



Kao Group

Hair Care Business Growth Strategy

September 19, 2024

Mayumi Moriya

President, Hair Care Business-2, Global Hair Care *Sharp Top* Project,
Health and Beauty Care Business,
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.

Kao Hair Care Growth Strategy

(shift to “Growth Driver” from “Business Transformation”)

WHAT

Focus on providing **high-value-added** products and services in the **hair color** and **premium care** (in-bath) market, concentrate investments in **strategic brands**, and achieve **global growth**

WHY

- ✧ **Rapidly growing market** driven by the rising demand for self-expression and essential care needs
- ✧ Category where **Kao's technological capabilities** can be leveraged. Offer high-value-added products with a high repeat purchase rate

HOW

- ✧ **Continued and focused investment** in strategic brands
- ✧ Maximizing **synergies** through **horizontal expansion** of **Kao's assets** (technologies, premium businesses, and DX expertise)

Agenda

- I. Current Status** Business Overview and Environment
- II. Strategies** Shifting to the Growth Driver
- III. Progress** *ORIBE / melt*
- IV. Future** K27 Business Target

Agenda

- I. Current Status** Business Overview and Environment
- II. Strategies Shifting to the Growth Driver
- III. Progress *ORIBE / melt*
- IV. Future K27 Business Target

Current Status of Kao's Hair Care Business

Over **90 years** of **history** since the launch of *Kao Shampoo*

Businesses ranging from **mass markets** to **hair salons**

Expansion to approx. **100 countries**

Net sales approx. **165 billion yen**/
Sales ratio **outside Japan** approx. **60%**

Presence in major countries
No.1 in Japan^{*1}
No.1 in the UK^{*2}
(premium care)

Double-digit business profit margin

The sales ratio outside Japan, business profit margin and number of countries in which we have expanded are based on results from 2023

^{*1} INTAGE SRI+; share of sales in the in-bath hair care market from January to December 2023

^{*2} Circana Major Multiples incl. Boots & Superdrug, premium haircare category (as defined by Kao Corporation) value and unit sales for 52 w/e 6th January 2024 & 52 w/e 17th August 2024

⇒ **Growth speed is the theme**

The Three Key Elements for Beautiful Hair

Kao approaches **all three key elements**

Hair Color / Care / Styling

Color



Texture



Shape



Features of the Hair Color Category

Hair Color is a “**low-satisfaction**” category that causes high **stress**

**Time and effort
to color hair**



**Finished
color**

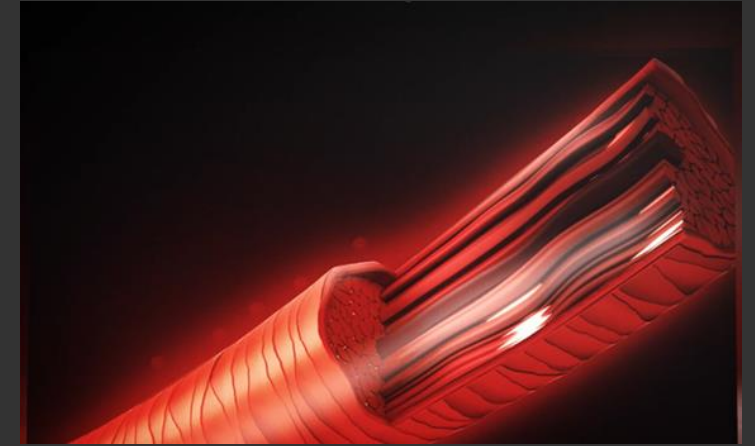
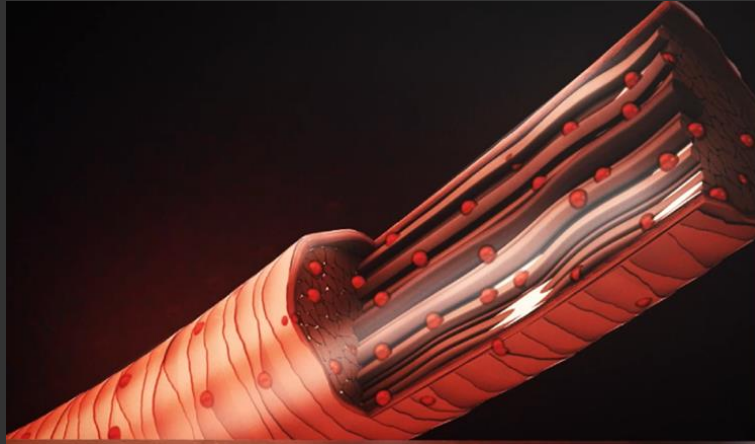
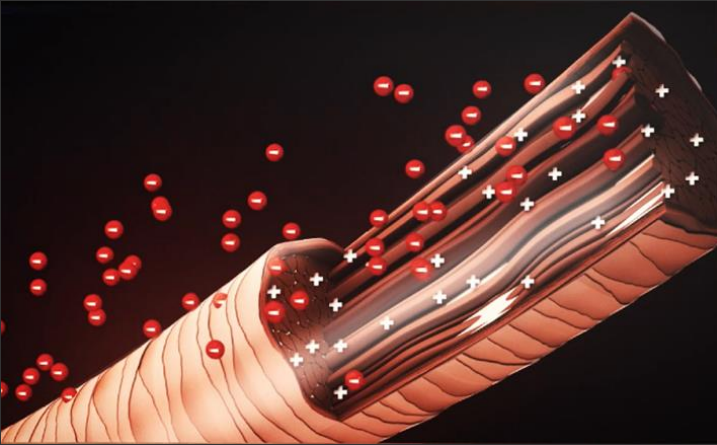


Hair damage



Hair Color Innovation

Technology that Aims for No Damage and Flexible Coloring



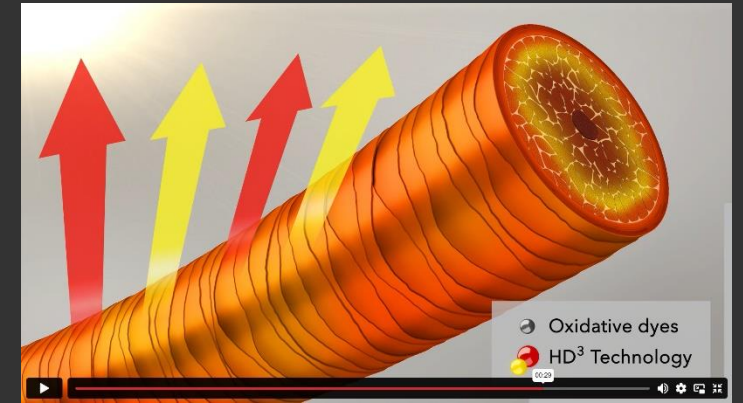
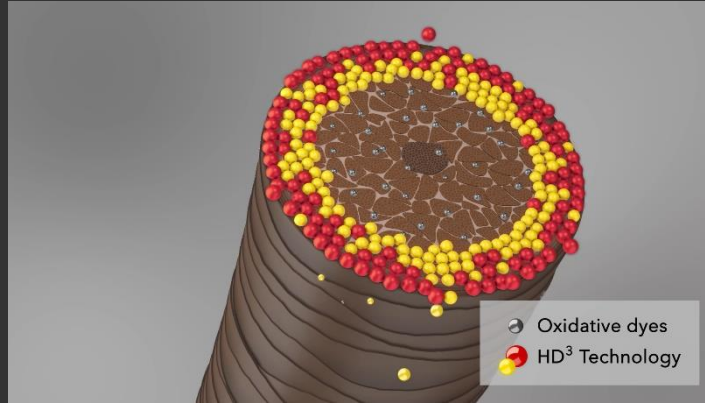
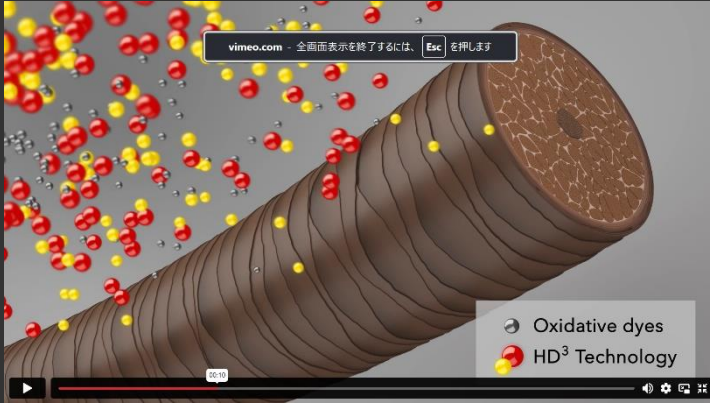
**108% year-on-year
sales growth**

Goldwell Elumen
H1 2024

**Achieves a wide
range of colors**



Dye Development for Multi-dimensional Color Leveraging Light



Regular colorant



New dye

Color intensity: 300%*
Color shine: 200%*

* Compared to other Kao hair colors / using newly developed dye

Changing the Game with Easy-to-Use Foam Color



Hair lighteners in Japan



**No. 1 in sales
for 6 consecutive years**

INTAGE SRI+; hair lightener market
Cumulative sales amount of *Liese Creamy Bubble Color* from January 2018 to December 2023



Before coloring



After coloring

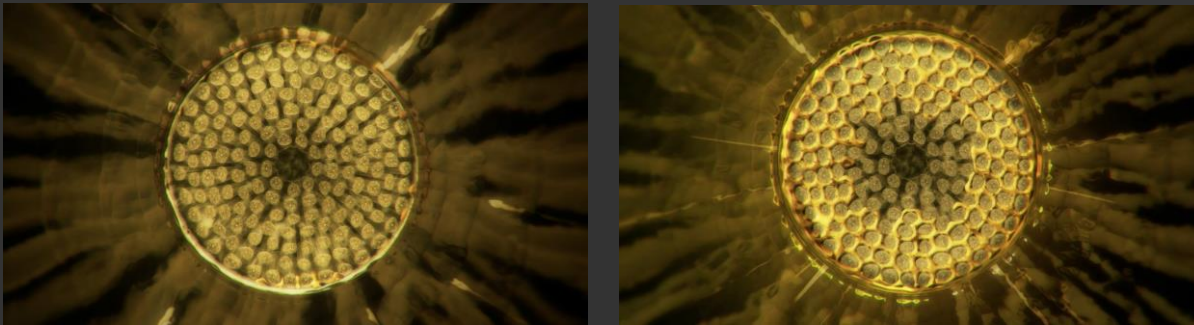
Perfect coverage: 78%*
(2.5 times compared to
conventional colors)

* When using foam color / Subjective evaluation from
hair stylists

Care Innovation

Elegant Luster from the Core

Hair Beautifying Technology



Main brands with this
technology

Cumulative sales
approx. 70 billion yen



Shine*: 120%

* Phase alignment for
cases with 10% wavy hair

Head Spa Concept: Carbonated Shampoo

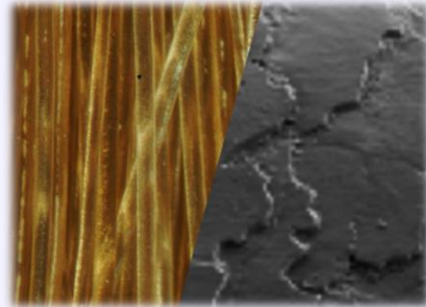
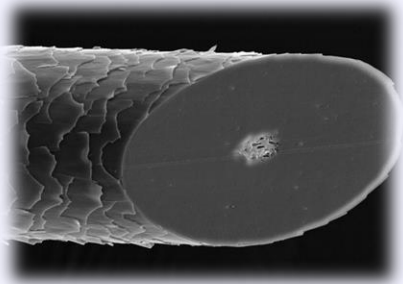
Special cleansing with ultra-fine foam



Research and Development Structures Supporting Kao's Hair Care Technologies

Deep Essential Research on the Nature of Human Hair

- Over 90 years, 18 countries, a total of 220,000 people surveyed
- Diverse research fields and advanced analytical technologies



Broad Solution Technology

- Product development with a focus on tangible quality that people can realize
- Integration of a wide range of technologies



Hair science

Skin science

Sensory science

Bioscience

Analytical science

Safety

Production engineering

Packaging technology

Materials science

Chemical

Next Step for Innovation: Tackling Challenging Issue in Shampoo Ingredient Formulations



<Image of the formulated ingredients>

Next Step for Innovation: Tackling Challenging Issue in Shampoo Ingredient Formulations



A new technology that will change the game in shampoo^{*1}

Achieving large-volume mixtures of lipid ingredients that were hard to formulate together
Supplying ingredients to hair while washing it

^{*1} Compared to the technology within Kao. A technology that made it possible to formulate large amounts of lipid ingredients (such as ceramide α^{*2} and lanolin fatty acids).

^{*2} Bis-methoxypropylamide isododecane

Two Major Trends in Consumer Needs

Self Expression Needs

People want to express themselves with their hair

HAIR IS IDENTITY

71%

of consumers in the **UK** consider **hair to be** a large part of **their identity** *1

STAY AS YOU ARE

40%

The **U.S. market** for perms and hair straightening, has **contracted by 40%**. Increasingly, people are embracing their natural hair *2

HAIRCARE AS SELF-CARE

58%

of consumers in the **U.S.** consider **hair washing to be self-care** *4

SPENDING MORE TIME

21%

of consumers in **South Korea** spend **more time on their hair care routine** *5

WANT TO TRY NEW HAIR COLOR

87%

of young people in the **U.S.** are willing to **try different hair colors** *3

SEEKING STRESS RELIEF

87%

of adults in **Brazil** actively seek ways to **reduce stress** *6

*1 : Mintel / Hair Colourants – UK – 2024

*2 : Euromonitor / US Perm and Relaxants market size comparison 2018 vs 2023

*3 : Mintel / Disrupt hair color to keep pace with evolving trends – 2024

*4 & 6: Mintel / The Future of Haircare, Styling & Colour – 2023

*5 : Mintel / What's next in North APAC haircare? – 2024

Rising Expectations for High-value-added Hair Care Products

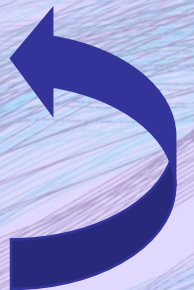
These two major trends bring rising **expectations** for **high-value-added** hair care products

Desire for **self expression** with **hair color, texture, and shape**

Desire for **essential care**

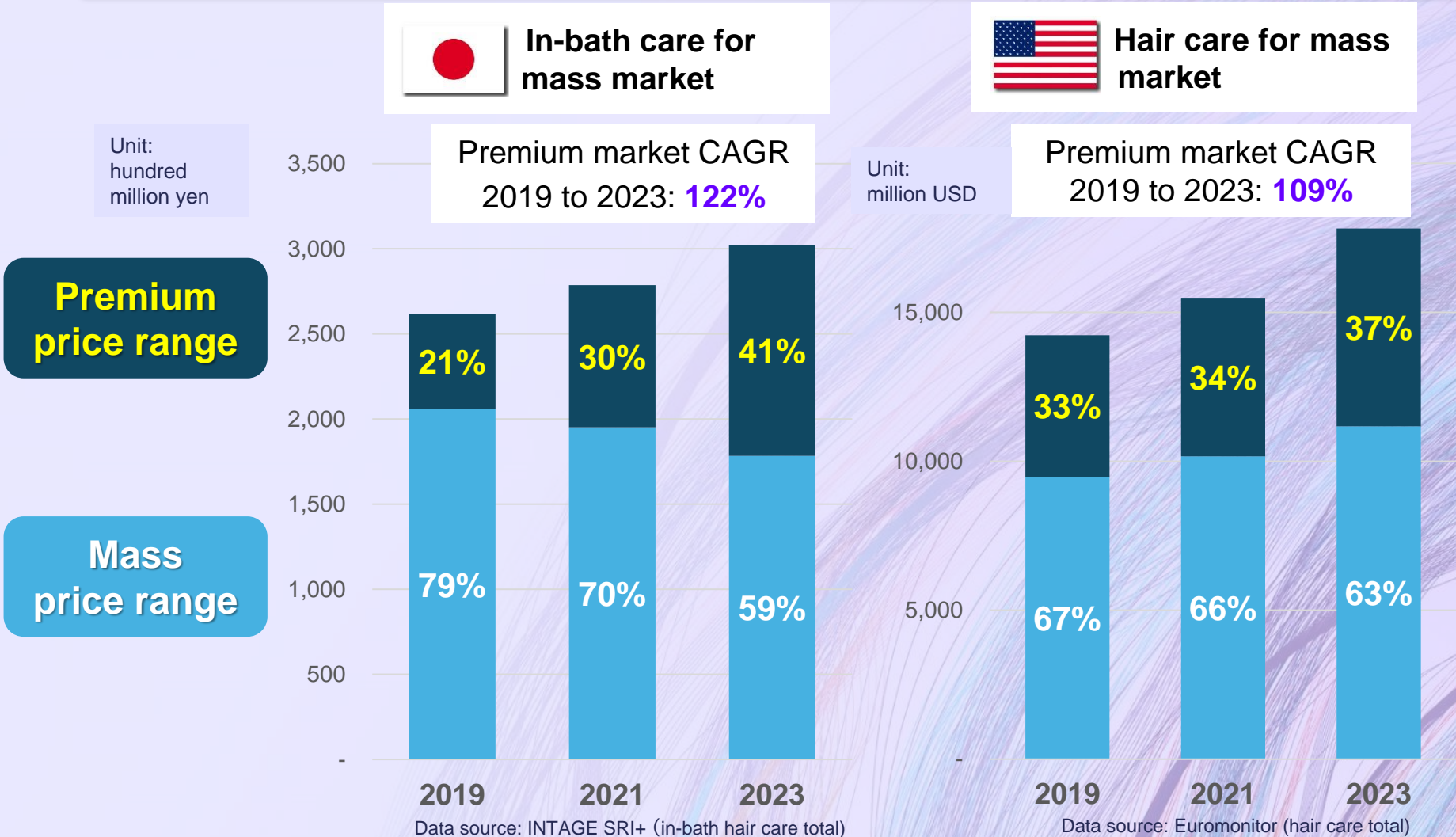
Rising usage rate in **hair colors, irons, straightening**, etc.

Hair damage
Inability to realize
ideals for beauty



Market Size Trends - Growth of High Price Range

Growth in the composition rate of **high-priced products** in major countries



Agenda

- I. **Current Status** Business Overview and Environment
- II. **Strategies** Shifting to the Growth Driver
- III. **Progress** *ORIBE / melt*
- IV. **Future** K27 Business Target

Hair Care Global Market Size / Category Composition (2023)

Approx. **14 trillion yen**

(retail basis) 2018-2023 **CAGR 103%**



**Products for
hair salons**

(Market: approx. 4 trillion yen)

- Hair color
- Styling
- Shampoos
- Conditioners



**Hair color for
mass market**

(Market: approx. 2 trillion yen)



**Styling products
for mass market**

(Market: approx. 1 trillion yen)



**In-bath care for
mass market**

(Market: approx. 7 trillion yen)

- Shampoos
- Conditioners

**Premium
price range**

**Mass
price range**

Kao Hair Care Growth Strategy

Achieve thorough transformation with **high-value-added products**
for people who are conscious about hair care

Focus on the **hair color** and **premium care (in-bath care)** market

Strategic
brands

Hair Color
(products for hair salons and mass market)

GOLDWELL.



- Hair color
- Styling
- Shampoos
- Conditioners



**Mass
Styling**

(Market: approx. 1 trillion
yen)

Premium Care
(in-bath care)



ORIBE

JOHN FRIEDA.

Rested * Beauty
melt

- Shampoos
- Conditioners

**Mass
price range**

Hair Color Strategy

[Common]

◆ **Technology innovations**

that address functional dissatisfaction

Natural beauty of hair
(free of damage)

&

Ideal brightness
and color

Coexistence

GOLDWELL.

Stylist first
hair salon color brand



- ◆ Focus on color to **attract the next generation of stylists**
- ◆ **Enhance efficiency through organizational reforms** in response to channel structure changes

Liese

Color cosmetic brand
focusing on inherent
qualities of Asian hair



- ◆ Bolster product rollout to suit **consumers' needs in Asia**

Premium Care Strategy

[Common]

- ◆ **Bolster brand power that appeals to emotions** besides our strong capabilities in research and products



Art
Brand power



Science
Research capabilities



Craft
Product capabilities



ORIBE

Super premium hair salon brand

- ◆ Accelerate growth in **Europe and e-commerce**

Rested * Beauty
melt

Premium brands in Japan

- ◆ Polish emotional value, **enter premium market in Japan**

JOHN FRIEDA.

Brand in the Americas and Europe
with tangible solutions for hair trouble

- ◆ Promote **further premiumization**

Agenda

- I. **Current Status** Business Overview and Environment
- II. **Strategies** Shifting to the Growth Driver
- III. **Progress** *ORIBE / melt*
- IV. **Future** K27 Business Target



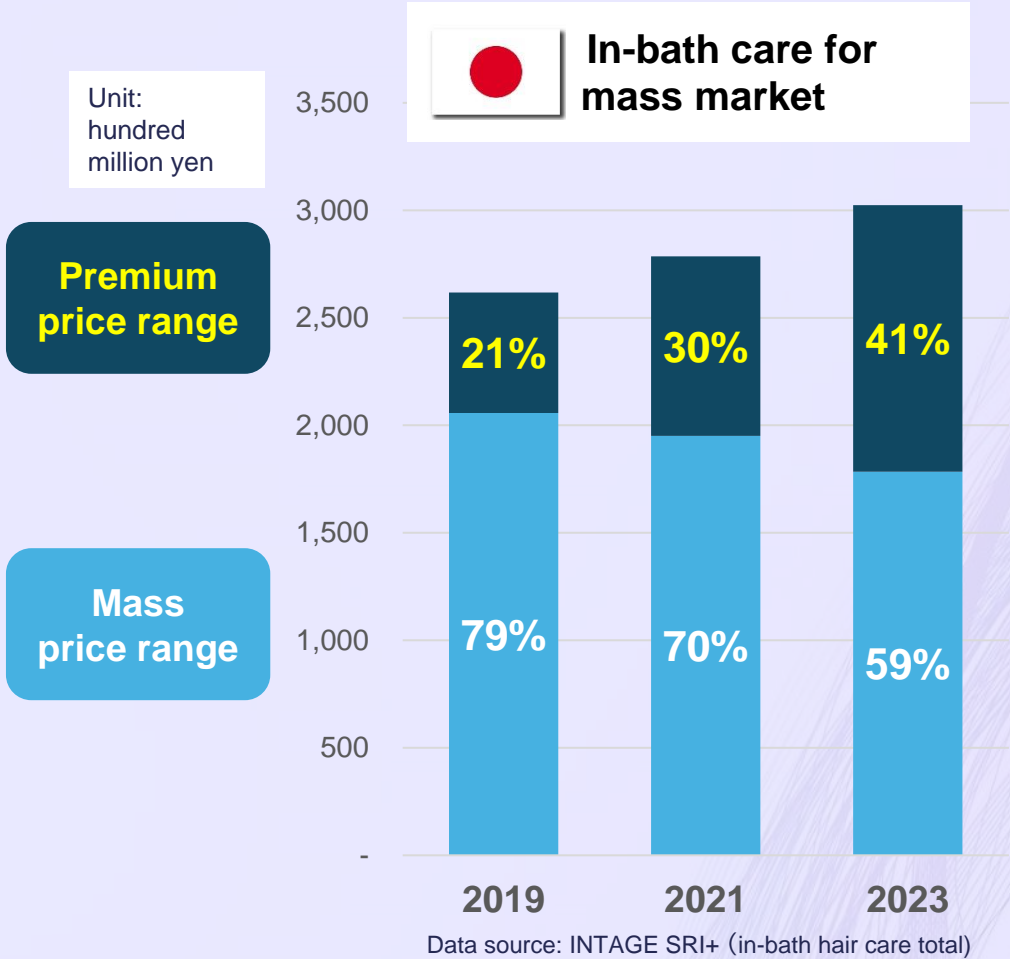
こんにちは、ORIBEヘアケア共同創業者兼社長のダニエル・ケイナーです

Agenda

- I. **Current Status** Business Overview and Environment
- II. **Strategies** Shifting to the Growth Driver
- III. **Progress** *ORIBE / melt*
- IV. **Future** K27 Business Target

Entry into the Premium Care Market in Japan

A full-scale entry into the premium care market in Japan in spring 2024



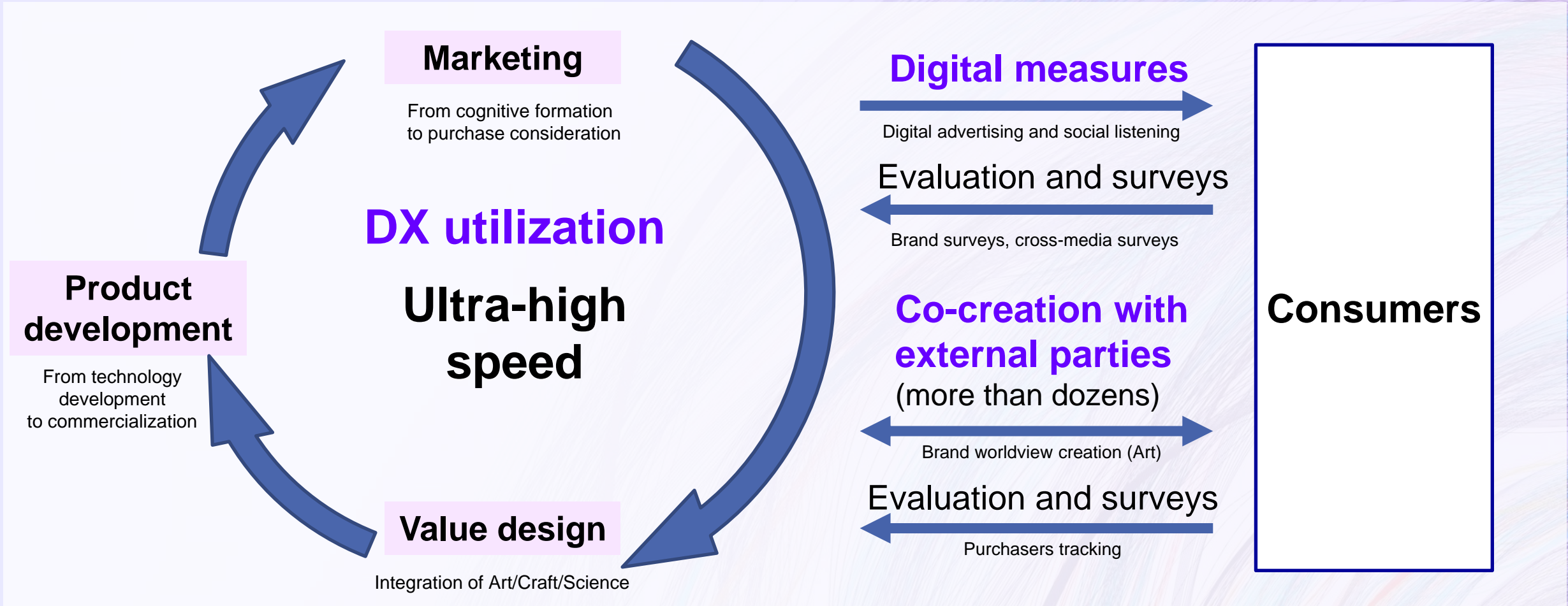
“Beauty care
for relaxing moments”
to care for hair while unwinding

Rested * Beauty
melt

30

DX Utilization — Enhance Speed and Quality in Product Development and Marketing

Reform systems for product development and marketing **using DX**
Reducing development period **to 1/4** — Efficient and effective **digital marketing**



melt: Post-launch Results and Future Steps

Purchasers

May 2024 qualitative survey of purchasers n = 20

90% of purchasers “liked” the products and 65% want to continue purchasing

Buyers

From post-launch evaluation/interview comments

“Sold more than twice as much as recently launched competitors’ products”

(WWD; published on Jun 4)

Coexistence between “emotions” and “content”

Beauty professionals/media

Empathy with the “Beauty care for relaxing moments” concept



13 Best Cosmetics Awards



Planning to continue rolling out premium price range products with *melt* as the starting point

Spring 2024

Rested * Beauty
melt

Fall 2024
(scheduled)

2nd step

2025

(scheduled)

3rd step

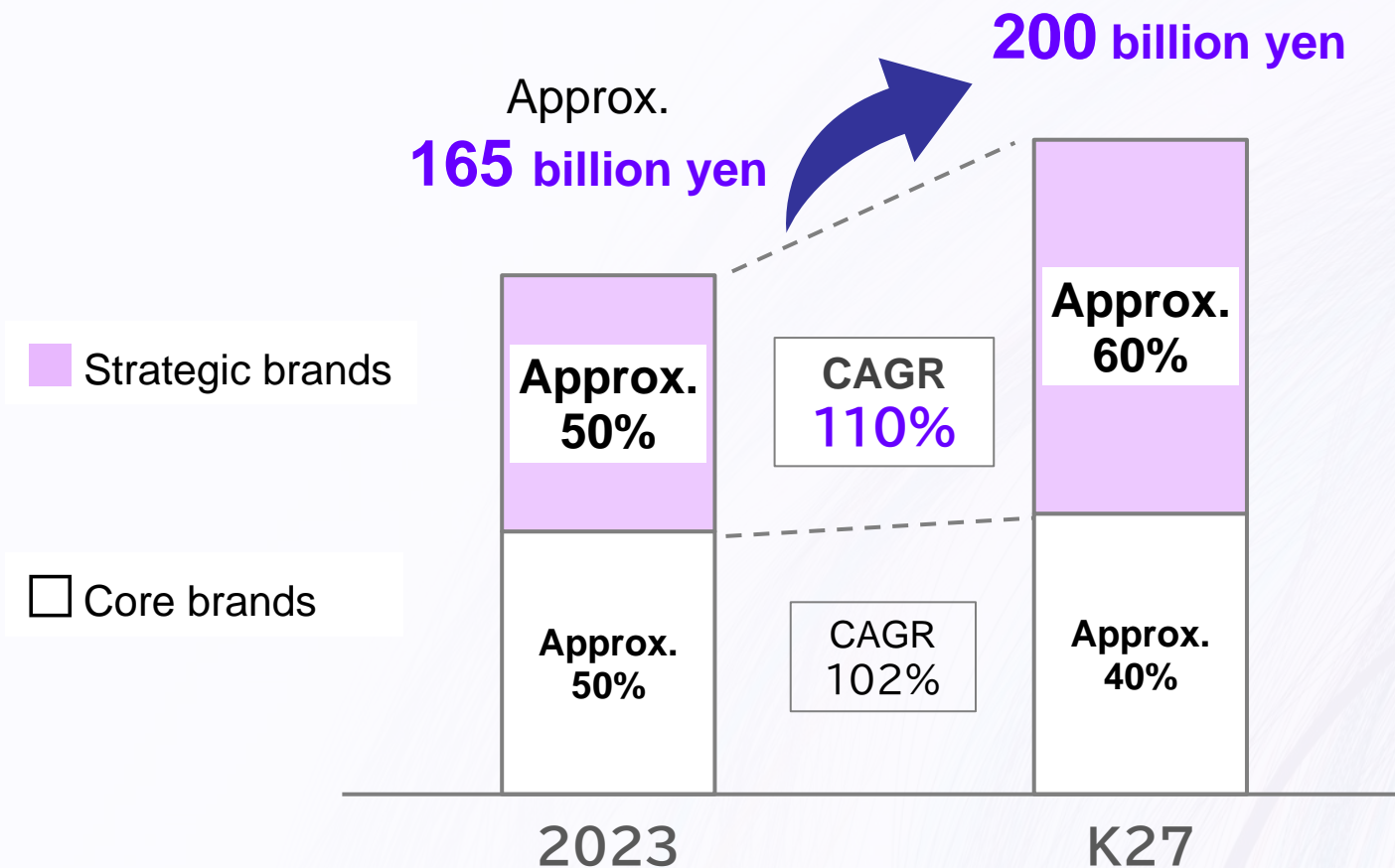
Agenda

- I. **Current Status** Business Overview and Environment
- II. **Strategies** Shifting to the Growth Driver
- III. **Progress** *ORIBE / melt*
- IV. **Future** K27 Business Target

K27 Hair Care Sales Target (2023→K27)

Aim for sales of **200 billion yen**
through **double-digit growth in strategic brands**

<Net sales>



Key Points for Growth by Strategic Category/Brand(2023→K27)

Hair Color

CAGR **107%**

Premium Care

CAGR **113%**

The
Americas
and Europe
focused

GOLDWELL.

Structural reforms
Develop new customers



ORIBE Expand in Europe

JOHN FRIEDA.

Further
premiumization

Asia
focused
(incl. Japan)



Expand in Asia



Swift growth
in Japan

Key Messages

Kao Hair Care Growth Strategy

Net sales: approx. **165 billion yen** → **200 billion yen**

Strategic brands CAGR 110% / Hair care total CAGR 106%

WHAT

Focus on providing **high-value-added** products and services in the **hair color** and **premium care** (in-bath) market, concentrate investments in **strategic brands**, and achieve **global growth**

WHY

- ✧ **Rapidly growing market** driven by the rising demand for self-expression and essential care needs
- ✧ Category where **Kao's technological capabilities** can be leveraged

HOW

- ✧ **Continued and focused investment** in strategic brands
- ✧ Maximizing **synergies** through **horizontal expansion** of **Kao's assets** (technologies, premium businesses, and DX expertise)

Kao

Kirei—Making Life Beautiful

