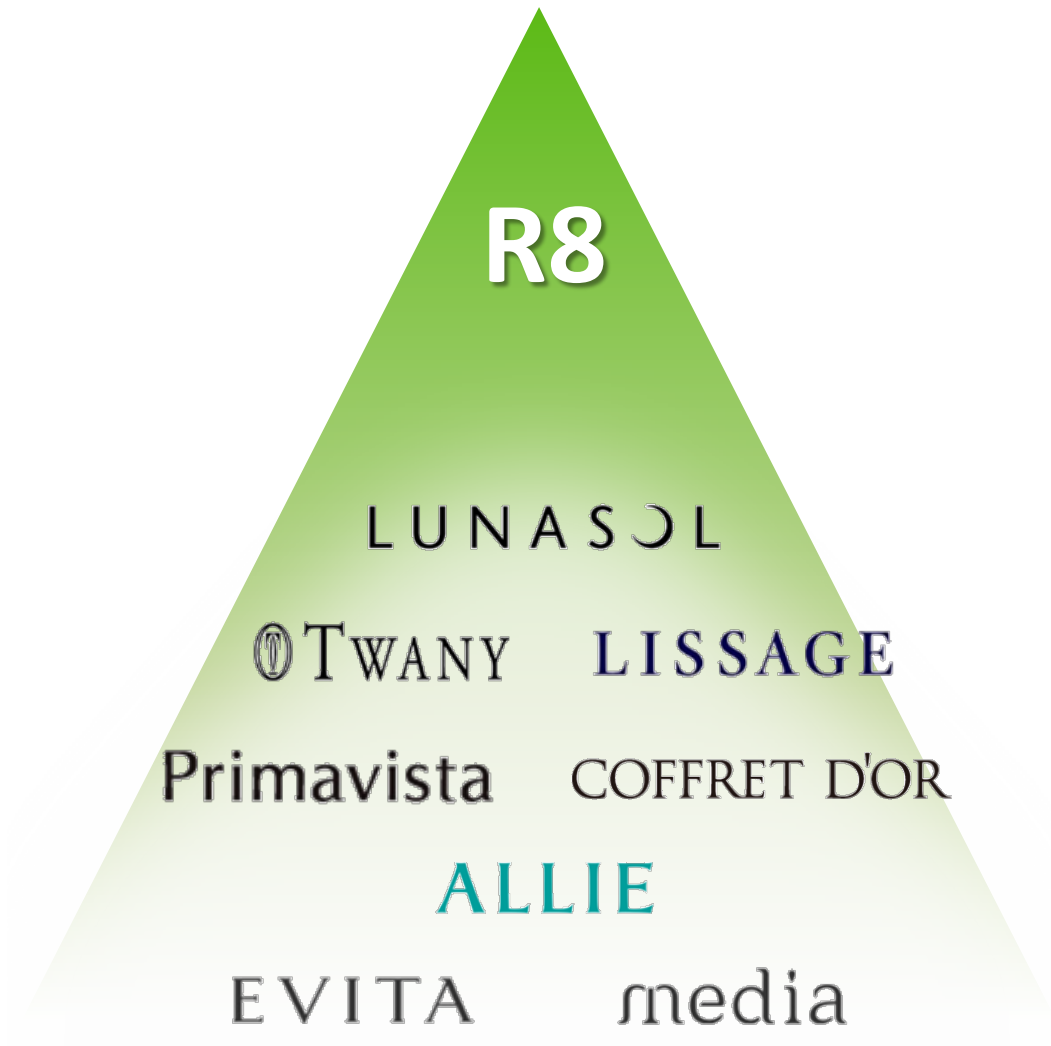
**-Further expansion in China
-Continue major city marketing in ASEAN countries**



freeplus

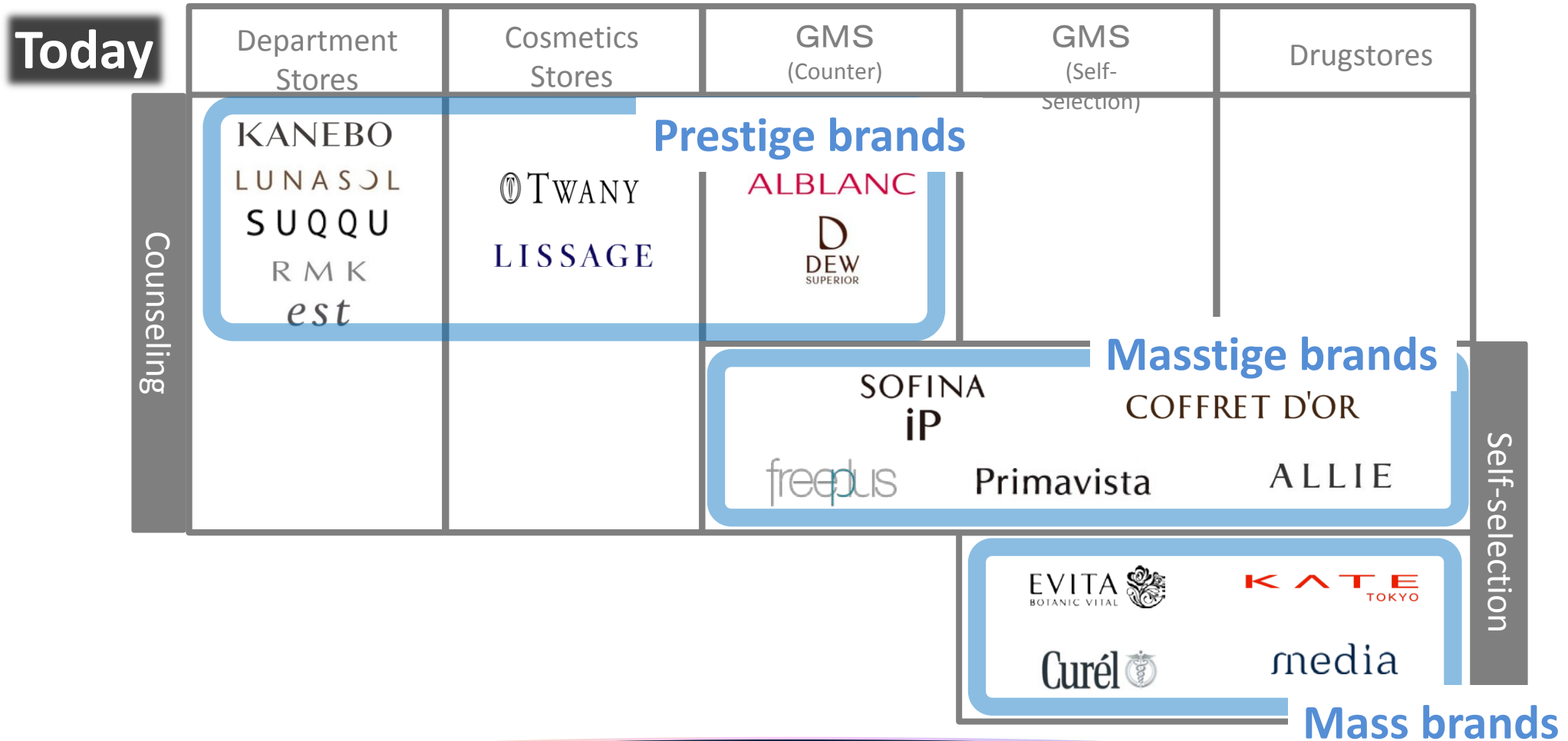
-Strengthen the brand in Japan and ASEAN countries, in addition to strengthening business in China

New Global Portfolio



New Brand Strategy in Japan

1 Repositioning in “counseling” and “self-selection” brands



New Brand Strategy in Japan

1 Repositioning in “counseling” and “self-selection” brands

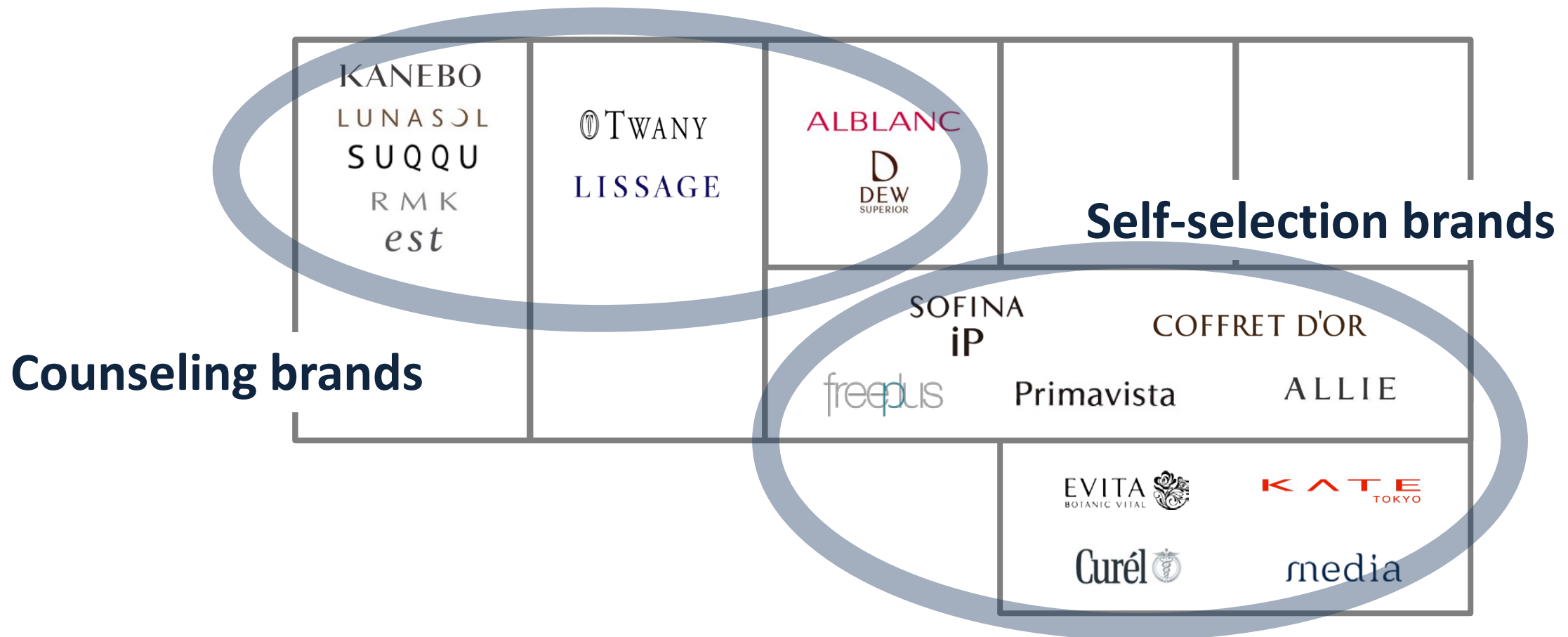
Today

	Department Stores	Cosmetics Stores	GMS (Counter)	GMS (Self-Selection)	Drugstores
Counseling	KANEBO LUNASOL SUQQU RMK est	OTWANY LISSAGE	ALBLANC DEW SUPERIOR		
			SOFINA iP freepus COFFRET D'OR Primavista ALLIE		
				EVITA BOTANIC VITAL Curél	KATE TOKYO media
					Self-selection

Ill-defined positioning:
Development and marketing is unclear
(⇒high cost structure)

New Brand Strategy in Japan

1 Repositioning in “counseling” and “self-selection” brands



New Brand Strategy in Japan

1

Repositioning in “counseling” and “self-selection” brands

Counseling

KANEBO *est* LUNASOL
SUQQU OTWANY ALBLANC
RMK LISSAGE DEW
SUPERIOR

Personal counseling by trained beauty consultants

- Product development and marketing with a personalized approach focusing on individual consumer needs

Self-Selection

Self-selection without personal consultation

- Create star items with distinctive features
- Reinforce communication and store promotion best suited to each brand

SOFINA COFFRET D'OR EVITA
iP
freedus Primavista ALLIE
Curel® KATE TOKYO media

New Brand Strategy in Japan

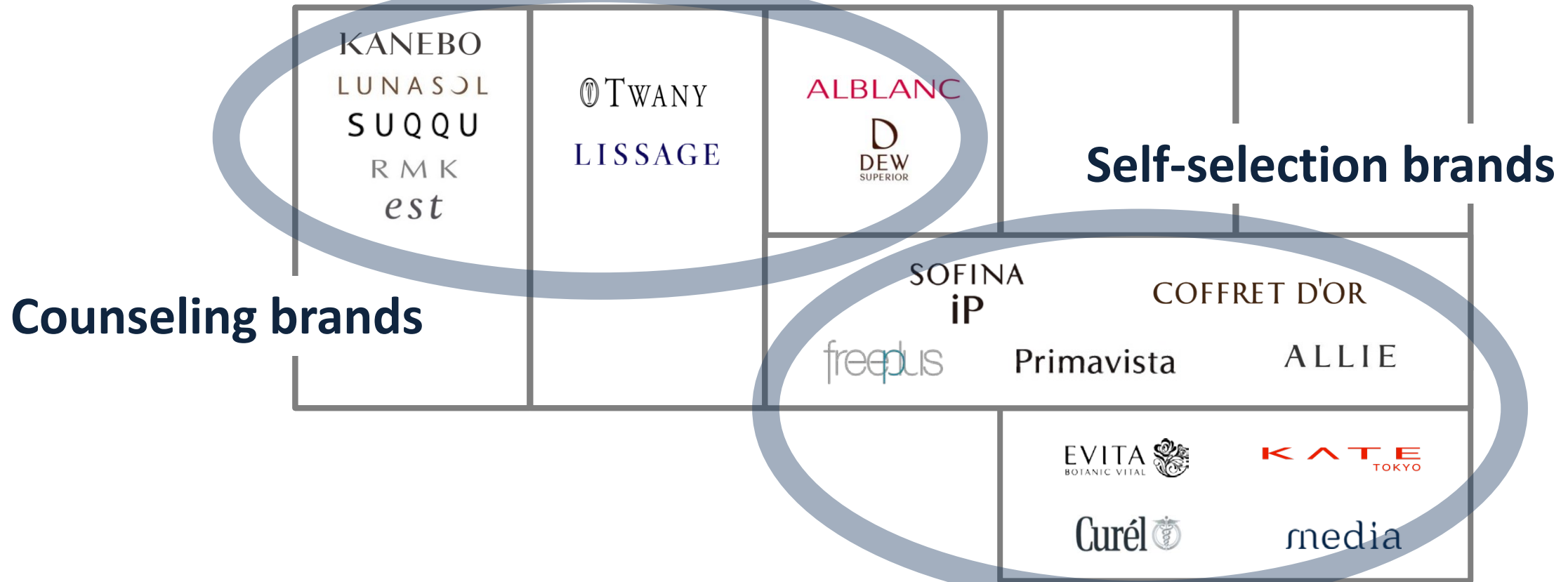
- 2 Shift from a conventional “channel-based” brand positioning strategy to a “customer-based” brand positioning strategy attuned to customers’ methods for selecting and purchasing products.



New Brand Strategy in Japan

2

Shift from a conventional “channel-based” brand positioning strategy to a “customer-based” brand positioning strategy that is attuned to customers’ methods for selecting and purchasing products.



Specific Initiatives

**Global
Portfolio
Strategy**

**Foster New
Brands
in Japan**

**Management
System
Reform**

Rapid Changes in the Business Environment

New Concept Shop

Change
Management

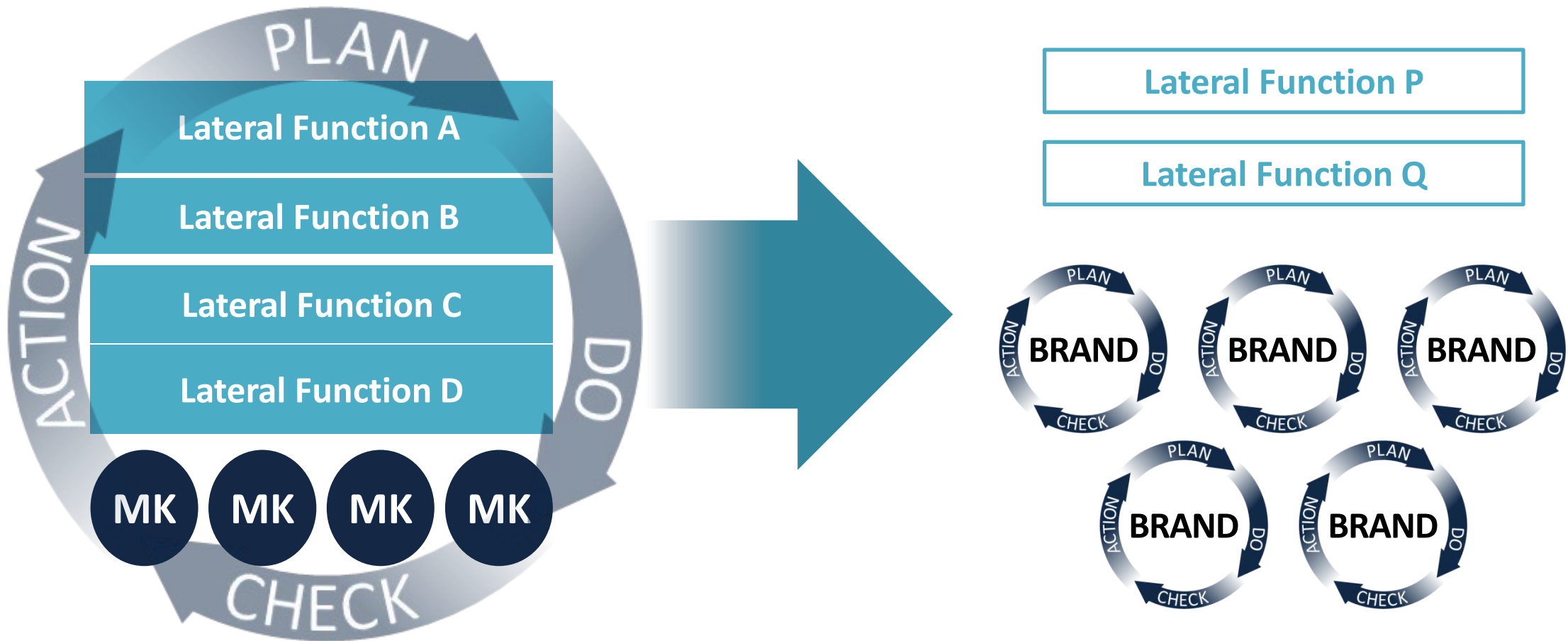
Industry 4.0

SNS

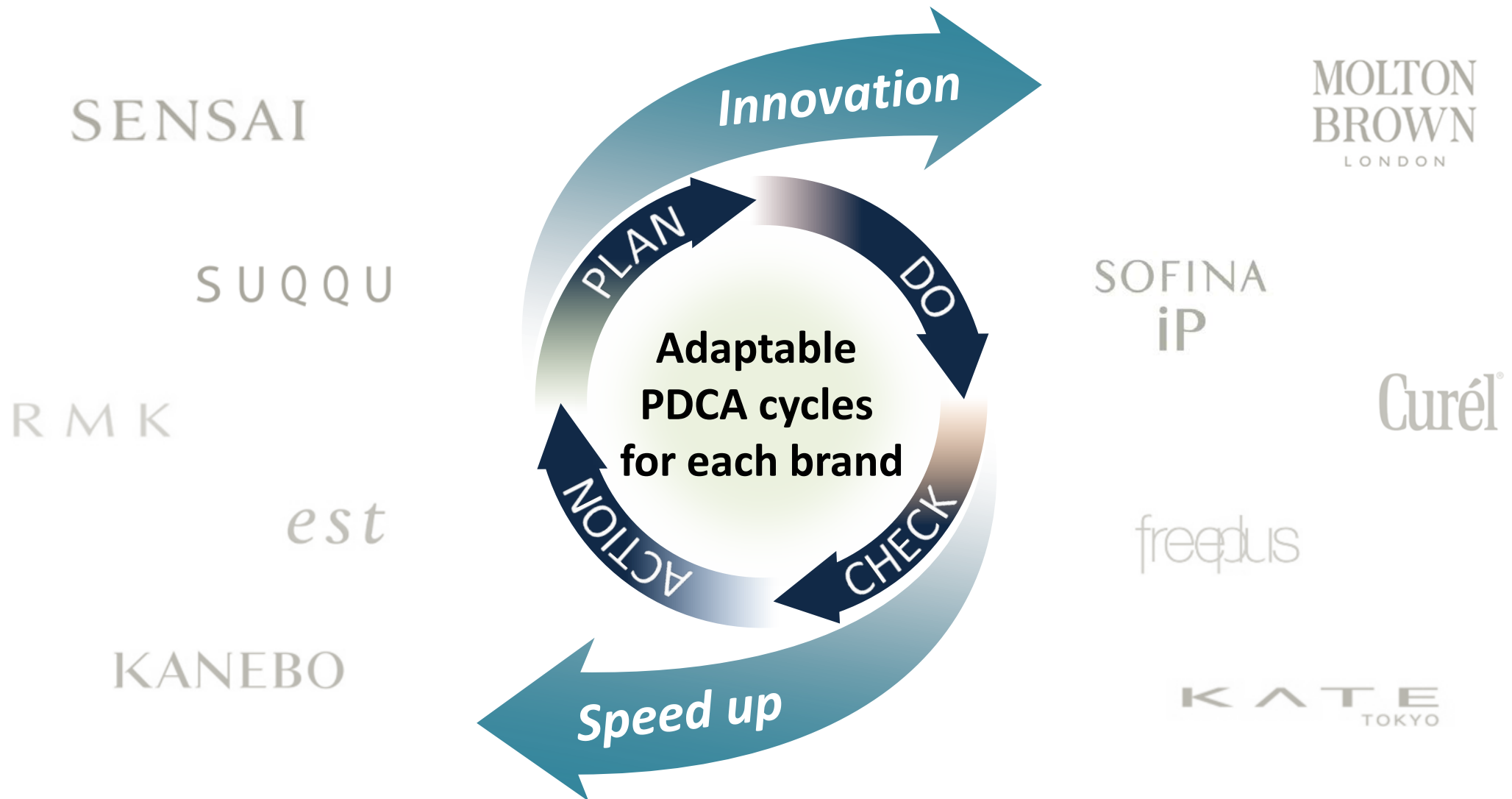
IoT

Management System Reform

Introduce brand team system in which PDCA is adaptable and fast



Management System Reform



VISION

To create a group of distinctive brand identities
with a presence in Asia and Europe,
by combining scientifically proven benefits
with emotional and sensory appeal.

2020 Management Objectives

To reach over ¥300 billion in sales and an operating margin of 10%

Overseas sales ratio: 20% (2017) → 25%



MAKE YOUR TRUE BEAUTY.



These presentation materials are available on our website in PDF format:
<http://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.